TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
OUTLINE OF ELIGIBILITY, BENEFIT AND CONTRIBUTION PROVISIONS (Aug 2016)

1. Effective Date

The Texas Statewide Emergency Services Retirement Act (TSESRA) was established effective November 1, 1977 under Senate Bill No. 411 ("SB411"). It has been amended several times, with the most significant changes in a recodification by the 79th Legislature, Regular Session, 2005. In the recodification, the pension system was renamed the Texas Emergency Services Retirement System (System). In the 2013 Regular Session, the System was made a state agency with an Executive Director hired by the System Board of Trustees.

2. Fund

The Texas Emergency Services Retirement Fund (Fund) was created by TSESRA and is a trust fund for providing retirement, disability and death benefits to eligible members and their surviving spouses.

3. Eligibility Requirements

All emergency services personnel who provide services related to fire, rescue and emergency medical services and who serve without monetary remuneration while members in good standing of a participating department are eligible. In addition, auxiliary employees who receive limited compensation from a political subdivision of Texas and who are certified by the political subdivision as being regularly engaged in the performance of duties for a participating department are eligible.

4. Qualified Service

A member is credited with a year of qualified service for each year following the member's date of entry into the System in which the member is present for at least 20 hours of annual training and 25% of the department's emergencies in a calendar year. The participating department must conduct a minimum of 48 hours of training in a calendar year.

Buy-Back: In addition, the governing body may purchase additional qualified service for a member who becomes covered by the System and who has service with the participating department before the department began participating in the System. These "buy-back" years of qualified service are determined as the number of years of service (satisfying the qualified service requirements mentioned above) from the member's date of entry in the department but not more than 10 years prior to the date the department began participating in the System.

Texas Emergency Services Retirement System

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5. Vesting of Benefits

A member became vested upon completing at least five years of qualified service through December 31, 2006. The vesting percent was determined in accordance with the table below. A member whose retirement benefit met a partial vesting requirement as it existed on December 31, 2006, retains the eligibility for that benefit as it existed on that date.

Effective January 1, 2007, a member must have at least ten years of qualified service to become vested. The vesting percent is determined in accordance with the right half of the table below. The monthly benefit payable to the vested terminated member upon attainment of age 55 is computed in the same manner as for retirement except that the benefit and vesting percent are based upon the years of qualified service at the date of termination of service.

Years of Qualified Service	Vesting Percent	
	12/31/2006 and Earlier	**1/1/2007 and Later**
Less than 5	0%	0%
5	25%	0%
6	30%	0%
7	35%	0%
8	40%	0%
9	45%	0%
10	50%	50%
11	60%	60%
12	70%	70%
13	80%	80%
14	90%	90%
15	100%	100%

6. Retirement Benefits

A member is eligible to retire at age 55 or above. Early retirement requires the completion of at least five years of qualified service through December 31, 2006 and ten years thereafter, while normal retirement requires the completion of at least 15 years of qualified service. The only reduction for early retirement is the vesting percent.

The monthly retirement benefit payable to the member is equal to the vesting percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For each year of qualified service in excess of 15 years, the monthly retirement benefit is increased at the rate of 6.2% compounded annually. (The rate was 7% per year before December 31, 2006.)

Prior Service Credit: In addition, the governing body may have purchased prior service credit for service with the participating department before the department began participating in the System that is not buy-back service and that does not count as qualified service. There is a separate benefit formula for this prior service, referred to as accrued time, and the member is assumed to be 100% vested in the accrued time benefit. The maximum amount of accrued time is 20 years, and the monthly benefit is usually $1.25 per year of accrued time.

Service After Retirement: A member electing to retire and receive a monthly retirement benefit from the System may continue to serve as a volunteer fire fighter for his governing body. However, the member is no longer considered an active member of the System; so he is not credited with any additional qualified service or contributions.

7 Disability Benefits

A member who becomes disabled during the performance of emergency service duties is considered 100% vested. A disability benefit is payable during each month that the member is unable to perform his duties for the member's participating department or the duties of any other occupation for which the member is reasonably suited by education, training, and experience.

The monthly disability benefit payable to the member is equal to at least $300. The monthly disability benefit increases $50 for every $12 in monthly contributions above the first $12 in monthly contributions being paid to the System by the governing body at the time of the disability.

A member must elect between retirement or disability benefits if eligible for both.

A member whose service terminates as a result of becoming disabled while not performing emergency service duties shall not be eligible for a disability benefit. Instead, the member is eligible to receive an immediate or deferred benefit based on his age, years of qualified service and vesting percent. The monthly benefit payable to the member beginning on the later of the date of disability or the date the member attains age 55 is computed in the same manner as for retirement.

8. On-Duty Death Benefits Prior to Retirement

A member whose death is the result of performance of emergency service duties is considered 100% vested. A lump sum death benefit as well as a monthly death benefit are payable to the member's spouse (a lifetime benefit) and dependent children (payable until age 19 unless disabled) beginning in the month after the member's death.

The lump sum benefit is equal to $60,000.

The monthly death benefit is equal to 2/3 of the retirement benefit the member would have been entitled to receive based on the greater of 15 years or actual years of qualified service and is payable to the member' spouse and dependent children. An additional amount of 1/3 of the member's retirement pension is payable to the member's dependents as long as both the spouse and at least one dependent child survives.

9. Off-Duty Death Benefits Prior to Retirement

A member eligible to retire whose **death is not the result of performance of emergency service duties** shall be treated as if the member had retired on the date of death. The surviving spouse shall be entitled to a monthly benefit provided the member qualified by both age and service for retirement benefits at the time of death. The monthly death benefit is equal to 2/3 of the member's retirement benefit and is payable to the member's spouse beginning in the month after the member's death.

Alternatively, the surviving spouse may elect to receive a lump sum death benefit. The lump sum benefit is equal to the greater of the sum contributed to the System on behalf of the member or the sum that would have been contributed to the System after 15 years if the member had not completed 15 years at the time of death. If there is no surviving spouse, the beneficiary would receive the lump sum death benefit.

If a member whose death is **not the result of performance of emergency service duties** was **not eligible to retire** at the time of death, his beneficiary shall receive a lump sum benefit. The amount of the lump sum benefit is the same as that described above for a member who dies while eligible to retire.

If a member whose death is not the result of performance of emergency service duties was under age 55 at the time of death but had a vested benefit, then the surviving spouse may elect, in lieu of the lump sum death benefit, a deferred monthly death benefit beginning the month after the decedent would have turned 55. The monthly benefit would be equal to 2/3 of the monthly retirement benefit to which the decedent would have been entitled on that date if he had lived to 55.

10. Death During Permanent Disability

If a member dies while receiving a disability benefit, his surviving spouse shall receive a monthly benefit equal to 2/3 of the monthly disability benefit which the disabled member was receiving at the time of death.

11. Death After Retirement

The surviving spouse of a retired member who dies shall receive a monthly benefit equal to 2/3 of the monthly benefit which the retiree was receiving at time of death.

12. Death While a Vested Terminated Participant

The surviving spouse of a deceased member who dies after terminating service with a vested benefit but before attaining age 55 is entitled to a monthly benefit, beginning on the date the decedent would have attained 55, that is 2/3 of the monthly benefit to which the decedent would have been entitled.

13. Contributions by Governing Bodies

Contributions are made by the governing body for the participating department. No contributions are required from the individuals who are members of the System. Each participating department shall make a contribution for each month a member performs emergency services for the department.

The monthly contribution is composed of two parts.

- The Part One contribution directly impacts future retiree annuities and reflects a minimum amount set by the state board.
- The Part Two contribution may be established by the System Board of Trustees to help amortize the UAAL if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement to pay the normal cost and amortize the UAAL in 30 years.
- If Part Two contributions are needed for the System to have an adequate contribution arrangement, the Part Two contributions are actuarially determined based on the most recent biennial actuarial valuation to be effective beginning on September 1 following the board's approval for the remainder of the 30-year amortization period. The Part Two portion, which is determined as a percent of the Part One portion (not to exceed 15%), may subsequently may be modified based on the then-most recent actuarial valuation.

The Part Two Contribution Rate for FY 2018 and 2018 is 2.0 percent.

A Part One contribution of at least the minimum amount per month of service is payable on behalf of each active member.

- The minimum monthly contribution rate per member for a department participating in the System on September 1, 2005 was increased from $12 to $36 in $4 annual increments, beginning September 1, 2006 and became $36 September 1, 2011.
- The minimum monthly contribution rate for a department that began participation in the System after September 1, 2005 is $36.
- Contributions higher than the minimum Part One contribution rate may be made at the discretion of the governing body in order to provide higher monthly benefits.

The total required contributions by the governing body are equal to the sum of the Part One and Part Two contributions and any special contributions made in order to purchase buy-back years of qualified service and other prior service benefits. The special contributions to purchase buy-back years of qualified service and other prior service benefits shall be determined before the second anniversary of a department's entry into the System. These special contributions (referred to as prior service contributions) shall be payable either in a lump sum or at least annually for a period not to exceed 10 years.

14. Contributions by State of Texas

The State shall contribute the amount necessary to make the System "actuarially sound" each year. However, the State's contribution may not exceed one-third of the total of all contributions by governing bodies in a particular year.

The state law governing the System defines an "actuarially sound pension system" as one in which the amount of contributions is sufficient to cover the normal cost and to amortize the unfunded actuarial accrued liability in a period that does not exceed 30 years.

15. Minimum Benefit Effective January 1, 2007

The TESRS Board of Trustees by board rule reduced the benefit formula for years of qualified service above 15 and eliminated partial vesting for members with less than 10 years of qualified service.

The Board protected vested members by "grandfathering" accrued benefits as of December 31, 2006 for each vested active member for retirement, termination or death. The System calculated the amount of every member's vested accrued benefit as of December 31, 2006 and keeps a record of this amount as each person's minimum benefit.

Upon termination, death, or retirement, the System will pay the larger of the benefit under the new reduced benefit formula and the minimum benefit. Vested terminated members at the effective date of the changes were not affected.