

By: Huffman

S.B. No. 2190

A BILL TO BE ENTITLED

AN ACT

relating to the public retirement systems of certain municipalities.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

ARTICLE 1. FIREFIGHTERS' RELIEF AND RETIREMENT FUND

SECTION 1.01. Section 1, Article 6243e.2(1), Revised Statutes, is amended by amending Subdivisions (1-a), (1-b), (3), (13-a), (15-a), (15-b), and (16) and adding Subdivisions (1-c), (1-d), (1-e), (1-f), (1-g), (3-a), (3-b), (3-c), (10-a), (10-b), (11-a), (12-a), (12-b), (12-c), (12-d), (12-e), (12-f), (12-g), (13-b), (13-c), (13-d), (13-e), (15-c), (15-d), (15-e), (15-f), (15-g), (16-a), (16-b), (16-c), and (16-d) to read as follows:

(1-a) "Actuarial data" includes:

(A) the census data, assumption tables, disclosure of methods, and financial information that are routinely used by the fund actuary to prepare an actuarial valuation or an actuarial experience study under Section 13D of this article; and

(B) any other data that is reasonably necessary to prepare a risk sharing valuation study under Section 13B or 13C of this article. [~~"Average monthly salary" means one thirty-sixth of the member's salary as a firefighter for the member's highest 78 biweekly pay periods during the member's participation in the fund or, if the member has participated in the fund for less than three years, the total salary paid to the member for the periods the~~

1 ~~member participated in the fund divided by the number of months the~~  
2 ~~member has participated in the fund. If a member is not paid on the~~  
3 ~~basis of biweekly pay periods, "average monthly salary" is~~  
4 ~~determined on the basis of the number of pay periods under the~~  
5 ~~payroll practices of the municipality sponsoring the fund that most~~  
6 ~~closely correspond to 78 biweekly pay periods.]~~

7 (1-b) "Actuarial experience study" has the meaning  
8 assigned by Section 802.1014, Government Code [~~"Beneficiary adult~~  
9 ~~child" means a child of a member by birth or adoption who:~~

10 [~~(A) is not an eligible child; and~~

11 [~~(B) is designated a beneficiary of a member's~~  
12 ~~DROP account by valid designation under Section 5(j-1)].~~

13 (1-c) "Amortization period" means the time period  
14 necessary to fully pay a liability layer.

15 (1-d) "Amortization rate" means the sum of the  
16 scheduled amortization payments for a given fiscal year for the  
17 current liability layers divided by the projected pensionable  
18 payroll for that fiscal year.

19 (1-e) "Assumed rate of return" means the assumed  
20 market rate of return on fund assets.

21 (1-f) "Average monthly salary" means, if the member  
22 has participated in the fund for:

23 (A) three or more years, the total salary  
24 received by a member as a firefighter over the member's last 78  
25 biweekly pay periods ending before the earlier of the date:

26 (i) the member terminates employment with  
27 the fire department, divided by 36; or

1                    (ii) the member began participation in the  
2 DROP, divided by 36; or

3                    (B) fewer than three years, the total salary paid  
4 to the member for the periods the member participated in the fund  
5 divided by the number of months the member has participated in the  
6 fund.

7 If a member is not paid on the basis of biweekly pay periods,  
8 "average monthly salary" is determined on the basis of the number of  
9 pay periods under the payroll practices of the municipality  
10 sponsoring the fund that most closely correspond to 78 biweekly pay  
11 periods.

12                    (1-g) "Beneficiary adult child" means a child of a  
13 member by birth or adoption who:

14                    (A) is not an eligible child; and

15                    (B) is designated a beneficiary of a member's  
16 DROP account by valid designation under Section 5(j-1).

17                    (3) "Code" means the federal Internal Revenue Code of  
18 1986, as amended.

19                    (3-a) "Corridor" means the range of municipal  
20 contribution rates that are:

21                    (A) equal to or greater than the minimum  
22 contribution rate; and

23                    (B) equal to or less than the maximum  
24 contribution rate.

25                    (3-b) "Corridor margin" means five percentage points.

26                    (3-c) "Corridor midpoint" means the projected  
27 municipal contribution rate specified in the initial risk sharing

1 valuation study under Section 13C of this article, and as may be  
2 adjusted under Section 13E or 13F of this article, and in each case  
3 rounded to the nearest hundredths decimal place.

4 (10-a) "Employer normal cost rate" means the normal  
5 cost rate minus the member contribution rate.

6 (10-b) "Estimated municipal contribution rate" means  
7 the municipal contribution rate determined in a risk sharing  
8 valuation study under Section 13B or 13C of this article in  
9 accordance with Section 13B(a)(2) of this article.

10 (11-a) "Fiscal year," except as provided by Section 1B  
11 of this article, means a fiscal year beginning on July 1 and ending  
12 on June 30.

13 (12-a) "Funded ratio" means the ratio of the fund's  
14 actuarial value of assets divided by the fund's actuarial accrued  
15 liability.

16 (12-b) "Legacy liability" means the unfunded  
17 actuarial accrued liability:

18 (A) for the fiscal year ending June 30, 2016,  
19 reduced to reflect:

20 (i) changes to benefits or contributions  
21 under this article; and

22 (ii) payments by the municipality and  
23 earnings at the assumed rate of return allocated to the legal  
24 liability for the period between July 1, 2016, and June 30, 2017;  
25 and

26 (B) for each subsequent fiscal year:

27 (i) reduced by the contributions for that

1 year allocated to the amortization of the legacy liability; and  
2 (ii) adjusted by the assumed rate of  
3 return.

4 (12-c) "Level percent of payroll method" means the  
5 amortization method that defines the amount of the liability layer  
6 recognized each fiscal year as a level percent of pensionable  
7 payroll until the amount of the liability layer remaining is  
8 reduced to zero.

9 (12-d) "Liability gain layer" means a liability layer  
10 that decreases the unfunded actuarial accrued liability.

11 (12-e) "Liability layer" means the unanticipated  
12 change as established in each risk sharing valuation study prepared  
13 under Section 13B or 13C of this article, as applicable.

14 (12-f) "Liability loss layer" means a liability layer  
15 that increases the unfunded actuarial accrued liability. For  
16 purposes of this article, the legacy liability is a liability loss  
17 layer.

18 (12-g) "Maximum contribution rate" means the rate  
19 equal to the corridor midpoint plus the corridor margin.

20 (13-a) "Minimum contribution rate" means the rate  
21 equal to the corridor midpoint minus the corridor margin [~~"Normal~~

22 ~~retirement age" means the earlier of:~~

23 [~~(A) the age at which the member attains 20 years~~  
24 ~~of service; or~~

25 [~~(B) the age at which the member first attains~~  
26 ~~the age of at least 50 years and at least 10 years of service].~~

27 (13-b) "Municipality" means a municipality in this

1 state having a population of more than 2 million.

2 (13-c) "Municipal contribution rate" means, for a  
3 fiscal year, the rate at which a municipality makes contributions  
4 to the fund under Section 13A(a) of this article.

5 (13-d) "Normal cost rate" means the salary weighted  
6 average of the individual normal cost rates determined for the  
7 current active population plus an allowance for projected  
8 administrative and investment expenses. The allowance for  
9 projected administrative expenses equals the administrative  
10 expenses divided by the pensionable payroll for the previous fiscal  
11 year, provided the administrative allowance may not exceed 1.25  
12 percent of the pensionable payroll for the current fiscal year  
13 unless agreed to by the municipality.

14 (13-e) "Normal retirement age" means:

15 (A) for a member, including a member who was  
16 hired before the year 2017 effective date and who involuntarily  
17 separated from service but has been retroactively reinstated in  
18 accordance with an arbitration, civil service, or court ruling,  
19 hired before the year 2017 effective date, the earlier of:

20 (i) the age at which the member attains 20  
21 years of service; or

22 (ii) the age at which the member first  
23 attains the age of at least 50 years and at least 10 years of  
24 service; or

25 (B) except as provided by Paragraph (A) of this  
26 subdivision, for a member hired or rehired on or after the year 2017  
27 effective date, the age at which the sum of the member's age, in

1 years, and the member's years of participation in the fund equals at  
2 least 70.

3 (15-a) "Payoff year" means the year a liability layer  
4 is fully amortized under the amortization period. A payoff year may  
5 not be extended or accelerated for a period that is less than one  
6 month. [~~"PROP" means the post-retirement option plan under Section~~  
7 5A of this article.]

8 (15-b) "Pension obligation bond" means a bond issued  
9 in accordance with Chapter 107, Local Government Code [~~"PROP~~  
10 account" means the notional account established to reflect the  
11 credits and contributions of a member or surviving spouse who has  
12 made a PROP election in accordance with Section 5A of this article].

13 (15-c) "Pensionable payroll" means the aggregate  
14 salary of all the firefighters on active service in an applicable  
15 fiscal year.

16 (15-d) "Price inflation assumption" means:

17 (A) the most recent headline consumer price index  
18 10-year forecast published in the Federal Reserve Bank of  
19 Philadelphia Survey of Professional Forecasters; or

20 (B) if the forecast described by Paragraph (A) of  
21 this subdivision is not available, another standard as determined  
22 by mutual agreement between the municipality and the board.

23 (15-e) "Projected pensionable payroll" means the  
24 estimated pensionable payroll for the fiscal year beginning 12  
25 months after the date of the risk sharing valuation study prepared  
26 under Section 13B or 13C of this article, as applicable, at the time  
27 of calculation by:

1           (A) projecting the prior fiscal year's  
2 pensionable payroll forward two years using the current payroll  
3 growth rate assumptions; and

4           (B) adjusting, if necessary, for changes in  
5 population or other known factors, provided those factors would  
6 have a material impact on the calculation, as determined by the  
7 board.

8           (15-f) "PROP" means the post-retirement option plan  
9 under Section 5A of this article.

10           (15-g) "PROP account" means the notional account  
11 established to reflect the credits and contributions of a member or  
12 surviving spouse who made a PROP election in accordance with  
13 Section 5A of this article before the year 2017 effective date.

14           (16) "Salary" means wages as defined by Section  
15 3401(a) of the code, [~~the amounts includable in gross income of a~~  
16 ~~member~~] plus any amount not includable in gross income under  
17 Section 104(a)(1), Section 132(f) [~~125~~], Section 402(g)(2)  
18 [~~402(e)(3) or (h)~~], Section 457 [~~403(b)~~], or Section 414(h)(2)  
19 [~~414(h)~~] of the code, except that with respect to salary earned on  
20 or after the year 2017 effective date, gross income excludes  
21 overtime pay received by a member or the amount by which the salary  
22 earned by a member on the basis of the member's appointed position  
23 exceeds the salary of the member's highest tested rank.

24           (16-a) "Third quarter line rate" means the corridor  
25 midpoint plus 2.5 percentage points.

26           (16-b) "Unfunded actuarial accrued liability" means  
27 the difference between the actuarial accrued liability and the



1 actuarial value of assets. For purposes of this definition:

2 (A) "actuarial accrued liability" means the  
3 portion of the actuarial present value of projected benefits  
4 attributed to past periods of member service based on the cost  
5 method used in the risk sharing valuation study prepared under  
6 Section 13B or 13C of this article, as applicable; and

7 (B) "actuarial value of assets" means the value  
8 of fund investments as calculated using the asset smoothing method  
9 used in the risk sharing valuation study prepared under Section 13B  
10 or 13C of this article, as applicable.

11 (16-c) "Unanticipated change" means, with respect to  
12 the unfunded actuarial accrued liability in each risk sharing  
13 valuation study prepared under Section 13B or 13C of this article,  
14 as applicable, the difference between:

15 (A) the remaining balance of all then-existing  
16 liability layers as of the date of the risk sharing valuation study;  
17 and

18 (B) the actual unfunded actuarial accrued  
19 liability as of the date of the risk sharing valuation study.

20 (16-d) "Year 2017 effective date" means:

21 (A) July 1, 2017, if .B. No. \_\_, Acts of the 85th  
22 Legislature, Regular Session, 2017, took effect on or before July  
23 1, 2017; or

24 (B) the date on which .B. No. \_\_, Acts of the  
25 85th Legislature, Regular Session, 2017, took effect, if the Act  
26 took effect after July 1, 2017.

27 SECTION 1.02. Article 6243e.2(1), Revised Statutes, is

1 amended by adding Sections 1A, 1B, and 1C to read as follows:

2 Sec. 1A. INTERPRETATION OF ARTICLE. This article,  
3 including Sections 2(p) and (p-1) of this article, does not and may  
4 not be interpreted to:

5 (1) relieve the municipality, the board, or the fund  
6 of their respective obligations under Sections 13A through 13E of  
7 this article or under any agreement between the municipality and  
8 the board under this article;

9 (2) reduce or modify the rights of the municipality,  
10 the board, or the fund, including any officer or employee of the  
11 municipality, board, or fund, to enforce obligations described by  
12 Subdivision (1) of this section;

13 (3) relieve the municipality, including any official  
14 or employee of the municipality, from:

15 (A) paying or directing to pay required  
16 contributions to the fund under Section 13 or 13A of this article or  
17 taking other steps required under Section 13E or 13F of this article  
18 or under any agreement between the municipality and the board; or

19 (B) reducing or modifying the rights of the board  
20 and any officer or employee of the board or fund to enforce  
21 obligations described by Subdivision (1) of this section;

22 (4) relieve the board or fund, including any officer  
23 or employee of the board or fund, from any obligation to implement a  
24 benefit change or take other steps required by Section 13E or 13F of  
25 this article or under any agreement between the municipality and  
26 the board under this article; or

27 (5) reduce or modify the rights of the municipality

1 and any officer or employee of the municipality to enforce an  
2 obligation described by Subdivision (4) of this section.

3 Sec. 1B. FISCAL YEAR. The fund or the municipality or both  
4 may only change their respective fiscal years by entering into a  
5 written agreement. If the fund and municipality enter into an  
6 agreement described by this section, the parties shall, in the  
7 agreement, adjust the provisions of Sections 13A through 13F of  
8 this article to reflect that change.

9 Sec. 1C. ALTERNATIVE PLANS. The fund and the municipality  
10 may enter into a written agreement to offer an alternative plan or  
11 plans, including defined contribution plans, if both parties  
12 consider it appropriate.

13 SECTION 1.03. Section 2, Article 6243e.2(1), Revised  
14 Statutes, is amended by amending Subsection (b) and adding  
15 Subsection (t) to read as follows:

16 (b) The board of trustees of the fund shall be known as the  
17 "(name of municipality) Firefighters' Relief and Retirement Fund  
18 Board of Trustees" and the fund shall be known as the "(name of  
19 municipality) Firefighters' Relief and Retirement Fund." The board  
20 consists of 10 trustees, including:

21 (1) the mayor or an appointed representative of the  
22 mayor;

23 (2) the director of finance or the director of  
24 finance's designee [~~treasurer~~] of the municipality or, if there is  
25 not a director of finance [~~treasurer~~], the highest ranking employee  
26 of the municipality, excluding elected officials, with  
27 predominately financial responsibilities, as determined by the

1 mayor, or that employee's designee [~~secretary, clerk, or other~~  
2 ~~person who by law, charter provision, or ordinance performs the~~  
3 ~~duty of treasurer of the municipality~~];

4 (3) five firefighters who are members of the fund;

5 (4) one person who is a retired firefighter and a  
6 member of the fund with at least 20 years of participation; and

7 (5) two persons, each of whom is a registered voter of  
8 the municipality, has been a resident of the municipality for at  
9 least one year preceding the date of initial appointment, and is not  
10 a municipal officer or employee.

11 (t) The officers and employees of the municipality are fully  
12 protected and free of liability for any action taken or omission  
13 made or any action or omission suffered by them in good faith,  
14 objectively determined, in the performance of their duties related  
15 to the fund. The protection from liability provided by this  
16 subsection is cumulative of and in addition to any other  
17 constitutional, statutory, or common law official or governmental  
18 immunity, defense, and civil or procedural protection provided to  
19 the municipality as a governmental entity and to a municipal  
20 official or employee as an official or employee of a governmental  
21 entity. Except for a waiver expressly provided by this article,  
22 this article does not grant an implied waiver of any immunity.

23 SECTION 1.04. Article 6243e.2(1), Revised Statutes, is  
24 amended by adding Sections 2A, 2B, and 2C to read as follows:

25 Sec. 2A. QUALIFICATIONS OF FUND ACTUARY. An actuary hired  
26 under Section 3(b)(3) of this article must have at least five years  
27 of experience as an actuary working with one or more public

1 retirement systems and must be a fellow of the Society of Actuaries,  
2 a member of the American Academy of Actuaries, or an enrolled  
3 actuary under the Employees Retirement Income Security Act of 1974  
4 (29 U.S.C. Section 1001 et seq.).

5 Sec. 2B. QUALIFICATIONS OF MUNICIPAL ACTUARY. (a) An  
6 actuary hired by the municipality for purposes of this article must  
7 be an actuary from a professional service firm who:

8 (1) is not already engaged by the fund or any other  
9 pension system authorized under Article 6243g-4, Revised Statutes,  
10 or Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular  
11 Session, 2001 (Article 6243h, Vernon's Texas Civil Statutes), to  
12 provide actuarial services to the fund or pension system, as  
13 applicable;

14 (2) has a minimum of five years of professional  
15 actuarial experience; and

16 (3) is a fellow of the Society of Actuaries or a member  
17 of the American Academy of Actuaries and who, in carrying out duties  
18 for the municipality, has met the applicable requirements to issue  
19 statements of actuarial opinion.

20 (b) Notwithstanding Subsection (a) of this section, the  
21 municipal actuary does not need to meet any greater qualifications  
22 than those required by the board for the fund actuary.

23 Sec. 2C. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT  
24 CONSULTANT. At least once every three years, the board shall hire  
25 an independent investment consultant to conduct a review of fund  
26 investments and submit a report to the board and the municipality  
27 concerning the review or demonstrate in the fund's annual financial

1 report that the review was conducted. The independent investment  
2 consultant shall review and report on at least the following:

3 (1) the fund's compliance with its investment policy  
4 statement, ethics policies, including policies concerning the  
5 acceptance of gifts, and policies concerning insider trading;

6 (2) the fund's asset allocation, including a review  
7 and discussion of the various risks, objectives, and expected  
8 future cash flows;

9 (3) the fund's portfolio structure, including the  
10 system's need for liquidity, cash income, liquid returns, and  
11 inflation protection and the active, passive, or index approaches  
12 used for different portions of the portfolio;

13 (4) investment manager or advisor performance reviews  
14 and an evaluation of the processes used to select and evaluate  
15 managers;

16 (5) benchmarks used for each asset class and  
17 individual manager;

18 (6) an evaluation of fees and trading costs;

19 (7) an evaluation of investments in any leverage,  
20 foreign exchange, or other hedging transaction; and

21 (8) an evaluation of investment-related disclosures  
22 in the fund's annual reports or valuations.

23 SECTION 1.05. Sections 3(b) and (d), Article 6243e.2(1),  
24 Revised Statutes, are amended to read as follows:

25 (b) The board may employ persons to perform any investment,  
26 administrative, legal, medical, accounting, clerical, or other  
27 service the board considers appropriate, including:

1 (1) a certified public accountant or firm of certified  
2 public accountants to perform an audit of the fund at times and  
3 intervals the board considers necessary;

4 (2) a professional investment manager or firm of  
5 managers as provided by Section 802.204, Government Code;

6 (3) subject to Section 2A of this article, an actuary  
7 or actuarial firm at times and for purposes the board considers  
8 necessary or appropriate;

9 (4) an attorney or firm of attorneys to advise,  
10 assist, or represent the board in any legal matter relating to the  
11 fund, including litigation involving matters under this article; or

12 (5) a physician to examine a firefighter before the  
13 firefighter becomes a member of the fund or to examine a member or  
14 beneficiary applying for or receiving a disability pension or  
15 survivor benefit.

16 (d) The board may have an actuarial valuation performed each  
17 year, and for determining the municipality's contribution rate as  
18 provided by Section 13(d) of this article, the board may adopt a new  
19 actuarial valuation each year [~~except that an actuarial valuation~~  
20 ~~that will result in an increased municipal contribution rate that~~  
21 ~~is above the statutory minimum may be adopted only once every three~~  
22 ~~years, unless the governing body of the municipality consents to a~~  
23 ~~more frequent increase]~~.

24 SECTION 1.06. Article 6243e.2(1), Revised Statutes, is  
25 amended by adding Section 3A to read as follows:

26 Sec. 3A. CERTAIN ALTERATIONS BY LOCAL AGREEMENT. (a)  
27 Except as provided by Subsection (b) of this section, the board is

1 authorized, on behalf of the members or beneficiaries of the fund,  
2 to alter benefit types or amounts, the means of determining  
3 contribution rates, or the contribution rates provided under this  
4 article if the alteration is included in a written agreement  
5 between the board and the municipality. An agreement entered into  
6 under this section:

7 (1) must:

8 (A) if the agreement concerns benefit increases,  
9 other than benefit increases that are the result of Section 13E of  
10 this article, adhere to the processes and standards set forth in  
11 Section 10 of this article; and

12 (B) operate prospectively only; and

13 (2) may not, except as provided by Sections 13A  
14 through 13F of this article, have the effect or result of increasing  
15 the unfunded liability of the fund.

16 (b) In a written agreement entered into between the  
17 municipality and the board under this section, the parties may not:

18 (1) fundamentally alter Sections 13A through 13F of  
19 this article;

20 (2) increase the assumed rate of return to more than  
21 seven percent per year;

22 (3) extend the amortization period of a liability  
23 layer to more than 30 years from the first day of the fiscal year  
24 beginning 12 months after the date of the risk sharing valuation  
25 study in which the liability layer is first recognized; or

26 (4) allow a municipal contribution rate in any year  
27 that is less than or greater than the municipal contribution rate



1 required under Section 13E or 13F of this article, as applicable.

2 (c) If the board is directed or authorized in Sections 13A  
3 through 13F of this article to effect an increase or decrease to  
4 benefits or contributions, this article delegates the authority to  
5 alter provisions concerning benefits and contributions otherwise  
6 stated in this article in accordance with the direction or  
7 authorization only to the extent the alteration is set forth in an  
8 order or other written instrument and is consistent with this  
9 section, the code, and other applicable federal law and  
10 regulations. The order or other written instrument must be  
11 included in each applicable risk sharing valuation study under  
12 Section 8B or 8C of this article, as applicable, adopted by the  
13 board, and published in a manner that makes the order or other  
14 written instrument accessible to the members.

15 SECTION 1.07. Section 4, Article 6243e.2(1), Revised  
16 Statutes, is amended by amending Subsections (a) and (b) and adding  
17 Subsections (b-1) and (b-2) to read as follows:

18 (a) A member [~~with at least 20 years of participation~~] who  
19 terminates active service for any reason other than death is  
20 entitled to receive a service pension provided by this section if  
21 the member was:

22 (1) hired as a firefighter before the year 2017  
23 effective date, including a member who was hired before the year  
24 2017 effective date and who involuntarily separated from service  
25 but has been retroactively reinstated in accordance with an  
26 arbitration, civil service, or court ruling, at the earlier of:

27 (A) the age at which the member attains 20 years

1 of service; or

2 (B) the age at which the member first attains the  
3 age of at least 50 years and at least 10 years of service; and

4 (2) except as provided by Subdivision (1) of this  
5 subsection, hired or rehired as a firefighter on or after the year  
6 2017 effective date, when the sum of the member's age in years and  
7 the member's years of participation in the fund equals at least 70.

8 (b) Except as otherwise provided by Subsection (d) of this  
9 section, the monthly service pension for a member described by:

10 (1) Subsection (a)(1) of this section is equal to the  
11 sum of:

12 (A) the member's accrued monthly service pension  
13 based on the member's years of participation before the year 2017  
14 effective date, determined under the law in effect on the date  
15 immediately preceding the year 2017 effective date;

16 (B) 2.75 percent of the member's average monthly  
17 salary multiplied by the member's years of participation on or  
18 after the year 2017 effective date, for each year or partial year of  
19 participation of the member's first 20 years of participation; and

20 (C) two percent of the member's average monthly  
21 salary multiplied by the member's years of participation on or  
22 after the year 2017 effective date, for each year or partial year of  
23 participation on or after the year 2017 effective date that  
24 occurred after the 20 years of participation described by Paragraph  
25 (B) of this subdivision; and

26 (2) Subsection (a)(2) of this section is equal to the  
27 sum of:

1           (A) 2.25 percent of the member's average monthly  
2 salary multiplied by the member's years or partial years of  
3 participation for the member's first 20 years of participation; and

4           (B) two percent of the member's average monthly  
5 salary multiplied by the member's years or partial years of  
6 participation for all years of participation that occurred after  
7 the 20 years of participation described by Paragraph (A) of this  
8 subdivision.

9           (b-1) For purposes of Subsection (b) of this section,  
10 partial years shall be computed to the nearest one-twelfth of a  
11 year.

12           (b-2) A member's monthly service pension may not exceed 80  
13 percent of the member's average monthly salary [A member who  
14 terminates active service on or after November 1, 1997, and who has  
15 completed at least 20 years of participation in the fund on the  
16 effective date of termination of service is entitled to a monthly  
17 service pension, beginning after the effective date of termination  
18 of active service, in an amount equal to 50 percent of the member's  
19 average monthly salary, plus three percent of the member's average  
20 monthly salary for each year of participation in excess of 20 years,  
21 but not in excess of 30 years of participation, for a maximum total  
22 benefit of 80 percent of the member's average monthly salary].

23           SECTION 1.08. Section 5, Article 6243e.2(1), Revised  
24 Statutes, is amended by amending Subsections (a), (b), (c), (d),  
25 and (m) and adding Subsections (a-1), (b-1), (d-1), (d-2), and  
26 (e-1) to read as follows:

27           (a) A member who is eligible to receive a service pension

1 under Section 4(a)(1) [4] of this article and who remains in active  
2 service may elect to participate in the deferred retirement option  
3 plan provided by this section. A member who is eligible to receive  
4 a service pension under Section 4(a)(2) of this article may not  
5 elect to participate in the deferred retirement option plan  
6 provided by this section. On subsequently terminating active  
7 service, a member who elected the DROP may apply for a monthly  
8 service pension under Section 4 of this article, except that the  
9 effective date of the member's election to participate in the DROP  
10 will be considered the member's retirement date for determining the  
11 amount of the member's monthly service pension. The member may  
12 also apply for any DROP benefit provided under this section on  
13 terminating active service. An election to participate in the  
14 DROP, once approved by the board, is irrevocable.

15 (a-1) The monthly benefit of a [A] DROP participant who has  
16 at least 20 years of participation on the year 2017 effective date  
17 [participant's monthly benefit at retirement] is increased at  
18 retirement by two percent of the amount of the member's original  
19 benefit for every full year of participation in the DROP by the  
20 member for up to 10 years of participation in the DROP. For a  
21 member's final year of participation, but not beyond the member's  
22 10th year in the DROP, if a full year of participation is not  
23 completed, the member shall receive a prorated increase of 0.166  
24 percent of the member's original benefit for each month of  
25 participation in that year. An increase provided by this  
26 subsection does not apply to benefits payable under Subsection (1)  
27 of this section. An increase under this subsection is applied to

1 the member's benefit at retirement and is not added to the member's  
 2 DROP account. The total increase under this subsection may not  
 3 exceed 20 percent for 10 years of participation in the DROP by the  
 4 member.

5 (b) A member may elect to participate in the DROP by  
 6 complying with the election process established by the board. The  
 7 member's election may be made at any time beginning on the date the  
 8 member has completed 20 years of participation in the fund and is  
 9 otherwise eligible for a service pension under Section 4(a)(1) [4]  
 10 of this article. [~~The election becomes effective on the first day~~  
 11 ~~of the month following the month in which the board approves the~~  
 12 ~~member's DROP election.~~] Beginning on the first day of the month  
 13 following the month in which the member makes an election to  
 14 participate in the DROP, subject to board approval, and ending on  
 15 the year 2017 effective date [~~of the member's DROP election~~],  
 16 amounts equal to the deductions made from the member's salary under  
 17 Section 13(c) of this article shall be credited to the member's DROP  
 18 account. Beginning after the year 2017 effective date, amounts  
 19 equal to the deductions made from the member's salary under Section  
 20 13(c) of this article may not be credited to the member's DROP  
 21 account.

22 (b-1) On or after the year 2017 effective date, an active  
 23 [A] member may not participate in the DROP for more than 13 [~~10~~]  
 24 years. If a DROP participant remains in active service after the  
 25 13th [~~10th~~] anniversary of the effective date of the member's DROP  
 26 election:

27 (1) [~~7~~] subsequent deductions from the member's salary

1 under Section 13(c) of this article may not be credited to the  
2 member's DROP account; and

3 (2) the account shall continue to be credited with  
4 earnings in accordance with Subsection (d) of this section [~~and may~~  
5 ~~not otherwise increase any benefit payable from the fund for the~~  
6 ~~member's service~~].

7 (c) After a member's DROP election becomes effective, an  
8 amount equal to the monthly service pension the member would have  
9 received under Section 4 of this article and Section 11(c) of this  
10 article, if applicable, had the member terminated active service on  
11 the effective date of the member's DROP election shall be credited  
12 to a DROP account maintained for the member. That monthly credit to  
13 the member's DROP account shall continue until the earlier of the  
14 date the member terminates active service or the 13th [~~10th~~]  
15 anniversary of the [~~effective~~] date of the first credit to the  
16 member's DROP account [~~election~~].

17 (d) A member's DROP account shall be credited with earnings  
18 at an annual rate equal to 65 percent of the compounded average  
19 annual return earned by the fund over the five years preceding, but  
20 not including, the year during which the credit is given.  
21 Notwithstanding the preceding, however, the credit to the member's  
22 DROP account shall be at an annual rate of not less than 5.5 [~~five~~]  
23 percent [~~nor greater than 10 percent~~], irrespective of actual  
24 earnings.

25 (d-1) Earnings credited to a member's DROP account under  
26 Subsection (d) of this section [~~These earnings~~] shall be computed  
27 and credited at a time and in a manner determined by the board,

1 except that earnings shall be credited not less frequently than  
2 once in each 13-month period and shall take into account partial  
3 years of participation in the DROP[~~. If the member has not~~  
4 ~~terminated active service, the member's DROP account may not be~~  
5 ~~credited with earnings after the 10th anniversary of the effective~~  
6 ~~date of the member's DROP election].~~

7 (d-2) A member may not roll over accumulated unused sick or  
8 vacation time paid to the member as a lump-sum payment after  
9 termination of active service into the member's DROP account.

10 (e-1) In lieu of receiving a lump-sum payment on termination  
11 from active service, a retired member who has been a DROP  
12 participant or, if termination from active service was due to the  
13 DROP participant's death, the surviving spouse of the DROP  
14 participant may elect to leave the retired member's DROP account  
15 with the fund and receive earnings credited to the DROP account in  
16 the manner described by Subsection (d) of this section.

17 (m) A DROP participant with a break in service may receive  
18 service credit within DROP for days worked after the regular  
19 expiration of the maximum [~~permitted~~] DROP participation period  
20 prescribed by this section. The service credit shall be limited to  
21 the number of days in which the participant experienced a break in  
22 service or the number of days required to constitute 13 [~~10~~] years  
23 of DROP participation, whichever is smaller. A retired member who  
24 previously participated in the DROP and who returns to active  
25 service is subject to the terms of this section in effect at the  
26 time of the member's return to active service.

27 SECTION 1.09. Section 5A, Article 6243e.2(1), Revised

1 Statutes, is amended by adding Subsection (o) to read as follows:

2 (o) Notwithstanding any other provision of this article, on  
3 or after the year 2017 effective date:

4 (1) a PROP participant may not have any additional  
5 amounts that the participant would otherwise receive as a monthly  
6 service pension or other benefits under this article credited to  
7 the participant's PROP account; and

8 (2) a person, including a member or surviving spouse,  
9 may not elect to participate in the PROP.

10 SECTION 1.10. Section 8, Article 6243e.2(1), Revised  
11 Statutes, is amended to read as follows:

12 Sec. 8. DEFERRED PENSION AT AGE 50; REFUND OF  
13 CONTRIBUTIONS. (a) On or after the year 2017 effective date, a [A]  
14 member who is hired as a firefighter before the year 2017 effective  
15 date, including a member who was hired before the year 2017  
16 effective date and who involuntarily separated from service but has  
17 been retroactively reinstated in accordance with an arbitration,  
18 civil service, or court ruling, terminates active service for any  
19 reason other than death with at least 10 years of participation, but  
20 less than 20 years of participation, is entitled to a monthly  
21 deferred pension benefit, beginning at age 50, in an amount equal to  
22 1.7 percent of the member's average monthly salary multiplied by  
23 the amount of the member's years of participation.

24 (b) In lieu of the deferred pension benefit provided under  
25 Subsection (a) of this section, a member who terminates active  
26 service for any reason other than death with at least 10 years of  
27 participation, but less than 20 years of participation, may elect



1 to receive a lump-sum refund of the member's contributions to the  
2 fund with interest computed at five percent, not compounded, for  
3 the member's contributions to the fund made before the year 2017  
4 effective date and without interest for the member's contributions  
5 to the fund made on or after the year 2017 effective date. A  
6 member's election to receive a refund of contributions must be made  
7 on a form approved by the board. The member's refund shall be paid  
8 as soon as administratively practicable after the member's election  
9 is received.

10 (c) Except as provided by Subsection (a) of this section, a  
11 [A] member who is hired or rehired as a firefighter on or after the  
12 year 2017 effective date or a member who terminates employment for  
13 any reason other than death before the member has completed 10 years  
14 of participation is entitled only to a refund of the member's  
15 contributions without interest and is not entitled to a deferred  
16 pension benefit under this section or to any other benefit under  
17 this article. The member's refund shall be paid as soon as  
18 administratively practicable after the effective date of the  
19 member's termination of active service.

20 SECTION 1.11. Section 11, Article 6243e.2(1), Revised  
21 Statutes, is amended by amending Subsection (c) and adding  
22 Subsections (c-1), (c-2), (c-3), and (c-4) to read as follows:

23 (c) Subject to Subsection (c-3) of this section and except  
24 as provided by Subsection (c-4) of this section, beginning with the  
25 fiscal year ending June 30, 2021, the [The] benefits, including  
26 survivor benefits, payable based on the service of a member who has  
27 terminated active service and who is or would have been at least 55

1 ~~[48]~~ years old, received or is receiving an on-duty disability  
2 pension under Section 6(c) of this article, or died under the  
3 conditions described by Section 7(c) of this article, shall be  
4 increased ~~[by three percent]~~ in October of each year by a percentage  
5 rate equal to the most recent five fiscal years' smoothed return, as  
6 determined by the fund actuary, minus 500 basis points ~~[and, if the~~  
7 ~~benefit had not previously been subject to that adjustment, in the~~  
8 ~~month of the member's 48th birthday]~~.

9 (c-1) Subject to Subsection (c-3) of this section and except  
10 as provided by Subsection (c-4) of this section, for the fund's  
11 fiscal years ending June 30, 2018, and June 30, 2019, the benefits,  
12 including survivor benefits, payable based on the service of a  
13 member who is or would have been at least 70 years old and who  
14 received or is receiving a service pension under Section 4 of this  
15 article, received or is receiving an on-duty disability pension  
16 under Section 6(c) of this article, or died under the conditions  
17 described by Section 7(c) of this article, shall be adjusted in  
18 October of each applicable fiscal year by a percentage rate equal to  
19 the most recent five fiscal years' smoothed return, as determined  
20 by the fund actuary, minus 500 basis points.

21 (c-2) Subject to Subsection (c-3) of this section and except  
22 as provided by Subsection (c-4) of this section, for the fund's  
23 fiscal year ending June 30, 2020, members described by Subsection  
24 (c-1) of this section shall receive the increase provided under  
25 Subsection (c) of this section.

26 (c-3) The percentage rate prescribed by Subsections (c),  
27 (c-1), and (c-2) of this section may not be less than zero percent

1 or more than four percent, irrespective of the return rate of the  
2 fund's investment portfolio.

3 (c-4) Each year after the year 2017 effective date, a member  
4 who elects to participate in the DROP under Section 5 of this  
5 article may not receive the increase provided under Subsection (c),  
6 (c-1), or (c-2) of this section in any October during which the  
7 member participates in the DROP.

8 SECTION 1.12. The heading to Section 13, Article  
9 6243e.2(1), Revised Statutes, is amended to read as follows:

10 Sec. 13. MEMBERSHIP AND MEMBER CONTRIBUTIONS; CERTAIN  
11 MUNICIPAL CONTRIBUTIONS.

12 SECTION 1.13. Effective September 1, 2017, the heading to  
13 Section 13, Article 6243e.2(1), Revised Statutes, is amended to  
14 read as follows:

15 Sec. 13. MEMBERSHIP AND MEMBER CONTRIBUTIONS.

16 SECTION 1.14. Section 13, Article 6243e.2(1), Revised  
17 Statutes, is amended by amending Subsections (c), (d), and (e) and  
18 adding Subsections (c-1) and (e-1) to read as follows:

19 (c) Subject to adjustments authorized by Section 13E or 13F  
20 of this article, each [Each] member in active service shall make  
21 contributions to the fund in an amount equal to:

22 (1) [~~8.35 percent of the member's salary at the time of~~  
23 ~~the contribution, and as of July 1, 2004, in an amount equal to]~~  
24 nine percent of the member's salary at the time of the contribution,  
25 if the contribution is made before the date immediately preceding  
26 the year 2017 effective date; or

27 (2) 10.5 percent of the member's salary at the time of

1 the contribution, if the contribution is made on or after the year  
2 2017 effective date.

3 (c-1) The governing body of the municipality shall deduct  
4 the contributions from the member's salary and shall forward the  
5 contributions to the fund as soon as practicable.

6 (d) Subject to Subsection (e-1) of this section, the ~~[The]~~  
7 municipality shall make contributions to the fund once every two  
8 weeks in an amount equal to the product of the contribution rate  
9 certified by the board and the aggregate salaries paid to members of  
10 the fund during the period for which the contribution is made. The  
11 board shall certify the municipality's contribution rate for each  
12 year or portion of a year based on the results of actuarial  
13 valuations made at least every three years. The municipality's  
14 contribution rate shall be composed of the normal cost plus the  
15 level percentage of salary payment required to amortize the  
16 unfunded actuarial liability over a constant period of 30 years  
17 computed on the basis of an acceptable actuarial reserve funding  
18 method approved by the board. Notwithstanding any other provision  
19 of this article, the contributions by the municipality, when added  
20 to any contributions with respect to a qualified governmental  
21 excess benefit arrangement maintained in accordance with Section  
22 14(c) of this article, may not be less than twice the amount paid  
23 into the fund by contributions of the members.

24 (e) Subject to Subsection (e-1) of this section and  
25 notwithstanding ~~[Notwithstanding]~~ Subsection (d) of this section,  
26 if one or more members of the fund are appointed to positions in the  
27 fire department, and those appointments are not made based on the

1 results of a competitive examination, the minimum contribution rate  
2 required of the municipality for any year is increased by an amount  
3 equal to the difference, if any, between:

4 (1) the municipality's actuarially determined  
5 contribution rate computed in accordance with Subsection (d) of  
6 this section, without regard to the minimum contribution rate  
7 specified, computed based on the actual monthly salary or  
8 compensation for all members; and

9 (2) the municipality's actuarially determined  
10 contribution rate computed in accordance with Subsection (d) of  
11 this section, without regard to the minimum contribution rate  
12 specified, but for each member so appointed, computed based, for  
13 all months of participation after the date of appointment, on the  
14 monthly salary or compensation being paid to the person who holds  
15 the position the member held immediately before the member was  
16 appointed to the new position.

17 (e-1) Subsections (d) and (e) of this section apply only  
18 until the date immediately preceding the year 2017 effective date.  
19 On or after the year 2017 effective date, Section 13A of this  
20 article applies. This subsection and Subsections (d) and (e) of  
21 this section expire September 1, 2017.

22 SECTION 1.15. Article 6243e.2(1), Revised Statutes, is  
23 amended by adding Sections 13A, 13B, 13C, 13D, 13E, 13F, 13G, and  
24 13H to read as follows:

25 Sec. 13A. MUNICIPAL CONTRIBUTIONS. (a) Beginning with the  
26 year 2017 effective date, the municipality shall make contributions  
27 to the fund as provided by this section and Section 13C, 13E, or 13F

1 of this article, as applicable. The municipality shall contribute:

2 (1) except by written agreement between the  
3 municipality and the board providing for an earlier contribution  
4 date, beginning with the year 2017 effective date and ending with  
5 the fiscal year ending June 30, 2018, an amount, as determined in  
6 the initial risk sharing valuation study conducted under Section  
7 13C of this article, equal to the municipal contribution rate  
8 multiplied by the pensionable payroll for the fiscal year; and

9 (2) for each fiscal year after the fiscal year ending  
10 June 30, 2018, an amount, as determined in the subsequent risk  
11 sharing valuation study conducted under Section 13B of this  
12 article, equal to the municipal contribution rate multiplied by the  
13 pensionable payroll for the applicable fiscal year.

14 (b) At least biweekly, the municipality shall make the  
15 contributions required by Subsection (a) of this section by  
16 depositing with the fund an amount equal to the municipal  
17 contribution rate multiplied by the pensionable payroll for the  
18 applicable biweekly period.

19 (c) Subject to Section 13E or 13F of this article, the  
20 municipal contribution rate:

21 (1) except as provided by Subdivision (2) of this  
22 subsection, is a percent that equals the sum of the employer normal  
23 cost rate and the amortization rate for all liability layers; and

24 (2) may not exceed the maximum contribution rate or be  
25 less than the minimum contribution rate.

26 (d) With respect to each fiscal year:

27 (1) the first contribution by the municipality under

1 this section for the fiscal year shall be made not later than the  
2 date payment is made to firefighters for their first full biweekly  
3 pay period beginning on or after the first day of the fiscal year;  
4 and

5 (2) the final contribution by the municipality under  
6 this section for the fiscal year shall be made not later than the  
7 date payment is made to firefighters for the final biweekly pay  
8 period of the fiscal year.

9 (e) In addition to the amounts required under this section,  
10 the municipality may at any time contribute additional amounts for  
11 deposit in the fund by entering into a written agreement with the  
12 board.

13 (f) Notwithstanding any other law and except for the pension  
14 obligation bond assumed under Section 13C(d)(2) of this article,  
15 the municipality may not issue a pension obligation bond to fund the  
16 municipal contribution rate under this section.

17 Sec. 13B. RISK SHARING VALUATION STUDIES. (a) The fund and  
18 the municipality shall prepare a risk sharing valuation study in  
19 accordance with this section. A risk sharing valuation study must:

20 (1) be included in the fund's standard valuation study  
21 prepared annually by the fund;

22 (2) calculate the unfunded actuarial accrued  
23 liability of the fund consistent with actuarial standards of  
24 practice and based on actuarial data or estimates of actuarial data  
25 provided by the fund actuary;

26 (3) estimate the municipal contribution rate by making  
27 adjustments to the calculation of the rate that do not require

1 agreement between the municipality and the board under Section 13E  
2 or 13F of this article;

3 (4) subject to Subsection (g) of this section, be  
4 based on assumptions and methods determined based on the most  
5 recent actuarial experience study conducted under Section 13D of  
6 this article, provided the following assumptions and methods are  
7 used:

8 (A) an ultimate entry age normal actuarial  
9 method;

10 (B) for purposes of determining the actuarial  
11 value of assets:

12 (i) except as provided by Subparagraph (ii)  
13 of this paragraph and Section 13E(c)(1) or 13F(c)(1) of this  
14 article, an asset smoothing method of reflecting actuarial losses  
15 and gains experienced over a five-year period established in an  
16 actuarial experience study applied prospectively beginning on the  
17 year 2017 effective date; and

18 (ii) for the initial risk sharing valuation  
19 study prepared under Section 13C of this article, a  
20 marked-to-market method applied as of June 30, 2016;

21 (C) closed layered amortization of liability  
22 layers to ensure that the amortization period for each layer begins  
23 12 months after the date of the risk sharing valuation study in  
24 which the liability layer is first recognized;

25 (D) each liability layer is assigned an  
26 amortization period;

27 (E) each liability loss layer amortized over a



1 period of 30 years from the first day of the fiscal year beginning  
2 12 months after the date of the risk sharing valuation study in  
3 which the liability loss layer is first recognized, except that the  
4 legacy liability must be amortized from July 1, 2016, for a 30-year  
5 period beginning July 1, 2017;

6 (F) the amortization period for each liability  
7 gain layer being:

8 (i) equal to the remaining amortization  
9 period on the largest remaining liability loss layer and the two  
10 layers must be treated as one layer such that if the payoff year of  
11 the liability loss layer is accelerated or extended, the payoff  
12 year of the liability gain layer is also accelerated or extended; or

13 (ii) if there is no liability loss layer, a  
14 period of 30 years from the first day of the fiscal year beginning  
15 12 months after the date of the risk sharing valuation study in  
16 which the liability gain layer is first recognized;

17 (G) liability layers, including the legacy  
18 liability, funded according to the level percent of payroll method;

19 (H) the assumed rate of return, subject to  
20 adjustment under Section 13E(c)(2) of this article or, if Section  
21 13C(g) of this article applies, adjustment in accordance with a  
22 written agreement;

23 (I) the price inflation assumption, which shall  
24 be adjusted by plus or minus 50 basis points based on the most  
25 recent actuarial experience study;

26 (J) projected salary increases and payroll  
27 growth rate set in consultation with the municipality's finance

1 director; and

2 (K) payroll for purposes of determining the  
3 corridor midpoint and municipal contribution rate must be projected  
4 using the annual payroll growth rate assumption, which for purposes  
5 of preparing any amortization schedule may not exceed three  
6 percent; and

7 (5) be revised and restated, if appropriate, not later  
8 than the 30th day after the date of a written agreement between the  
9 municipality and the board.

10 (b) As soon as practicable after the end of a fiscal year,  
11 the fund actuary at the direction of the fund and the municipal  
12 actuary at the direction of the municipality shall separately  
13 prepare a proposed risk sharing valuation study based on the fiscal  
14 year that just ended.

15 (c) Not later than September 30 following the end of the  
16 fiscal year, the fund shall provide to the municipal actuary, under  
17 a confidentiality agreement in which the municipal actuary agrees  
18 to comply with the confidentiality provisions of Section 17 of this  
19 article, the actuarial data described by Subsection (a)(2) of this  
20 section.

21 (d) Not later than the 150th day after the last day of the  
22 fiscal year:

23 (1) the fund actuary, at the direction of the fund,  
24 shall provide the proposed risk sharing valuation study prepared by  
25 the fund actuary under Subsection (b) of this section to the  
26 municipal actuary; and

27 (2) the municipal actuary, at the direction of the

1 municipality, shall provide the proposed risk sharing valuation  
2 study prepared by the municipal actuary under Subsection (b) of  
3 this section to the fund actuary.

4 (e) Each actuary described by Subsection (d) of this section  
5 may provide copies of the proposed risk sharing valuation studies  
6 to the municipality or to the fund, as appropriate.

7 (f) If, after exchanging proposed risk sharing valuation  
8 studies under Subsection (d) of this section, it is found that the  
9 difference between the projected municipal contribution rate in the  
10 proposed risk sharing valuation study prepared by the fund actuary  
11 and the projected municipal contribution rate in the proposed risk  
12 sharing valuation study prepared by the municipal actuary for the  
13 corresponding fiscal year is:

14 (1) less than or equal to two percentage points, the  
15 municipal contribution rate proposed by the fund actuary will be  
16 used, and the risk sharing valuation study prepared by the fund is  
17 considered to be the final risk sharing valuation study for the  
18 fiscal year for the purposes of this article; or

19 (2) greater than two percentage points, the municipal  
20 actuary and the fund actuary shall have 20 business days to  
21 reconcile the difference, provided that, without the mutual  
22 agreement of both actuaries, the difference in the municipal  
23 contribution rate calculated by the municipal actuary and the  
24 municipal contribution rate calculated by the fund actuary may not  
25 be further increased and:

26 (A) if, as a result of reconciliation efforts  
27 under this subdivision, the difference is reduced to less than or

1 equal to two percentage points:

2 (i) the municipal contribution rate  
3 proposed under the reconciliation by the fund actuary will be used;  
4 and

5 (ii) the fund's risk sharing valuation  
6 study is considered to be the final risk sharing valuation study for  
7 the fiscal year for the purposes of this article; or

8 (B) if, after 20 business days, the fund actuary  
9 and the municipal actuary are not able to reach a reconciliation  
10 that reduces the difference to an amount less than or equal to two  
11 percentage points:

12 (i) the municipal actuary at the direction  
13 of the municipality and the fund actuary at the direction of the  
14 fund each shall deliver to the finance director of the municipality  
15 and the executive director of the fund a final risk sharing  
16 valuation study with any agreed-to changes, marked as the final  
17 risk sharing valuation study for each actuary; and

18 (ii) not later than the 90th day before the  
19 first day of the next fiscal year, the finance director and the  
20 executive director shall execute a joint addendum to the final risk  
21 sharing valuation study received under Subparagraph (i) of this  
22 paragraph that is a part of the final risk sharing valuation study  
23 for the fiscal year for all purposes and reflects the arithmetic  
24 average of the municipal contribution rates for the fiscal year  
25 stated in the final risk sharing valuation study.

26 (g) The assumptions and methods used and the types of  
27 actuarial data and financial information used to prepare the

1 initial risk sharing valuation study under Section 13C of this  
2 article shall be used to prepare each subsequent risk sharing  
3 valuation study under this section, unless changed based on the  
4 actuarial experience study conducted under Section 13D of this  
5 article.

6 (h) The actuarial data provided under Subsection (a)(2) of  
7 this section may not include the identifying information of  
8 individual members.

9 Sec. 13C. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR  
10 MIDPOINT. (a) The fund and the municipality shall separately  
11 prepare an initial risk sharing valuation study that is dated as of  
12 July 1, 2016, in accordance with this section. An initial risk  
13 sharing valuation study must:

14 (1) except as otherwise provided by this section, be  
15 prepared in accordance with Section 13B of this article and for  
16 purposes of Section 13B(a)(2) of this article, be based on  
17 actuarial data as of June 30, 2016; and

18 (2) project the corridor midpoint for 31 fiscal years  
19 beginning with the fiscal year beginning July 1, 2017.

20 (b) If the following actions are not taken before the year  
21 2017 effective date, as soon as practicable after the year 2017  
22 effective date:

23 (1) the fund shall provide to the municipal actuary,  
24 under a confidentiality agreement, the actuarial data needed to  
25 prepare the proposed initial risk sharing valuation study;

26 (2) not later than the 30th day after the date the  
27 municipal actuary receives the actuarial data:

1           (A) the municipal actuary, at the direction of  
2 the municipality, shall provide a proposed initial risk sharing  
3 valuation study to the fund actuary; and

4           (B) the fund actuary, at the direction of the  
5 fund, shall provide a proposed initial risk sharing valuation study  
6 to the municipal actuary; and

7           (3) the municipal actuary and the fund actuary shall  
8 adopt an initial risk sharing valuation study in accordance with  
9 Subsection (c) of this section.

10          (c) If, after exchanging proposed initial risk sharing  
11 valuation studies under Subsection (b)(2) of this section, it is  
12 determined that the difference between the contribution rate for  
13 any fiscal year in the proposed initial risk sharing valuation  
14 study prepared by the fund actuary and the contribution rate for any  
15 fiscal year in the proposed initial risk sharing valuation study  
16 prepared by the municipal actuary is:

17           (1) less than or equal to two percentage points, the  
18 municipal contribution rate for that fiscal year as determined by  
19 the fund actuary will be used; or

20           (2) greater than two percentage points, the municipal  
21 actuary and the fund actuary shall have 20 business days to  
22 reconcile the difference and:

23           (A) if, as a result of reconciliation efforts  
24 under this subdivision, the difference in any fiscal year is  
25 reduced to less than or equal to two percentage points, the  
26 municipal contribution rate as determined by the fund actuary for  
27 that fiscal year will be used; or

1           (B) if, after 20 business days, the municipal  
2 actuary and the fund actuary are not able to reach a reconciliation  
3 that reduces the difference to an amount less than or equal to two  
4 percentage points for any fiscal year:

5                   (i) the municipal actuary at the direction  
6 of the municipality and the fund actuary at the direction of the  
7 fund each shall deliver to the finance director of the municipality  
8 and the executive director of the fund a final initial risk sharing  
9 valuation study with any agreed-to changes, marked as the final  
10 initial risk sharing valuation study for each actuary; and

11                   (ii) the finance director and the executive  
12 director shall execute a joint addendum to the final initial risk  
13 sharing valuation study that is a part of each final initial risk  
14 sharing valuation study for all purposes and that reflects the  
15 arithmetic average of the municipal contribution rate for each  
16 fiscal year in which the difference was greater than two percentage  
17 points.

18           (d) In preparing the initial risk sharing valuation study,  
19 the municipal actuary and fund actuary shall:

20                   (1) adjust the actuarial value of assets to be equal to  
21 the current market value of assets;

22                   (2) assume the issuance of planned pension obligation  
23 bonds by December 31, 2017; and

24                   (3) assume benefit and contribution changes  
25 contemplated by this article as of the year 2017 effective date.

26           (e) If the municipal actuary does not prepare an initial  
27 risk sharing valuation study for purposes of this section, the fund

1 actuary's initial risk sharing valuation study will be used as the  
2 final risk sharing valuation study for purposes of this article  
3 unless the municipality did not prepare a proposed initial risk  
4 sharing valuation study because the fund actuary did not provide  
5 the necessary actuarial data in a timely manner. If the  
6 municipality did not prepare a proposed initial risk sharing  
7 valuation study because the fund actuary did not provide the  
8 necessary actuarial data in a timely manner, the municipal actuary  
9 shall have 60 days to prepare the proposed initial risk sharing  
10 valuation study on receipt of the necessary information.

11 (f) If the fund actuary does not prepare a proposed initial  
12 risk sharing valuation study for purposes of this section, the  
13 proposed initial risk sharing valuation study prepared by the  
14 municipal actuary will be the final risk sharing valuation study  
15 for purposes of this article.

16 (g) The municipality and the board may agree on a transition  
17 plan for resetting the corridor midpoint:

18 (1) if at any time the funded ratio is equal to or  
19 greater than 100 percent; or

20 (2) for any fiscal year after the payoff year of the  
21 legacy liability.

22 (h) If the municipality and the board have not entered into  
23 an agreement described by Subsection (g) of this section in a given  
24 fiscal year, the corridor midpoint will be the value determined in  
25 the initial risk sharing valuation study prepared in accordance  
26 with this section.

27 (i) If the municipality makes a contribution to the fund of



1 at least \$5 million more than the amount that would be required by  
2 Section 13A(a) of this article, a liability gain layer with the same  
3 remaining amortization period as the legacy liability is created  
4 and the corridor midpoint shall be decreased by the amortized  
5 amount in each fiscal year covered by the liability gain layer  
6 produced divided by the projected pensionable payroll.

7 Sec. 13D. ACTUARIAL EXPERIENCE STUDIES. (a) At least once  
8 every four years, the fund actuary at the direction of the fund  
9 shall conduct an actuarial experience study. The actuarial  
10 experience study required by this subsection must be completed not  
11 later than September 30 of the year in which the study is required  
12 to be conducted.

13 (b) Except as otherwise expressly provided by Section 13B of  
14 this article, actuarial assumptions and methods used in the  
15 preparation of a risk sharing valuation study, other than the  
16 initial risk sharing valuation study, shall be based on the results  
17 of the most recent actuarial experience study.

18 (c) Not later than the 180th day before the date the board  
19 may consider adopting any assumptions and methods for purposes of  
20 Section 13B of this article, the fund shall provide the municipal  
21 actuary with a substantially final draft of the fund's actuarial  
22 experience study, including:

23 (1) all assumptions and methods recommended by the  
24 fund actuary; and

25 (2) summaries of the reconciled actuarial data used in  
26 creation of the actuarial experience study.

27 (d) Not later than the 60th day after the date the

1 municipality receives the final draft of the fund's actuarial  
2 experience study under Subsection (c) of this section, the  
3 municipal actuary and fund actuary shall confer and cooperate on  
4 reconciling and producing a final actuarial experience study.  
5 During the period prescribed by this subsection, the fund actuary  
6 may modify the recommended assumptions in the draft actuarial  
7 experience study to reflect any changes to assumptions and methods  
8 to which the fund actuary and the municipal actuary agree.

9 (e) At the municipal actuary's written request, the fund  
10 shall provide additional actuarial data used by the fund actuary to  
11 prepare the draft actuarial experience study, provided that  
12 confidential data may only be provided subject to a confidentiality  
13 agreement in which the municipal actuary agrees to comply with the  
14 confidentiality provisions of Section 17 of this article.

15 (f) The municipal actuary at the direction of the  
16 municipality shall provide in writing to the fund actuary and the  
17 fund:

18 (1) any assumptions and methods recommended by the  
19 municipal actuary that differ from the assumptions and methods  
20 recommended by the fund actuary; and

21 (2) the municipal actuary's rationale for each method  
22 or assumption the actuary recommends and determines to be  
23 consistent with standards adopted by the Actuarial Standards Board.

24 (g) Not later than the 30th day after the date the fund  
25 actuary receives the municipal actuary's written recommended  
26 assumptions and methods and rationale under Subsection (f) of this  
27 section, the fund shall provide a written response to the municipal

1 actuary identifying any assumption or method recommended by the  
2 municipal actuary that the fund does not accept. If any assumption  
3 or method is not accepted, the fund shall recommend to the  
4 municipality the names of three independent actuaries for purposes  
5 of this section.

6 (h) An actuary may only be recommended, selected, or engaged  
7 by the fund as an independent actuary under this section if the  
8 person:

9 (1) is not already engaged by the municipality, the  
10 fund, or any other pension system authorized under Article 6243g-4,  
11 Revised Statutes, or Chapter 88 (H.B. 1573), Acts of the 77th  
12 Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's Texas  
13 Civil Statutes), to provide actuarial services to the municipality,  
14 the fund, or another pension system;

15 (2) is a member of the American Academy of Actuaries;  
16 and

17 (3) has at least five years of experience as an actuary  
18 working with one or more public retirement systems with assets in  
19 excess of \$1 billion.

20 (i) Not later than the 20th day after the date the  
21 municipality receives the list of three independent actuaries under  
22 Subsection (g) of this section, the municipality shall identify and  
23 the fund shall hire one of the listed independent actuaries on terms  
24 acceptable to the municipality and the fund to perform a scope of  
25 work acceptable to the municipality and the fund. The municipality  
26 and the fund each shall pay 50 percent of the cost of the  
27 independent actuary engaged under this subsection. The

1 municipality shall be provided the opportunity to participate in  
2 any communications between the independent actuary and the fund  
3 concerning the engagement, engagement terms, or performance of the  
4 terms of the engagement.

5 (j) The independent actuary engaged under Subsection (i) of  
6 this section shall receive on request from the municipality or the  
7 fund:

8 (1) the fund's draft actuarial experience study,  
9 including all assumptions and methods recommended by the fund  
10 actuary;

11 (2) summaries of the reconciled actuarial data used to  
12 prepare the draft actuarial experience study;

13 (3) the municipal actuary's specific recommended  
14 assumptions and methods together with the municipal actuary's  
15 written rationale for each recommendation;

16 (4) the fund actuary's written rationale for its  
17 recommendations; and

18 (5) if requested by the independent actuary and  
19 subject to a confidentiality agreement in which the independent  
20 actuary agrees to comply with the confidentiality provisions of  
21 Section 17 of this article, additional confidential actuarial data.

22 (k) Not later than the 30th day after the date the  
23 independent actuary receives all the requested information under  
24 Subsection (j) of this section, the independent actuary shall  
25 advise the fund and the municipality whether it agrees with the  
26 assumption or method recommended by the municipal actuary or the  
27 corresponding method or assumption recommended by the fund actuary,

1 together with the independent actuary's rationale for making the  
2 determination. During the period prescribed by this subsection,  
3 the independent actuary may discuss recommendations in  
4 simultaneous consultation with the fund actuary and the municipal  
5 actuary.

6 (l) The fund and the municipality may not seek any  
7 information from any prospective independent actuary about  
8 possible outcomes of the independent actuary's review.

9 (m) If an independent actuary has questions or concerns  
10 regarding an engagement entered into under this section, the  
11 independent actuary shall simultaneously consult with both the  
12 municipal actuary and the fund actuary regarding the questions or  
13 concerns. This subsection does not limit the fund's authorization  
14 to take appropriate steps to complete the engagement of the  
15 independent actuary on terms acceptable to both the fund and the  
16 municipality or to enter into a confidentiality agreement with the  
17 independent actuary, if needed.

18 (n) If the board does not adopt an assumption or method  
19 recommended by the municipal or fund actuary and to which the  
20 independent actuary agrees, the municipal actuary is authorized to  
21 use that recommended assumption or method in connection with  
22 preparation of a risk sharing valuation study under Section 13B of  
23 this article until the next actuarial experience study is  
24 conducted.

25 Sec. 13E. MUNICIPAL CONTRIBUTION RATE WHEN ESTIMATED  
26 MUNICIPAL CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT;  
27 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs

1 the determination of the municipal contribution rate applicable in  
2 a fiscal year if the estimated municipal contribution rate under a  
3 risk sharing valuation study prepared under Section 13B or 13C of  
4 this article, as applicable, is lower than the corridor midpoint.

5 (b) If the funded ratio is:

6 (1) less than 90 percent and the proposed municipal  
7 contribution rate is equal to or greater than the minimum  
8 contribution rate, the municipal contribution rate for the fiscal  
9 year equals the corridor midpoint; or

10 (2) equal to or greater than 90 percent and the  
11 municipal contribution rate is:

12 (A) equal to or greater than the minimum  
13 contribution rate, the estimated municipal contribution rate is the  
14 municipal contribution rate for the fiscal year; or

15 (B) except as provided by Subsection (d) or (e)  
16 of this section, less than the minimum contribution rate for the  
17 corresponding fiscal year, the municipal contribution rate for the  
18 fiscal year equals the minimum contribution rate achieved in  
19 accordance with Subsection (c) of this section.

20 (c) For purposes of Subsection (b)(2)(B) of this section,  
21 the following adjustments shall be applied sequentially to the  
22 extent required to increase the estimated municipal contribution  
23 rate to equal the minimum contribution rate:

24 (1) first, adjust the actuarial value of assets equal  
25 to the current market value of assets, if making the adjustment  
26 causes the municipal contribution rate to increase;

27 (2) second, under a written agreement between the

1 municipality and the board entered into not later than April 30  
2 before the first day of the next fiscal year, reduce the assumed  
3 rate of return;

4 (3) third, under a written agreement between the  
5 municipality and the board entered into not later than April 30  
6 before the first day of the next fiscal year, prospectively restore  
7 all or part of any benefit reductions or reduce increased employee  
8 contributions, in each case made after the year 2017 effective  
9 date; and

10 (4) fourth, accelerate the payoff year of the existing  
11 liability loss layers, including the legacy liability, by  
12 accelerating the oldest liability loss layers first, to an  
13 amortization period that is not less than 10 years from the first  
14 day of the fiscal year beginning 12 months after the date of the  
15 risk sharing valuation study in which the liability loss layer is  
16 first recognized.

17 (d) If the funded ratio is:

18 (1) equal to or greater than 100 percent:

19 (A) all existing liability layers, including the  
20 legacy liability, are considered fully amortized and paid;

21 (B) the applicable fiscal year is the payoff year  
22 for the legacy liability; and

23 (C) for each fiscal year subsequent to the fiscal  
24 year described by Paragraph (B) of this subdivision, the corridor  
25 midpoint shall be determined as provided by Section 13C(g) of this  
26 article; and

27 (2) greater than 100 percent in a written agreement

1 between the municipality and the fund, the fund may reduce member  
2 contributions or increase pension benefits if, as a result of the  
3 action:

4 (A) the funded ratio is not less than 100  
5 percent; and

6 (B) the municipal contribution rate is not more  
7 than the minimum contribution rate.

8 (e) Except as provided by Subsection (f) of this section, if  
9 an agreement under Subsection (d) of this section is not reached on  
10 or before April 30 before the first day of the next fiscal year,  
11 before the first day of the next fiscal year the board shall reduce  
12 member contributions and implement or increase cost-of-living  
13 adjustments, but only to the extent that the municipal contribution  
14 rate is set at or below the minimum contribution rate and the funded  
15 ratio is not less than 100 percent.

16 (f) If any member contribution reduction or benefit  
17 increase has occurred within the previous three fiscal years, the  
18 board may not make additional adjustments to benefits, and the  
19 municipal contribution rate must be set to equal the minimum  
20 contribution rate.

21 Sec. 13F. MUNICIPAL CONTRIBUTION RATE WHEN ESTIMATED  
22 MUNICIPAL CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR  
23 MIDPOINT; AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section  
24 governs the determination of the municipal contribution rate in a  
25 fiscal year when the estimated municipal contribution rate under a  
26 risk sharing valuation study prepared under Section 13B or 13C of  
27 this article, as applicable, is equal to or greater than the



1 corridor midpoint.

2 (b) If the estimated municipal contribution rate is:

3 (1) less than or equal to the maximum contribution  
4 rate for the corresponding fiscal year, the estimated municipal  
5 contribution rate is the municipal contribution rate; or

6 (2) except as provided by Subsection (d) or (f) of this  
7 section, greater than the maximum contribution rate for the  
8 corresponding fiscal year, the municipal contribution rate equals  
9 the corridor midpoint achieved in accordance with Subsection (c) of  
10 this section.

11 (c) For purposes of Subsection (b)(2) of this section, the  
12 following adjustments shall be applied sequentially to the extent  
13 required to decrease the estimated municipal contribution rate to  
14 equal the corridor midpoint:

15 (1) first, if the payoff year of the legacy liability  
16 was accelerated under Section 13E(c) of this article, extend the  
17 payoff year of existing liability loss layers, by extending the  
18 most recent loss layers first, to a payoff year not later than 30  
19 years from the first day of the fiscal year beginning 12 months  
20 after the date of the risk sharing valuation study in which the  
21 liability loss layer is first recognized; and

22 (2) second, adjust the actuarial value of assets to  
23 the current market value of assets, if making the adjustment causes  
24 the municipal contribution rate to decrease.

25 (d) If the municipal contribution rate after adjustment  
26 under Subsection (c) of this section is greater than the third  
27 quarter line rate:

1           (1) the municipal contribution rate equals the third  
2 quarter line rate; and

3           (2) to the extent necessary to comply with Subdivision  
4 (1) of this subsection, the municipality and the board shall enter  
5 into a written agreement to increase member contributions and make  
6 other benefit or plan changes not otherwise prohibited by  
7 applicable federal law or regulations.

8           (e) Gains resulting from adjustments made as the result of a  
9 written agreement between the municipality and the board under  
10 Subsection (d)(2) of this section must be applied to the municipal  
11 contribution rate and not to the legacy liability.

12           (f) If an agreement under Subsection (d)(2) of this section  
13 is not reached on or before April 30 before the first day of the next  
14 fiscal year, before the start of the next fiscal year to which the  
15 municipal contribution rate would apply, the board, to the extent  
16 necessary to set the municipal contribution rate equal to the third  
17 quarter line rate, shall:

18                   (1) increase member contributions and decrease  
19 cost-of-living adjustments;

20                   (2) increase the normal retirement age; or

21                   (3) take all actions authorized under Subdivisions (1)  
22 and (2) of this subsection.

23           (g) If the municipal contribution rate remains greater than  
24 the corridor midpoint in the third fiscal year after adjustments  
25 are made in accordance with Subsection (d)(2) of this section, in  
26 that fiscal year the municipal contribution rate equals the  
27 corridor midpoint achieved in accordance with Subsection (h) of

1 this section.

2 (h) The municipal contribution rate must be set at the  
3 corridor midpoint under Subsection (g) of this section by:

4 (1) in the risk sharing valuation study for the third  
5 fiscal year described by Subsection (d)(2) of this section,  
6 adjusting the actuarial value of assets to equal the current market  
7 value of assets, if making the adjustment causes the municipal  
8 contribution rate to decrease; and

9 (2) under a written agreement entered into between the  
10 municipality and the board:

11 (A) increasing member contributions; and

12 (B) making any other benefit or plan changes not  
13 otherwise prohibited by applicable federal law or regulations.

14 (i) If an agreement under Subsection (h)(2) of this section  
15 is not reached on or before April 30 before the first day of the next  
16 fiscal year, before the start of the next fiscal year, the board, to  
17 the extent necessary to set the municipal contribution rate equal  
18 to the corridor midpoint, shall:

19 (1) increase member contributions and decrease  
20 cost-of-living adjustments;

21 (2) increase the normal retirement age; or

22 (3) take all actions authorized under Subdivisions (1)  
23 and (2) of this subsection.

24 Sec. 13G. INTERPRETATION OF CERTAIN RISK SHARING  
25 PROVISIONS; UNILATERAL ACTION PROHIBITED. (a) Nothing in this  
26 article, including Section 2(p) or (p-1) of this article and any  
27 authority of the board to construe and interpret this article, to

1 determine any fact, to take any action, or to interpret any terms  
2 used in Sections 13A through 13F of this article, may alter or  
3 change Sections 13A through 13F of this article.

4 (b) No unilateral decision or action by the board is binding  
5 on the municipality and no unilateral action by the municipality is  
6 binding on the fund with respect to the application of Sections 13A  
7 through 13F of this article unless expressly provided by a  
8 provision of those sections. Nothing in this subsection is intended  
9 to limit the powers or authority of the board.

10 (c) Section 10 of this article does not apply to a benefit  
11 increase under Section 13E of this article, and Section 10 of this  
12 article is suspended while Sections 13A and 13F of this article are  
13 in effect.

14 Sec. 13H. PENSION REVIEW BOARD; REPORT. (a) After  
15 preparing a final risk sharing valuation study under Section 13B or  
16 13C of this article, the fund and the municipality shall jointly  
17 submit a copy of the study or studies, as appropriate, to the State  
18 Pension Review Board for validation and confirmation that the fund  
19 and municipality are in compliance with this article.

20 (b) Not later than the 30th day after the date an action is  
21 taken under Section 13E or 13F of this article, the fund shall  
22 submit a report to the State Pension Review Board regarding any  
23 actions taken under those sections.

24 (c) The State Pension Review Board shall notify the  
25 governor, the lieutenant governor, the speaker of the house of  
26 representatives, and the legislative committees having principal  
27 jurisdiction over legislation governing public retirement systems

1 if the State Pension Review Board determines the fund or the  
2 municipality is not in compliance with Sections 13A through 13G of  
3 this article.

4 SECTION 1.16. Section 17, Article 6243e.2(1), Revised  
5 Statutes, is amended by adding Subsections (f), (g), (h), (i), and  
6 (j) to read as follows:

7 (f) To carry out the provisions of Sections 13A through 13F  
8 of this article, the board and the fund must provide the municipal  
9 actuary under a confidentiality agreement the actuarial data used  
10 by the fund actuary for the fund's actuarial valuations or  
11 valuation studies and other data as agreed to between the  
12 municipality and the fund that the municipal actuary determines is  
13 reasonably necessary for the municipal actuary to perform the  
14 studies required by Sections 13B through 13F of this article.  
15 Actuarial data described by this subsection does not include  
16 information described by Subsection (a) of this section.

17 (g) A risk sharing valuation study or other report prepared  
18 by either the municipal actuary or the fund actuary under Sections  
19 13A through 13F of this article may not:

20 (1) include information described by Subsection (a) of  
21 this section; or

22 (2) provide confidential or private information  
23 regarding specific individuals or be grouped in a manner that  
24 allows confidential or private information regarding a specific  
25 individual to be discerned.

26 (h) The information, data, and document exchanges under  
27 Sections 13A through 13F of this article have all the protections

1 afforded by applicable law and are expressly exempt from the  
2 disclosure requirements under Chapter 552, Government Code, except  
3 as may be agreed to by the municipality and fund in a written  
4 agreement.

5 (i) Subsection (h) of this section does not apply to final  
6 risk sharing valuation studies prepared under Section 13B or 13C of  
7 this article.

8 (j) Before a union contract is approved by the municipality,  
9 the mayor of the municipality shall cause the municipal actuaries  
10 to deliver to the mayor a report estimating the impact of the  
11 proposed union contract on fund costs.

12 SECTION 1.17. Notwithstanding Section 1(1-e), Article  
13 6243e.2(1), Revised Statutes, as added by this Act, the assumed  
14 rate of return for the fiscal year ending June 30, 2018, is seven  
15 percent per year for purposes of Article 6243e.2(1), Revised  
16 Statutes.

17 SECTION 1.18. The firefighters' relief and retirement fund  
18 established under Article 6243e.2(1), Revised Statutes, shall  
19 require the fund actuary to prepare the first actuarial experience  
20 study required under Section 13D, Article 6243e.2(1), Revised  
21 Statutes, as added by this Act, not later than September 30, 2020.

22 ARTICLE 2. POLICE OFFICERS' PENSION SYSTEM

23 SECTION 2.01. Section 1, Article 6243g-4, Revised Statutes,  
24 is amended to read as follows:

25 Sec. 1. PURPOSE. The purpose of this article is to restate  
26 and amend the provisions of former law creating and governing a  
27 police officers pension system in each city in this state having a

1 population of two [~~1.5~~] million or more, according to the most  
2 recent federal decennial census, and to reflect changes agreed to  
3 by the city and the board of trustees of the pension system under  
4 Section 27 of this article. The pension system shall continue to  
5 operate regardless of whether the city's population falls below two  
6 [~~1.5~~] million.

7 SECTION 2.02. Article 6243g-4, Revised Statutes, is amended  
8 by adding Section 1A to read as follows:

9 Sec. 1A. INTERPRETATION OF ARTICLE. This article does not  
10 and may not be interpreted to:

11 (1) relieve the city, the board, or the pension system  
12 of their respective obligations under Sections 9 through 9E of this  
13 article or under any agreement between the city and the board under  
14 Section 27 of this article;

15 (2) reduce or modify the rights of the city, the board,  
16 or the pension system, including any officer or employee of the  
17 city, board, or pension system, to enforce obligations described by  
18 Subdivision (1) of this section;

19 (3) relieve the city, including any official or  
20 employee of the city, from:

21 (A) paying or directing to pay required  
22 contributions to the pension system under Section 8 or 9 of this  
23 article or taking other steps required by Sections 9D and 9E of this  
24 article or under any agreement between the city and the board; or

25 (B) reducing or modifying the rights of the board  
26 and any officer or employee of the board or pension system to  
27 enforce obligations described by Subdivision (1) of this section;

1           (4) relieve the pension system or board, including any  
2 officer or employee of the pension system or board, from any  
3 obligation to implement a benefit change or take other steps  
4 required by Section 9D or 9E of this article or under any agreement  
5 between the city and the board under Section 27 of this article; or  
6           (5) reduce or modify the rights of the city and any  
7 officer or employee of the city to enforce an obligation described  
8 by Subdivision (4) of this section.

9           SECTION 2.03. Section 2, Article 6243g-4, Revised Statutes,  
10 is amended by amending Subdivisions (1), (2), (3), (4-a), (11),  
11 (13), (14-a), (17), (17-a), and (22) and adding Subdivisions (1-a),  
12 (1-b), (1-c), (4-b), (4-c), (4-d), (5-a), (5-b), (5-c), (10-a),  
13 (10-b), (10-c), (10-d), (12-a), (13-a), (13-b), (13-c), (13-d),  
14 (13-e), (13-f), (14-b), (14-c), (15-a), (15-b), (16-a), (16-b),  
15 (17-b), (17-c), (17-d), (17-e), (24), (25), (26), (27), and (28) to  
16 read as follows:

17           (1) "Active member" means an employee of the city  
18 within [a person employed as a classified police officer by] the  
19 police department of a city subject to this article, in a classified  
20 or appointed position, except for a person in an appointed position  
21 who opts out of the plan, a person who is a part-time, seasonal, or  
22 temporary employee, or a person who elected to remain a member of a  
23 pension system described by Chapter 88, Acts of the 77th  
24 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas  
25 Civil Statutes). The term does not include a person who is a member  
26 of another pension system of the same city, except to the extent  
27 provided by Section [~~15(j) or~~] 18 of this article.



1           (1-a) "Actuarial data" includes:

2                   (A) the census data, assumption tables,  
3 disclosure of methods, and financial information that are routinely  
4 used by the pension system actuary to prepare an actuarial  
5 valuation or an actuarial experience study under Section 9C of this  
6 article; and

7                   (B) any other data that is reasonably necessary  
8 to prepare a risk sharing valuation study under Section 9A or 9B of  
9 this article.

10           (1-b) "Actuarial experience study" has the meaning  
11 assigned by Section 802.1014, Government Code.

12           (1-c) "Amortization period" means the time period  
13 necessary to fully pay a liability layer.

14           (2) "Amortization rate" means the sum of the scheduled  
15 amortization payments for a given fiscal year for the current  
16 liability layers divided by the projected pensionable payroll for  
17 that fiscal year. [~~"Average total direct pay" means an amount~~  
18 ~~determined by dividing the following sum by 12:~~

19                   ~~[(A) the highest biweekly pay received by a~~  
20 ~~member for any single pay period in the last 26 pay periods in which~~  
21 ~~the member worked full-time, considering only items of total direct~~  
22 ~~pay that are included in each paycheck, multiplied by 26, plus~~

23                   ~~[(B) the total direct pay, excluding all items of~~  
24 ~~the type included in Paragraph (A) received during the same last 26~~  
25 ~~biweekly pay periods.]~~

26           (3) "Assumed rate of return" means the assumed market  
27 rate of return on pension system assets [~~"Base salary" means the~~

1 ~~monthly base pay provided for the classified position in the police~~  
2 ~~department held by the member].~~

3 (4-a) "Catastrophic injury" means a sudden, violent,  
4 life-threatening, duty-related injury sustained by an active  
5 member that is due to an externally caused motor vehicle accident,  
6 gunshot wound, aggravated assault, or other external event or  
7 events and results, as supported by evidence, in one of the  
8 following conditions:

9 (A) total, complete, and permanent loss of sight  
10 in one or both eyes;

11 (B) total, complete, and permanent loss of the  
12 use of one or both feet at or above the ankle;

13 (C) total, complete, and permanent loss of the  
14 use of one or both hands at or above the wrist;

15 (D) injury to the spine that results in a total,  
16 permanent, and complete paralysis of both arms, both legs, or one  
17 arm and one leg; or

18 (E) an externally caused physical traumatic  
19 injury to the brain rendering the member physically or mentally  
20 unable to perform the member's duties as a police officer.

21 (4-b) "City" means a city subject to this article.

22 (4-c) "City contribution rate" means, for a fiscal  
23 year, the rate at which a city makes contributions to the pension  
24 system under Section 9A(a)(1) of this article.

25 (4-d) "Classified" means any person classified by the  
26 city as a police officer.

27 (5-a) "Corridor" means the range of city contribution

1 rates that are:

2 (A) equal to or greater than the minimum  
3 contribution rate; and

4 (B) equal to or less than the maximum  
5 contribution rate.

6 (5-b) "Corridor margin" means five percentage points.

7 (5-c) "Corridor midpoint" means the projected city  
8 contribution rate specified for each fiscal year for 31 years in the  
9 initial risk sharing valuation study under Section 9B of this  
10 article, as may be adjusted under Section 9D or 9E of this article,  
11 and in each case rounded to the nearest hundredths decimal place.

12 (10-a) "Employer normal cost rate" means the normal  
13 cost rate minus the member contribution rate.

14 (10-b) "Estimated city contribution rate" means the  
15 city contribution rate determined in a risk sharing valuation study  
16 under Section 9B or 9C of this article in accordance with Section  
17 9B(a)(2) of this article.

18 (10-c) "Fiscal year," except as provided by Section 2A  
19 of this article, means a fiscal year beginning July 1 and ending  
20 June 30.

21 (10-d) "Final average pay" means the pay received by a  
22 member over the last 78 biweekly pay periods ending before the  
23 earlier of:

24 (A) the date the member terminates employment  
25 with the police department, divided by 36; or

26 (B) the date the member began participation in  
27 DROP, divided by 36.

1           (11) "Former member" means a person who was once an  
2 active member, eligible for benefits [~~vested~~] or not, but who  
3 terminated active member status and received a refund of member  
4 contributions.

5           (12-a) "Funded ratio" means the ratio of the pension  
6 system's actuarial value of assets divided by the pension system's  
7 actuarial accrued liability.

8           (13) "Inactive member" means a person who has  
9 separated from service and is eligible to receive [~~has a vested~~  
10 ~~right to~~] a service pension from the pension system but is not  
11 eligible for an immediate service pension. The term does not  
12 include a former member.

13           (13-a) "Legacy liability" means unified actuarial  
14 accrued liability as of June 30, 2016, as reduced to reflect:

15                   (A) changes to benefits and contributions under  
16 this article as of the year 2017 effective date;

17                   (B) the deposit of pension obligation bond  
18 proceeds after December 30, 2017, and before December 31, 2017;

19                   (C) payments by the city and earnings at the  
20 assumed rate of return allocated to the legacy liability for the  
21 period between July 1, 2016, and July 1, 2017; and

22                   (D) in each subsequent fiscal year,  
23 contributions for that year allocated to the amortization of the  
24 legacy liability and adjusted by the assumed rate of return.

25           (13-b) "Level percent of payroll method" means the  
26 amortization method that defines the amount of the liability layer  
27 recognized each fiscal year as a level percent of pensionable

1 payroll until the amount of the liability layer remaining is  
2 reduced to zero.

3 (13-c) "Liability gain layer" means a liability layer  
4 that decreases the unfunded actuarial accrued liability.

5 (13-d) "Liability layer" means the unanticipated  
6 change as established in each risk sharing valuation study prepared  
7 under Section 9A or 9B of this article, as applicable.

8 (13-e) "Liability loss layer" means a liability layer  
9 that increases the unfunded actuarial accrued liability. For  
10 purposes of this article, the legacy liability is a liability loss  
11 layer.

12 (13-f) "Maximum contribution rate" means the rate  
13 equal to the corridor midpoint plus the corridor margin.

14 (14-a) "Minimum contribution rate" means the rate  
15 equal to the corridor midpoint minus the corridor margin.

16 (14-b) "Normal cost rate" means the salary weighted  
17 average of the individual normal cost rates determined for the  
18 current active population plus an allowance for projected  
19 administrative and investment expenses. The allowance for  
20 projected administrative expenses equals the administrative  
21 expenses divided by the pensionable payroll for the previous fiscal  
22 year, provided the administrative allowance may not exceed one  
23 percent of pensionable payroll for the current fiscal year unless  
24 agreed to by the city.

25 (14-c) "Normal retirement age" means:

26 (A) for a member hired before October 9, 2004,  
27 including a member hired before October 9, 2004, who involuntarily

1 separated from service but was retroactively reinstated under an  
2 arbitration, civil service, or court ruling after October 9, 2004,  
3 the earlier of:

4 (i) [~~(A)~~] the age at which the member  
5 attains 20 years of service; or

6 (ii) [~~(B)~~] the age at which the member first  
7 attains both the age of at least 60 and at least 10 years of service;  
8 or

9 (B) except as provided by Paragraph (A) of this  
10 subdivision, for a member hired or rehired on or after October 9,  
11 2004, the age at which the sum of the member's age in years and years  
12 of service equals at least 70.

13 (15-a) "Pay," unless the context requires otherwise,  
14 means wages as defined by Section 3401(a) of the code, plus any  
15 amounts that are not included in gross income by reason of Sections  
16 104(a)(1), 125, 132(f), 402(g)(2), 457, or 414(h)(2) of the code,  
17 less any pay received for overtime work, exempt time pay, strategic  
18 officer staffing program pay, motorcycle allowance, clothing  
19 allowance, or mentor pay. The definition of "pay" for purposes of  
20 this article may only be amended by written agreement of the pension  
21 board and the city under Section 27 of this article.

22 (15-b) "Payoff year" means the year a liability layer  
23 is fully amortized under the amortization period. A payoff year may  
24 not be extended or accelerated for a period that is less than one  
25 month.

26 (16-a) "Pension obligation bond" means a bond issued  
27 in accordance with Chapter 107, Local Government Code.

1           (16-b) "Pensionable payroll" means the combined  
2 salaries paid to all members during an applicable fiscal year.

3           (17) "Pension system" or "system," unless the context  
4 requires otherwise, means the retirement and disability plan for  
5 employees of any police department subject to this article.

6           (17-a) "Police department" means one or more law  
7 enforcement agencies designated as a police department by a city.

8           (17-b) "Price inflation assumption" means:

9                   (A) the most recent headline consumer price index  
10 10-year forecast published in the Federal Reserve Bank of  
11 Philadelphia Survey of Professional Forecasters; or

12                   (B) if the forecast described by Paragraph (A) of  
13 this subdivision is not available, another standard as determined  
14 by mutual agreement between the city and the pension board entered  
15 into under Section 27 of this article.

16           (17-c) "Projected pensionable payroll" means the  
17 estimated pensionable payroll for the fiscal year beginning 12  
18 months after the date of the risk sharing valuation study prepared  
19 under Section 9A or 9B of this article, as applicable, at the time  
20 of calculation by:

21                   (A) projecting the prior fiscal year's  
22 pensionable payroll projected forward two years by using the  
23 current payroll growth rate assumptions; and

24                   (B) adjusting, if necessary, for changes in  
25 population or other known factors, provided those factors would  
26 have a material impact on the calculation, as determined by the  
27 board.

1           (17-d) "Retired member" means a member who has  
2 separated from service and who is eligible to receive an immediate  
3 service or disability pension under this article.

4           (17-e) "Salary" means pay provided for the classified  
5 position in the police department held by the member.

6           (22) "Surviving spouse" means a person who was married  
7 to an active, inactive, or retired member at the time of the  
8 member's death and, in the case of a marriage or remarriage after  
9 the member's retirement, [~~an inactive or retired member, before the~~  
10 ~~member's separation from service or~~] for a period of at least five  
11 consecutive years [~~before the retired or inactive member's death~~].

12           (24) "Third quarter line rate" means the corridor  
13 midpoint plus 2.5 percentage points.

14           (25) "Trustee" means a member of the board.

15           (26) "Unfunded actuarial accrued liability" means the  
16 difference between the actuarial accrued liability and the  
17 actuarial value of assets. For purposes of this definition:

18                   (A) "actuarial accrued liability" means the  
19 portion of the actuarial present value of projected benefits  
20 attributed to past periods of member service based on the cost  
21 method used in the risk sharing valuation study prepared under  
22 Section 9B or 9C of this article, as applicable; and

23                   (B) "actuarial value of assets" means the value  
24 of pension system investments as calculated using the asset  
25 smoothing method used in the risk sharing valuation study prepared  
26 under Section 9A or 9B of this article, as applicable.

27           (27) "Unanticipated change" means, with respect to the



1 unfunded actuarial accrued liability in each risk sharing valuation  
2 study prepared under Section 9A or 9B of this article, as  
3 applicable, the difference between:

4 (A) the remaining balance of all then-existing  
5 liability layers as of the date of the risk sharing valuation study;  
6 and

7 (B) the actual unfunded actuarial accrued  
8 liability as of the date of the risk sharing valuation study.

9 (28) "Year 2017 effective date" means:

10 (A) July 1, 2017, if .B. No. \_\_, Acts of the 85th  
11 Legislature, Regular Session, 2017, took effect on or before July  
12 1, 2017; or

13 (B) the date on which .B. No. \_\_, Acts of the  
14 85th Legislature, Regular Session, 2017, took effect, if the Act  
15 took effect after July 1, 2017.

16 SECTION 2.04. Article 6243g-4, Revised Statutes, is amended  
17 by adding Sections 2A and 2B to read as follows:

18 Sec. 2A. FISCAL YEAR. The pension system or the city, or  
19 both, may only change their respective fiscal years by entering  
20 into a written agreement under Section 27 of this article to change  
21 their respective fiscal years. If the pension system and city enter  
22 into an agreement described by this section, the parties shall, in  
23 the agreement, adjust the provisions of Sections 9 through 9F of  
24 this article to reflect that change.

25 Sec. 2B. ALTERNATIVE PLANS. The pension system and the city  
26 may enter into a written agreement under Section 27 of this article  
27 to offer an alternative plan or plans, including defined

1 contribution plans, if both parties consider it appropriate.

2 SECTION 2.05. Section 3(b), Article 6243g-4, Revised  
3 Statutes, is amended to read as follows:

4 (b) The board is composed of seven members as follows:

5 (1) the administrative head of the city or the  
6 administrative head's authorized representative;

7 (2) three employees of the police department having  
8 membership in the pension system, elected by the active, inactive,  
9 and retired members of the pension system;

10 (3) two retired members who are receiving pensions  
11 from the system and are not officers or employees of the city,  
12 elected by the active, inactive, and retired members of the pension  
13 system; and

14 (4) the director of finance [~~treasurer~~] of the city or  
15 the person discharging the duties of the director of finance, or the  
16 director's or other person's designee [~~city treasurer~~].

17 SECTION 2.06. Section 3, Article 6243g-4, Revised Statutes,  
18 is amended by adding Subsections (i) and (j) to read as follows:

19 (i) If a candidate for either an active or retired board  
20 member position does not receive a majority vote for that position,  
21 a run-off election for that position shall be held. The board shall  
22 establish a policy for general and run-off elections for purposes  
23 of this subsection.

24 (j) The terms of office for board members in the phase down  
25 program A or B shall be one year. A board member who subsequently  
26 enters phase down program A or B and has served at least one year of  
27 the member's current term shall vacate the member's seat and may run

1 for reelection.

2 SECTION 2.07. Section 4, Article 6243g-4, Revised Statutes,  
3 is amended to read as follows:

4 Sec. 4. BOARD MEMBER LEAVE AND COMPENSATION. (a) The city  
5 shall allow active members who are trustees to promptly attend all  
6 pension board and committee meetings. The city shall allow  
7 trustees the time required to travel to and attend educational  
8 workshops and legislative hearings and to attend to other pension  
9 system business, including meetings regarding proposed amendments  
10 to this article, if attendance is consistent with a trustee's duty  
11 to the pension board [~~Elected members of the board who are employees~~  
12 ~~of the city's police department are entitled to leave from their~~  
13 ~~employer to attend to the official business of the pension system~~  
14 ~~and are not required to report to the city or any other governmental~~  
15 ~~entity regarding travel or the official business of the pension~~  
16 ~~system, except when on city business].~~

17 (b) [~~If the city employing an elected board member would~~  
18 ~~withhold any portion of the salary of the member who is attending to~~  
19 ~~official business of the pension system, the pension system may~~  
20 ~~elect to adequately compensate the city for the loss of service of~~  
21 ~~the member. If the board, by an affirmative vote of at least four~~  
22 ~~board members, makes this election, the amounts shall be remitted~~  
23 ~~from the fund to the city, and the city shall pay the board member's~~  
24 ~~salary as if no loss of service had occurred.~~

25 [(c)] The board, by an affirmative vote of at least four board  
26 members, may elect to reimburse board members who are not employees  
27 of the city for their time while attending to official business of

1 the pension system. The amount of any reimbursement may not exceed  
2 \$750 [~~\$350~~] a month for each affected board member.

3 SECTION 2.08. Article 6243g-4, Revised Statutes, is amended  
4 by adding Sections 5A, 5B, and 5C to read as follows:

5 Sec. 5A. QUALIFICATIONS OF PENSION SYSTEM ACTUARY. An  
6 actuary hired under this article must have at least five years of  
7 experience as an actuary working with one or more public retirement  
8 systems and must be a fellow of the Society of Actuaries, a member  
9 of the American Academy of Actuaries, or an enrolled actuary under  
10 the Employee Retirement Income Security Act of 1974 (29 U.S.C.  
11 Section 1001 et seq.).

12 Sec. 5B. QUALIFICATIONS OF CITY ACTUARY. (a) An actuary  
13 hired by the city for purposes of this article must be an actuary  
14 from a professional service firm who:

15 (1) is not already engaged by the pension system or any  
16 other fund or pension system authorized under Article 6243e.2(1),  
17 Revised Statutes, or Chapter 88 (H.B. 1573), Acts of the 77th  
18 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas  
19 Civil Statutes) to provide actuarial services to the pension system  
20 or other fund or pension system, as applicable;

21 (2) has a minimum of five years of professional  
22 actuarial experience; and

23 (3) is a member of the American Academy of Actuaries or  
24 a fellow of the Society of Actuaries and meets the applicable  
25 requirements to issue statements of actuarial opinion.

26 (b) Notwithstanding Subsection (a) of this section, the  
27 city actuary does not need to meet any greater qualifications than

1 those required of the pension system actuary.

2 Sec. 5C. LIABILITY OF CERTAIN PERSONS. (a) The trustees,  
3 executive director, and employees of the pension system are fully  
4 protected from and free of liability for any action taken or  
5 suffered by them in connection with the provisions of this article  
6 that were performed in good faith and in reliance on an actuary,  
7 accountant, counsel, or other professional service provider, or in  
8 reliance on records provided by the city.

9 (b) The officers and employees of the city are fully  
10 protected and free of liability for any action taken or suffered by  
11 the officer or employee, as applicable, in good faith and on  
12 reliance on an actuary, accountant, counsel, or other professional  
13 service provider.

14 (c) The protection from liability provided by this section  
15 is cumulative of and in addition to any other constitutional,  
16 statutory, or common law official or governmental immunity,  
17 defense, and civil or procedural protection provided to the city or  
18 pension system as a governmental entity and to a city or pension  
19 system official or employee as an official or employee of a  
20 governmental entity. Except for a waiver expressly provided by  
21 this article, this article does not grant an implied waiver of any  
22 immunity.

23 SECTION 2.09. Section 6, Article 6243g-4, Revised Statutes,  
24 is amended by amending Subsections (f) and (g) and adding  
25 Subsections (f-1), (i), and (j) to read as follows:

26 (f) The board has full discretion and authority to:

27 (1) administer the pension system;

1           (2) ~~[, to]~~ construe and interpret this article and any  
2 summary plan descriptions or benefits procedures;

3           (3) subject to Section 9F of this article, correct any  
4 defect, supply any omission, and reconcile any inconsistency that  
5 appears in this article;~~[,]~~ and

6           (4) take ~~[to do]~~ all other acts necessary to carry out  
7 the purpose of this article in a manner and to the extent that the  
8 board considers expedient to administer this article for the  
9 greatest benefit of all members.

10          (f-1) Except as provided by Section 9F of this article, all  
11 ~~[All]~~ decisions of the board under Subsection (f) of this section  
12 are final and binding on all affected parties.

13          (g) The board, if reasonably necessary in the course of  
14 performing a board function, may issue process or subpoena a  
15 witness or the production of a book, record, or other document as to  
16 any matter affecting retirement, disability, or death benefits  
17 under any pension plan provided by the pension system. The  
18 presiding officer of the board may issue, in the name of the board,  
19 a subpoena only if a majority of the board approves. The presiding  
20 officer of the board, or the presiding officer's designee, shall  
21 administer an oath to each witness. A peace officer shall serve a  
22 subpoena issued by the board. If the person to whom a subpoena is  
23 directed fails to comply, the board may bring suit to enforce the  
24 subpoena in a district court of the county in which the person  
25 resides or in the county in which the book, record, or other  
26 document is located. If the district court finds that good cause  
27 exists for issuance of the subpoena, the court shall order

1 compliance. The district court may modify the requirements of a  
2 subpoena that the court finds are unreasonable. Failure to obey the  
3 order of the district court is punishable as contempt.

4 (i) If the board or its designee determines that any person  
5 to whom a payment under this article is due is a minor or is unable  
6 to care for the person's affairs because of a physical or mental  
7 disability, and if the board or its designee, as applicable,  
8 determines the person does not have a guardian or other legal  
9 representative and that the estate of the person is insufficient to  
10 justify the expense of establishing a guardianship, or continuing a  
11 guardianship after letters of guardianship have expired, then until  
12 current letters of guardianship are filed with the pension system,  
13 the board or its designee, as applicable, may make the payment:

14 (1) to the spouse of the person, as trustee for the  
15 person;

16 (2) to an individual or entity actually providing for  
17 the needs of and caring for the person, as trustee for the person;  
18 or

19 (3) to a public agency or private charitable  
20 organization providing assistance or services to the aged or  
21 incapacitated that agrees to accept and manage the payment for the  
22 benefit of the person as a trustee.

23 (j) The board or its designee is not responsible for  
24 overseeing how a person to whom payment is made under Subsection (i)  
25 of this section uses or otherwise applies the payments. Payments  
26 made under Subsection (i) of this section constitute a complete  
27 discharge of the pension system's liability and obligation to the

1 person on behalf of whom payment is made.

2 SECTION 2.10. Section 8(a), Article 6243g-4, Revised  
3 Statutes, is amended to read as follows:

4 (a) Subject to adjustments authorized by Section 9D or 9E of  
5 this article, each [~~Each~~] active member of the pension system shall  
6 pay into the system each month 10.5 [~~8-3/4~~] percent of the member's  
7 [~~total direct~~] pay. The payments shall be deducted by the city from  
8 the salary of each active member each payroll period and paid to the  
9 pension system. Except for the repayment of withdrawn  
10 contributions under Section 17(f) [~~or 18(c)(3)~~] of this article and  
11 rollovers permitted by Section 17(h) of this article, a person may  
12 not be required or permitted to make any payments into the pension  
13 system after the person separates from service.

14 SECTION 2.11. Section 9, Article 6243g-4, Revised Statutes,  
15 is amended to read as follows:

16 Sec. 9. CONTRIBUTIONS BY THE CITY. (a) Beginning with the  
17 year 2017 effective date, the city shall make contributions to the  
18 pension system for deposit into the fund as provided by this section  
19 and Section 9B, 9D, or 9E of this article, as applicable. The city  
20 shall contribute:

21 (1) except by written agreement between the city and  
22 the pension board under Section 27 of this article providing for an  
23 earlier contribution date, beginning with the year 2017 effective  
24 date and ending with the fiscal year ending June 30, 2018, an  
25 amount, as determined in the initial risk sharing valuation study  
26 conducted under Section 9B of this article, equal to the city  
27 contribution rate multiplied by the pensionable payroll for the



1 fiscal year; and

2 (2) for each fiscal year after the fiscal year ending  
3 June 30, 2018, an amount, as determined in accordance with the  
4 subsequent risk sharing valuation study conducted under Section 9A  
5 of this article, equal to the city contribution rate multiplied by  
6 the pensionable payroll for the applicable fiscal year.

7 (b) At least biweekly, the city shall make the contributions  
8 required by Subsection (a) of this section by depositing with the  
9 pension system an amount equal to the city contribution rate  
10 multiplied by the pensionable payroll for the biweekly period.

11 (c) Subject to Section 9D or 9E of this article, the city  
12 contribution rate:

13 (1) except as provided by Subdivision (2) of this  
14 subsection, is a percent that equals the sum of the employer normal  
15 cost rate and the amortization rate for all liability layers; and

16 (2) may not exceed the maximum contribution rate or be  
17 less than the minimum contribution rate [~~The city shall make~~  
18 ~~substantially equal contributions to the fund as soon as~~  
19 ~~administratively feasible after each payroll period. For each~~  
20 ~~fiscal year ending after June 30, 2005, the city's minimum~~  
21 ~~contribution shall be the greater of 16 percent of the members'~~  
22 ~~total direct pay or the level percentage of salary payment required~~  
23 ~~to amortize the unfunded actuarial liability over a constant period~~  
24 ~~of 30 years computed on the basis of an acceptable actuarial reserve~~  
25 ~~funding method approved by the board. However, for the fiscal year~~  
26 ~~ending June 30, 2002, the city's contribution shall be \$32,645,000,~~  
27 ~~for the fiscal year ending June 30, 2003, the city's contribution~~

1 ~~shall be \$34,645,000, for the fiscal year ending June 30, 2004, the~~  
2 ~~city's contribution shall be \$36,645,000, and for the fiscal year~~  
3 ~~ending June 30, 2005, the city's contribution shall be 16 percent of~~  
4 ~~the members' total direct pay].~~

5 (d) In addition to the amounts required under this section,  
6 the city may at any time contribute additional amounts to the  
7 pension system for deposit in the pension fund by entering into a  
8 written agreement with the pension board in accordance with Section  
9 27 of this article.

10 (e) [(e)] The governing body of a city to which this article  
11 applies by ordinance or resolution may provide that the city pick up  
12 active member contributions required by Section 8 of this article  
13 so that the contributions of all active members of the pension  
14 system qualify as picked-up contributions under Section 414(h)(2)  
15 of the code. If the governing body of a city adopts an ordinance or  
16 resolution under this section, the city, the board, and any other  
17 necessary party shall implement the action as soon as practicable.  
18 Contributions picked up as provided by this subsection shall be  
19 included in the determination of an active member's [~~total direct~~]  
20 pay, deposited to the individual account of the active member on  
21 whose behalf they are made, and treated for all purposes, other than  
22 federal tax purposes, in the same manner and with like effect as if  
23 they had been deducted from the salary of, and made by, the active  
24 member.

25 (f) Contributions made under this section by the city to the  
26 pension system shall only be credited against any amortization  
27 schedule of payments due to the pension system under this article.

1       (g) Subsection (f) of this section does not affect changes  
2 to an amortization schedule of a liability layer under Section  
3 9A(a)(4)(F), 9B(i), or 9D(c)(3)-(4) of this article.

4       (h) Notwithstanding any other law and except for the pension  
5 obligation bond assumed under Section 9B(d)(2) of this article, the  
6 city may not issue a pension obligation bond to fund the city  
7 contribution rate under this section.

8       SECTION 2.12. Article 6243g-4, Revised Statutes, is amended  
9 by adding Sections 9A, 9B, 9C, 9D, 9E, 9F, and 9G to read as follows:

10       Sec. 9A. RISK SHARING VALUATION STUDIES. (a) The pension  
11 system and the city shall prepare a risk sharing valuation study in  
12 accordance with this section. A risk sharing valuation study must:

13               (1) be included in the pension system's standard  
14 valuation study prepared annually by the pension system;

15               (2) calculate the unfunded actuarial accrued  
16 liability of the pension system consistent with actuarial standards  
17 of practice and based on actuarial data or estimates of actuarial  
18 data provided by the pension system actuary;

19               (3) estimate the city contribution rate by making  
20 adjustments to the calculation of the rate that do not require  
21 agreement between the city and the board under Section 9D or 9E of  
22 this article;

23               (4) subject to Subsection (g) of this section, be  
24 based on assumptions and methods determined based on the most  
25 recent actuarial experience study conducted under Section 9C of  
26 this article, provided the following assumptions and methods are  
27 used:

1                   (A) an ultimate entry age normal actuarial  
2 method;

3                   (B) for purposes of determining the actuarial  
4 value of assets:

5                           (i) except as provided by Subparagraph (ii)  
6 of this paragraph and Section 9D(c)(1) or 9E(c)(1) of this article,  
7 an asset smoothing method of reflecting actuarial losses and gains  
8 experienced over a five-year period established in an actuarial  
9 experience study applied prospectively beginning on the year 2017  
10 effective date; and

11                           (ii) for the initial risk sharing valuation  
12 study prepared under Section 9B of this article, a marked-to-market  
13 method applied as of June 30, 2016;

14                   (C) closed layered amortization of liability  
15 layers to ensure that the amortization period for each layer begins  
16 12 months after the date of the risk sharing valuation study in  
17 which the liability layer is first recognized;

18                   (D) each liability layer is assigned an  
19 amortization period;

20                   (E) each liability loss layer amortized over a  
21 period of 30 years from the first day of the fiscal year beginning  
22 12 months after the date of the risk sharing valuation study in  
23 which the liability loss layer is first recognized, except that the  
24 legacy liability must be amortized from July 1, 2016, for a 30-year  
25 period beginning July 1, 2017;

26                   (F) the amortization period for each liability  
27 gain layer being:

1                   (i) equal to the remaining amortization  
2 period on the largest remaining liability loss layer and the two  
3 layers must be treated as one layer such that if the payoff year of  
4 the liability loss layer is accelerated or extended, the payoff  
5 year of the liability gain layer is also accelerated or extended; or

6                   (ii) if there is no liability loss layer, a  
7 period of 30 years from the first day of the fiscal year beginning  
8 12 months after the date of the risk sharing valuation study in  
9 which the liability gain layer is first recognized;

10                   (G) liability layers, including the legacy  
11 liability, funded according to the level percent of payroll method;

12                   (H) the assumed rate of return, subject to  
13 adjustment under Section 9D(c)(2) of this article or, if Section  
14 9B(g) of this article applies, adjustment in accordance with a  
15 written agreement entered into under Section 27 of this article;

16                   (I) the price inflation assumption, which shall  
17 be adjusted by plus or minus 50 basis points based on the most  
18 recent actuarial experience study;

19                   (J) projected salary increases and payroll  
20 growth rate set in consultation with the city's finance director;  
21 and

22                   (K) payroll for purposes of determining the  
23 corridor midpoint and city contribution rate must be projected  
24 using the annual payroll growth rate assumption, which for purposes  
25 of preparing any amortization schedule may not exceed three  
26 percent; and

27                   (5) be revised and restated, if appropriate, not later

1 than the 30th day after the date of a written agreement between the  
2 city and the board entered into under Section 27 of this article.

3 (b) As soon as practicable after the end of a fiscal year,  
4 the pension system actuary at the direction of the pension system  
5 and the city actuary at the direction of the city shall separately  
6 prepare a proposed risk sharing valuation study based on the fiscal  
7 year that just ended.

8 (c) Not later than September 30 following the end of the  
9 fiscal year, the pension system shall provide to the city actuary,  
10 under a confidentiality agreement in which the city actuary agrees  
11 to comply with the confidentiality provisions of Section 29 of this  
12 article, the actuarial data described by Subsection (a)(2) of this  
13 section.

14 (d) Not later than the 150th day after the last day of the  
15 fiscal year:

16 (1) the pension system actuary, at the direction of  
17 the pension system, shall provide the proposed risk sharing  
18 valuation study prepared by the pension system actuary under  
19 Subsection (b) of this section to the city actuary; and

20 (2) the city actuary, at the direction of the city,  
21 shall provide the proposed risk sharing valuation study prepared by  
22 the city actuary under Subsection (b) of this section to the pension  
23 system actuary.

24 (e) Each actuary described by Subsection (d) of this section  
25 may provide copies of the proposed risk sharing valuation studies  
26 to the city or to the pension system, as appropriate.

27 (f) If, after exchanging proposed risk sharing valuation

1 studies under Subsection (d) of this section, it is found that the  
2 difference between the projected city contribution rate in the  
3 proposed risk sharing valuation study prepared by the pension  
4 system actuary and the projected city contribution rate in the risk  
5 sharing valuation study prepared by the city actuary for the  
6 corresponding fiscal year is:

7           (1) less than or equal to two percentage points, the  
8 city contribution rate proposed by the pension system actuary will  
9 be used, and the risk sharing valuation study prepared by the  
10 pension system is considered to be the final risk sharing valuation  
11 study for the fiscal year for the purposes of this article; or

12           (2) greater than two percentage points, the city  
13 actuary and the pension system actuary shall have 20 business days  
14 to reconcile the difference, provided that without the mutual  
15 agreement of both actuaries, the difference in the city  
16 contribution rate calculated by the city actuary and the city  
17 contribution rate calculated by the pension system actuary may not  
18 be further increased and:

19                   (A) if, as a result of reconciliation efforts  
20 under this subdivision, the difference is reduced to less than or  
21 equal to two percentage points:

22                           (i) the city contribution rate proposed  
23 under the reconciliation by the pension system actuary will be  
24 used; and

25                           (ii) the pension system's risk sharing  
26 valuation study is considered to be the final risk sharing  
27 valuation study for the fiscal year for the purposes of this

1 article; or

2 (B) if, after 20 business days, the pension  
3 system actuary and the city actuary are not able to reach a  
4 reconciliation that reduces the difference to an amount less than  
5 or equal to two percentage points:

6 (i) the city actuary at the direction of the  
7 city and the pension system actuary at the direction of the pension  
8 system each shall deliver to the finance director of the city and  
9 the executive director of the pension system a final risk sharing  
10 valuation study with any agreed-to changes, marked as the final  
11 risk sharing valuation study for each actuary; and

12 (ii) not later than the 90th day before the  
13 first day of the next fiscal year, the finance director and the  
14 executive director shall execute a joint addendum to the final risk  
15 sharing valuation study received by them under Subparagraph (i) of  
16 this paragraph that is a part of the final risk sharing valuation  
17 study for the fiscal year for all purposes and reflects the  
18 arithmetic average of the city contribution rates for the fiscal  
19 year stated in the final risk sharing valuation study.

20 (g) The assumptions and methods used and the types of  
21 actuarial data and financial information used to prepare the  
22 initial risk sharing valuation study under Section 9B of this  
23 article shall be used to prepare each subsequent risk sharing  
24 valuation study under this section, unless changed based on the  
25 actuarial experience study conducted under Section 9C of this  
26 article.

27 (h) The actuarial data provided under Subsection (a)(2) of



1 this section may not include the identifying information of  
2 individual members.

3 Sec. 9B. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR  
4 MIDPOINT. (a) The pension system and the city shall separately  
5 prepare an initial risk sharing valuation study that is dated as of  
6 July 1, 2016, in accordance with this section. An initial risk  
7 sharing valuation study must:

8 (1) except as otherwise provided by this section, be  
9 prepared in accordance with Section 9A of this article and, for  
10 purposes of Section 9A(a)(2) of this article, be based on actuarial  
11 data as of June 30, 2016; and

12 (2) project the corridor midpoint for 31 fiscal years  
13 beginning with the fiscal year beginning July 1, 2017.

14 (b) If the action was not taken before the year 2017  
15 effective date, as soon as practicable after the year 2017  
16 effective date:

17 (1) the pension system shall provide to the city  
18 actuary, under a confidentiality agreement, the actuarial data  
19 needed to prepare the proposed initial risk sharing valuation  
20 study; and

21 (2) not later than the 30th day after the date the  
22 city's actuary receives the actuarial data:

23 (A) the city actuary, at the direction of the  
24 city, shall provide a proposed initial risk sharing valuation study  
25 to the pension system actuary; and

26 (B) the pension system actuary, at the direction  
27 of the pension system, shall provide a proposed initial risk

1 sharing valuation study to the city actuary; and

2 (3) the city actuary and the pension system actuary  
3 shall adopt an initial risk sharing valuation study in accordance  
4 with Subsection (c) of this section.

5 (c) If, after exchanging proposed initial risk sharing  
6 valuation studies under Subsection (b)(2) of this section, it is  
7 determined that the difference between the contribution rate for  
8 any fiscal year in the proposed initial risk sharing valuation  
9 study prepared by the pension system actuary and in the proposed  
10 initial risk sharing valuation study prepared by the city actuary  
11 is:

12 (1) less than or equal to two percentage points, the  
13 city contribution rate for that fiscal year as determined by the  
14 pension system actuary will be used; or

15 (2) greater than two percentage points, the city  
16 actuary and the pension system actuary shall have 20 business days  
17 to reconcile the difference and:

18 (A) if, as a result of reconciliation efforts  
19 under this subdivision, the difference in any fiscal year is  
20 reduced to less than or equal to two percentage points, the city  
21 contribution rate as determined by the pension system actuary for  
22 that fiscal year will be used; or

23 (B) if, after 20 business days, the city actuary  
24 and the pension system actuary are not able to reach a  
25 reconciliation that reduces the difference to an amount less than  
26 or equal to two percentage points for any fiscal year:

27 (i) the city actuary at the direction of the

1 city and the pension system actuary at the direction of the pension  
2 system each shall deliver to the finance director of the city and  
3 the executive director of the pension system a final initial risk  
4 sharing valuation study with any agreed-to changes, marked as the  
5 final initial risk sharing valuation study for each actuary; and

6 (ii) the finance director and the executive  
7 director shall execute a joint addendum to the final initial risk  
8 sharing valuation study that is a part of each final initial risk  
9 sharing valuation study for all purposes and that reflects the  
10 arithmetic average of the city contribution rate for each fiscal  
11 year in which the difference was greater than two percentage  
12 points.

13 (d) In preparing the initial risk sharing valuation study,  
14 the city actuary and pension system actuary shall:

15 (1) adjust the actuarial value of assets to be equal to  
16 the current market value of assets;

17 (2) assume the issuance of planned pension obligation  
18 bonds by December 31, 2017; and

19 (3) assume benefit and contribution changes  
20 contemplated by this article as of the year 2017 effective date.

21 (e) If the city actuary does not prepare an initial risk  
22 sharing valuation study for purposes of this section, the pension  
23 system actuary's initial risk sharing valuation study will be used  
24 as the final risk sharing valuation study for purposes of this  
25 article unless the city did not prepare a proposed initial risk  
26 sharing valuation study because the pension system actuary did not  
27 provide the necessary actuarial data in a timely manner. If the

1 city did not prepare a proposed initial risk sharing valuation  
2 study because the pension system actuary did not provide the  
3 necessary actuarial data in a timely manner, the city actuary shall  
4 have 60 days to prepare the proposed initial risk sharing valuation  
5 study on receipt of the necessary information.

6 (f) If the pension system actuary does not prepare a  
7 proposed initial risk sharing valuation study for purposes of this  
8 section, the proposed initial risk sharing valuation study prepared  
9 by the city actuary will be the final risk sharing valuation study  
10 for purposes of this article.

11 (g) The city and the board may agree on a written transition  
12 plan for resetting the corridor midpoint:

13 (1) if at any time the funded ratio is equal to or  
14 greater than 100 percent; or

15 (2) for any fiscal year after the payoff year of the  
16 legacy liability.

17 (h) If the city and the board have not entered into an  
18 agreement described by Subsection (g) of this section in a given  
19 fiscal year, the corridor midpoint will be the value determined in  
20 the initial risk sharing valuation study prepared in accordance  
21 with this section.

22 (i) If the city makes a contribution to the pension system  
23 of at least \$5 million more than the amount that would be required  
24 by Section 9(a) of this article, a liability gain layer with the  
25 same remaining amortization period as the legacy liability is  
26 created and the corridor midpoint shall be decreased by the  
27 amortized amount in each fiscal year covered by the liability gain

1 layer produced divided by the projected pensionable payroll.

2 (j) If the city fails to pay to the pension system the  
3 proceeds of pension obligation bonds by December 31, 2017, the risk  
4 sharing valuation study prepared for the fiscal year ending June  
5 30, 2019, must reflect:

6 (1) a city contribution rate adjusted to the corridor  
7 midpoint for the remaining amortization period for the legacy  
8 liability to account for the actual delivery date of any bond  
9 proceeds or for the undelivered bond proceeds;

10 (2) credit for amounts actually paid and amortizing  
11 any unpaid amounts over the remaining amortization period for the  
12 legacy liability; and

13 (3) for purposes of this article, the resulting  
14 corridor midpoint for each year shall be considered the corridor  
15 midpoint established for that year in the initial risk sharing  
16 valuation study.

17 Sec. 9C. ACTUARIAL EXPERIENCE STUDIES. (a) At least once  
18 every four years, the pension system actuary at the direction of the  
19 pension system shall conduct an actuarial experience study. The  
20 actuarial experience study required by this subsection must be  
21 completed not later than September 30 of the year in which the study  
22 is required to be conducted.

23 (b) Except as otherwise expressly provided by Section 9A of  
24 this article, actuarial assumptions and methods used in the  
25 preparation of a risk sharing valuation study, other than the  
26 initial risk sharing valuation study, shall be based on the results  
27 of the most recent actuarial experience study.

1       (c) Not later than the 180th day before the date the board  
2 may consider adopting any assumptions and methods for purposes of  
3 Section 9A of this article, the pension system shall provide the  
4 city actuary with a substantially final draft of the pension  
5 system's actuarial experience study, including:

6           (1) all assumptions and methods recommended by the  
7 pension system's actuary; and

8           (2) summaries of the reconciled actuarial data used in  
9 creation of the actuarial experience study.

10       (d) Not later than the 60th day after the date the city  
11 receives the final draft of the pension system's actuarial  
12 experience study under Subsection (c) of this section, the city  
13 actuary and pension system actuary shall confer and cooperate on  
14 reconciling and producing a final actuarial experience study.  
15 During the period prescribed by this subsection, the pension system  
16 actuary may modify the recommended assumptions in the draft  
17 actuarial experience study to reflect any changes to assumptions  
18 and methods to which the pension system actuary and the city actuary  
19 agree.

20       (e) At the city actuary's written request, the pension  
21 system shall provide additional actuarial data used by the pension  
22 system actuary to prepare the draft actuarial experience study,  
23 provided that confidential data may only be provided subject to a  
24 confidentiality agreement in which the city actuary agrees to  
25 comply with the confidentiality provisions of Section 29 of this  
26 article.

27       (f) The city actuary at the direction of the city shall

1 provide in writing to the pension system actuary and the pension  
2 system:

3 (1) any assumptions and methods recommended by the  
4 city actuary that differ from the assumptions and methods  
5 recommended by the pension system actuary; and

6 (2) the city actuary's rationale for each method or  
7 assumption the actuary recommends and determines to be consistent  
8 with standards adopted by the Actuarial Standards Board.

9 (g) Not later than the 30th day after the date the pension  
10 system actuary receives the city actuary's written recommended  
11 assumptions and methods and rationale under Subsection (f) of this  
12 section, the pension system shall provide a written response to the  
13 city actuary identifying any assumption or method recommended by  
14 the city actuary that the pension system does not accept. If any  
15 assumption or method is not accepted, the pension system shall  
16 recommend to the city the names of three independent actuaries for  
17 purposes of this section.

18 (h) An actuary may only be recommended, selected, or engaged  
19 by the pension system as an independent actuary under this section  
20 if the person:

21 (1) is not already engaged by the city, the pension  
22 system, or any other fund or pension system authorized under  
23 Article 6243e.2(1), Revised Statutes, or Chapter 88 (H.B. 1573),  
24 Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h,  
25 Vernon's Texas Civil Statutes), to provide actuarial services to  
26 the city, the pension system, or another fund or pension system;

27 (2) is a member of the American Academy of Actuaries;

1 and

2 (3) has at least five years of experience as an actuary  
3 working with one or more public retirement systems with assets in  
4 excess of \$1 billion.

5 (i) Not later than the 20th day after the date the city  
6 receives the list of three independent actuaries under Subsection  
7 (g) of this section, the city shall identify and the pension system  
8 shall hire one of the listed independent actuaries on terms  
9 acceptable to the city and the pension system to perform a scope of  
10 work acceptable to the city and the pension system. The city and  
11 the pension system each shall pay 50 percent of the cost of the  
12 independent actuary engaged under this subsection. The city shall  
13 be provided the opportunity to participate in any communications  
14 between the independent actuary and the pension system concerning  
15 the engagement, engagement terms, or performance of the terms of  
16 the engagement.

17 (j) The independent actuary engaged under Subsection (i) of  
18 this section shall receive on request from the city or the pension  
19 system:

20 (1) the pension system's draft actuarial experience  
21 study, including all assumptions and methods recommended by the  
22 pension system actuary;

23 (2) summaries of the reconciled actuarial data used to  
24 prepare the draft actuarial experience study;

25 (3) the city actuary's specific recommended  
26 assumptions and methods together with the city actuary's written  
27 rationale for each recommendation;



1           (4) the pension system actuary's written rationale for  
2 its recommendations; and

3           (5) if requested by the independent actuary and  
4 subject to a confidentiality agreement in which the independent  
5 actuary agrees to comply with the confidentiality provisions of  
6 this article, additional confidential actuarial data.

7           (k) Not later than the 30th day after the date the  
8 independent actuary receives all the requested information under  
9 Subsection (j) of this section, the independent actuary shall  
10 advise the pension system and the city whether it agrees with the  
11 assumption or method recommended by the city actuary or the  
12 corresponding method or assumption recommended by the pension  
13 system actuary, together with the independent actuary's rationale  
14 for making the determination. During the period prescribed by this  
15 subsection, the independent actuary may discuss recommendations in  
16 simultaneous consultation with the pension system actuary and the  
17 city actuary.

18           (l) The pension system and the city may not seek any  
19 information from any prospective independent actuary about  
20 possible outcomes of the independent actuary's review.

21           (m) If an independent actuary has questions or concerns  
22 regarding an engagement entered into under this section, the  
23 independent actuary shall simultaneously consult with both the city  
24 actuary and the pension system actuary regarding the questions or  
25 concerns. This subsection does not limit the pension system's  
26 authorization to take appropriate steps to complete the engagement  
27 of the independent actuary on terms acceptable to both the pension

1 system and the city or to enter into a confidentiality agreement  
2 with the independent actuary, if needed.

3 (n) If the board does not adopt an assumption or method  
4 recommended by the city or pension system actuary and to which the  
5 independent actuary agrees, the city actuary is authorized to use  
6 that recommended assumption or method in connection with  
7 preparation of a risk sharing valuation study under Section 9A of  
8 this article until the next actuarial experience study is  
9 conducted.

10 Sec. 9D. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY  
11 CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT; AUTHORIZATION FOR  
12 CERTAIN ADJUSTMENTS. (a) This section governs the determination  
13 of the city contribution rate applicable in a fiscal year if the  
14 estimated city contribution rate under a risk sharing valuation  
15 study prepared under Section 9A or 9B of this article, as  
16 applicable, is lower than the corridor midpoint.

17 (b) If the funded ratio is:

18 (1) less than 90 percent and the proposed city  
19 contribution rate is equal to or greater than the minimum  
20 contribution rate, the city contribution rate for the fiscal year  
21 equals the corridor midpoint; or

22 (2) equal to or greater than 90 percent and the city  
23 contribution rate is:

24 (A) equal to or greater than the minimum  
25 contribution rate, the estimated city contribution rate is the city  
26 contribution rate for the fiscal year; or

27 (B) except as provided by Subsection (d) or (e)

1 of this section, less than the minimum contribution rate for the  
2 corresponding fiscal year, the city contribution rate for the  
3 fiscal year equals the minimum contribution rate achieved in  
4 accordance with Subsection (c) of this section.

5 (c) For purposes of Subsection (b)(2)(B) of this section,  
6 the following adjustments shall be applied sequentially to the  
7 extent required to increase the estimated city contribution rate to  
8 equal the minimum contribution rate:

9 (1) first, adjust the actuarial value of assets equal  
10 to the current market value of assets, if making the adjustment  
11 causes the city contribution rate to increase;

12 (2) second, under a written agreement between the city  
13 and the board entered into under Section 27 of this article not  
14 later than April 30 before the first day of the next fiscal year,  
15 reduce the assumed rate of return;

16 (3) third, under a written agreement between the city  
17 and the board entered into under Section 27 of this article no later  
18 than April 30 before the first day of the next fiscal year,  
19 prospectively restore all or part of any benefit reductions or  
20 reduce increased employee contributions, in each case made after  
21 the year 2017 effective date; and

22 (4) fourth, accelerate the payoff year of the existing  
23 liability loss layers, including the legacy liability, by  
24 accelerating the oldest liability loss layers first, to an  
25 amortization period that is not less than 10 years from the first  
26 day of the fiscal year beginning 12 months after the date of the  
27 risk sharing valuation study in which the liability loss layer is

1 first recognized.

2 (d) If the funded ratio is:

3 (1) equal to or greater than 100 percent:

4 (A) all existing liability layers, including the  
5 legacy liability, are considered fully amortized and paid;

6 (B) the applicable fiscal year is the payoff year  
7 for the legacy liability; and

8 (C) for each fiscal year subsequent to the fiscal  
9 year described by Paragraph (B) of this subdivision, the corridor  
10 midpoint shall be determined as provided by Section 9B(g) of this  
11 article; and

12 (2) greater than 100 percent in a written agreement  
13 between the city and the pension system under Section 27 of this  
14 article, the pension system may reduce member contributions or  
15 increase pension benefits if, as a result of the action:

16 (A) the funded ratio is not less than 100  
17 percent; and

18 (B) the city contribution rate is not more than  
19 the minimum contribution rate.

20 (e) Except as provided by Subsection (f) of this section, if  
21 an agreement under Subsection (d) of this section is not reached on  
22 or before April 30 before the first day of the next fiscal year,  
23 before the first day of the next fiscal year the board shall reduce  
24 member contributions and implement or increase cost of living  
25 adjustments, but only to the extent that the city contribution rate  
26 is set at or below the minimum contribution rate and the funded  
27 ratio is not less than 100 percent.

1 (f) If any member contribution reduction or benefit  
2 increase has occurred within the previous three fiscal years, the  
3 board may not make additional adjustments to benefits, and the city  
4 contribution rate must be set to equal the minimum contribution  
5 rate.

6 Sec. 9E. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY  
7 CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR MIDPOINT;  
8 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs  
9 the determination of the city contribution rate in a fiscal year  
10 when the estimated city contribution rate under a risk sharing  
11 valuation study prepared under Section 9A or 9B of this article, as  
12 applicable, is equal to or greater than the corridor midpoint.

13 (b) If the estimated city contribution rate is:

14 (1) less than or equal to the maximum contribution  
15 rate for the corresponding fiscal year, the estimated city  
16 contribution rate is the city contribution rate; or

17 (2) except as provided by Subsection (d) or (f) of this  
18 section, greater than the maximum contribution rate for the  
19 corresponding fiscal year, the city contribution rate equals the  
20 corridor midpoint achieved in accordance with Subsection (c) of  
21 this section.

22 (c) For purposes of Subsection (b)(2) of this section, the  
23 following adjustments shall be applied sequentially to the extent  
24 required to decrease the estimated city contribution rate to equal  
25 the corridor midpoint:

26 (1) first, if the payoff year of the legacy liability  
27 was accelerated under Section 9D(c) of this article, extend the

1 payoff year of existing liability loss layers, by extending the  
2 most recent loss layers first, to a payoff year not later than 30  
3 years from the first day of the fiscal year beginning 12 months  
4 after the date of the risk sharing valuation study in which the  
5 liability loss layer is first recognized; and

6 (2) second, adjust the actuarial value of assets to  
7 the current market value of assets, if making the adjustment causes  
8 the city contribution rate to decrease.

9 (d) If the city contribution rate after adjustment under  
10 Subsection (c) of this section is greater than the third quarter  
11 line rate:

12 (1) the city contribution rate equals the third  
13 quarter line rate; and

14 (2) to the extent necessary to comply with Subdivision  
15 (1) of this subsection, the city and the board shall enter into a  
16 written agreement under Section 27 of this article to increase  
17 member contributions and make other benefits or plan changes not  
18 otherwise prohibited by applicable federal law or regulations.

19 (e) Gains resulting from adjustments made as the result of a  
20 written agreement between the city and the board under Subsection  
21 (d)(2) of this section must be applied to the city contribution rate  
22 and not to the legacy liability.

23 (f) If an agreement under Subsection (d)(2) of this section  
24 is not reached on or before April 30 before the first day of the next  
25 fiscal year, before the start of the next fiscal year to which the  
26 city contribution rate would apply, the board, to the extent  
27 necessary to set the city contribution rate equal to the third

1 quarter line rate, shall:

2 (1) increase member contributions and decrease  
3 cost-of-living adjustments;

4 (2) increase the normal retirement age; or

5 (3) take all actions authorized under Subdivisions (1)  
6 and (2) of this subsection.

7 (g) If the city contribution rate remains greater than the  
8 corridor midpoint in the third fiscal year after adjustments are  
9 made in accordance with Subsection (d)(2) of this section, in that  
10 fiscal year the city contribution rate equals the corridor midpoint  
11 achieved in accordance with Subsection (h) of this section.

12 (h) The city contribution rate must be set at the corridor  
13 midpoint under Subsection (g) of this section by:

14 (1) in the risk sharing valuation study for the third  
15 fiscal year described by Subsection (d)(2) of this section,  
16 adjusting the actuarial value of assets to equal the current market  
17 value of assets, if making the adjustment causes the city  
18 contribution rate to decrease; and

19 (2) under a written agreement entered into between the  
20 city and the board under Section 27 of this article:

21 (A) increasing member contributions; and

22 (B) making any other benefits or plan changes not  
23 otherwise prohibited by applicable federal law or regulations.

24 (i) If an agreement under Subsection (h)(2) of this section  
25 is not reached on or before April 30 before the first day of the next  
26 fiscal year, before the start of the next fiscal year, the board to  
27 the extent necessary to set the city contribution rate equal to the

1 corridor midpoint, shall:

2 (1) increase member contributions and decrease  
3 cost-of-living adjustments;

4 (2) increase the normal retirement age; or

5 (3) take all actions authorized under Subdivisions (1)  
6 and (2) of this subsection.

7 Sec. 9F. UNILATERAL ACTION PROHIBITED. (a)

8 Notwithstanding Sections 5(f) or 5C of this article, the pension  
9 board may not change, terminate, or modify Sections 9 through 9E of  
10 this article.

11 (b) No unilateral decision or action by the board is binding  
12 on the city and no unilateral action by the city is binding on the  
13 pension system with respect to the application of Sections 9  
14 through 9E of this article unless expressly provided by a provision  
15 of those sections. Nothing in this subsection is intended to limit  
16 the powers or authority of the board.

17 Sec. 9G. PENSION REVIEW BOARD; REPORT. (a) After preparing  
18 a final risk sharing valuation study under Section 9A or 9B of this  
19 article, the pension system and the city shall jointly submit a copy  
20 of the study or studies, as appropriate, to the State Pension Review  
21 Board for validation and confirmation that the pension system and  
22 city are in compliance with this article.

23 (b) Not later than the 30th day after the date an action is  
24 taken under Section 9D or 9E of this article, the pension system  
25 shall submit a report to the State Pension Review Board regarding  
26 any actions taken under those sections.

27 (c) The State Pension Review Board shall notify the



1 governor, the lieutenant governor, the speaker of the house of  
2 representatives, and the legislative committees having principal  
3 jurisdiction over legislation governing public retirement systems  
4 if the State Pension Review Board determines the pension system or  
5 the city is not in compliance with Sections 9A through 9F of this  
6 article.

7 SECTION 2.13. Article 6243g-4, Revised Statutes, is amended  
8 by adding Section 10A to read as follows:

9 Sec. 10A. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT  
10 CONSULTANT. (a) At least once every three years, the board shall  
11 hire an independent investment consultant, including an  
12 independent investment consulting firm, to conduct a review of  
13 pension system investments and submit a report to the board and the  
14 city concerning that review. The independent investment  
15 consultant shall review and report on at least the following:

16 (1) the pension system's compliance with its  
17 investment policy statement, ethics policies, including policies  
18 concerning the acceptance of gifts, and policies concerning insider  
19 trading;

20 (2) the pension system's asset allocation, including a  
21 review and discussion of the various risks, objectives, and  
22 expected future cash flows;

23 (3) the pension system's portfolio structure,  
24 including the system's need for liquidity, cash income, liquid  
25 returns, and inflation protection and the active, passive, or index  
26 approaches used for different portions of the portfolio;

27 (4) investment manager or advisor performance reviews

1 and an evaluation of the processes used to select and evaluate  
2 managers;

3 (5) benchmarks used for each asset class and  
4 individual manager;

5 (6) evaluation of fees and trading costs;

6 (7) evaluation of investments in any leverage, foreign  
7 exchange, or other hedging transaction; and

8 (8) an evaluation of investment-related disclosures  
9 in the pension system's annual reports or valuations.

10 (b) When the board retains an independent investment  
11 consultant under this section, the pension system may require the  
12 consultant to agree in writing to maintain the confidentiality of:

13 (1) information provided to the consultant that is  
14 reasonably necessary to conduct a review under this section; and

15 (2) any nonpublic information provided for the pension  
16 system for the audit.

17 (c) The costs for the investment report required by this  
18 section must be paid from the fund.

19 SECTION 2.14. Sections 11(a) and (c), Article 6243g-4,  
20 Revised Statutes, are amended to read as follows:

21 (a) A member who returns to service after an interruption in  
22 service is eligible for ~~[entitled to]~~ credit for the previous  
23 service to the extent provided by Section 17 or 19 of this article.

24 (c) A member may not have any service credited for unused  
25 sick leave, vacation pay, ~~[or]~~ accumulated overtime, or equivalent  
26 types of pay until the date the member retires, at which time the  
27 member may apply some or all of the service to satisfy the

1 requirements for retirement, although the member otherwise could  
2 not meet the service requirement without the credit.

3 SECTION 2.15. Section 12, Article 6243g-4, Revised  
4 Statutes, is amended by amending Subsections (a), (b), (c), (d),  
5 (e), (h), and (i) and adding Subsections (b-1), (b-2), (b-3),  
6 (c-1), (c-2), (j), (k), (l), and (m) to read as follows:

7 (a) A member who separates from service after attaining  
8 normal retirement age [~~earning 20 or more years of service~~] is  
9 eligible to receive a monthly service pension, beginning in the  
10 month of separation from service. A member who separates from  
11 service as a classified police officer with the city after November  
12 23, 1998, after earning 10 or more but less than 20 years of service  
13 in any of the city's pension systems and who complies with all  
14 applicable requirements of Section 19 of this article is eligible  
15 to receive a monthly service pension, beginning in the month the  
16 individual attains 60 years of age. An individual may not receive a  
17 pension under this article while still an active member [~~, except as~~  
18 ~~provided by Subsection (f) of this section~~]. All service pensions  
19 end with the month in which the retired member dies. The city shall  
20 supply all personnel, financial, and payroll records necessary to  
21 establish the member's eligibility for a benefit, the member's  
22 credited service, and the amount of the benefit. The city must  
23 provide those records in the format specified by the pension  
24 system.

25 (b) Except as otherwise provided by this section, including  
26 Subsection (b-3) of this section, the monthly service pension of a  
27 member who:

1           (1) is hired before October 9, 2004, including a  
2 member hired before October 9, 2004, who involuntarily separated  
3 from service but has been retroactively reinstated under  
4 arbitration, civil service, or a court ruling, [~~that becomes due~~  
5 after May 1, 2001,] is equal to the sum of:

6           (A) 2.75 percent of the member's final average  
7 [~~total direct~~] pay multiplied by the member's years or partial  
8 years of service [~~or, if the member retired before November 24,~~  
9 1998, 2.75 percent of the member's base salary,] for [~~each of~~] the  
10 member's first 20 years of service; and

11           (B) [~~, plus an additional~~] two percent of the  
12 member's final average [~~total direct~~] pay multiplied by the  
13 member's years or partial years of service for the member's years of  
14 service in excess of the 20 years of service described by Paragraph  
15 (A) of this subdivision; or

16           (2) except as provided by Subdivision (1) of this  
17 subsection, is hired or rehired as an active member on or after  
18 October 9, 2004, is equal to the sum of:

19           (A) 2.25 percent of the member's final average  
20 pay multiplied by the member's years or partial years of service for  
21 the member's first 20 years of service; and

22           (B) two percent of the member's final average pay  
23 multiplied by the member's years or partial years of service in  
24 excess of 20 years of service described by Paragraph (A) of this  
25 subdivision [~~for each of the member's subsequent years of service,~~  
26 computed to the nearest one-twelfth of a year].

27           (b-1) A member who [~~separates from service after November~~

1 ~~23, 1998, including a member who was a DROP participant, and] begins~~  
2 to receive a monthly service pension under Subsection (b)(1) of  
3 this section shall also receive a one-time lump-sum payment of  
4 \$5,000 at the same time the first monthly pension payment is made.  
5 The lump-sum payment under this subsection is not available to a  
6 member who has previously received a \$5,000 payment under this  
7 section or Section 16 of this article. A member described by  
8 Subsection (b)(2) of this section may not receive the lump-sum  
9 payment described by this subsection.

10 (b-2) For purposes of Subsections (b) and (b-1) of this  
11 section, partial years shall be computed to the nearest one-twelfth  
12 of a year.

13 (b-3) A member's monthly service pension may not exceed 80  
14 percent of the member's final average pay.

15 (c) Subject to Subsection (c-2) of this section, beginning  
16 with the fiscal year ending June 30, 2021, the [The] pension payable  
17 to a [each] retired member or survivor who is 55 years of age or  
18 older as of April 1 of the applicable fiscal year, a member or  
19 survivor who received benefits or survivor benefits before June 8,  
20 1995, or a survivor of an active member who dies from a cause  
21 connected with the performance of the member's duties [of the  
22 pension system] shall be adjusted annually, effective April 1 of  
23 each year, upward at a rate equal to the most recent five fiscal  
24 years' smoothed return, as determined by the pension system  
25 actuary, minus 500 basis points [two-thirds of any percentage  
26 increase in the Consumer Price Index for All Urban Consumers for the  
27 preceding year. The amount of the annual adjustment may not be less

1 ~~than three percent or more than eight percent of the pension being~~  
2 ~~paid immediately before the adjustment, notwithstanding a greater~~  
3 ~~or lesser increase in the consumer price index].~~

4 (c-1) Subject to Subsection (c-2) of this section, for the  
5 pension system's fiscal years ending June 30, 2018, and June 30,  
6 2019, the pension payable to each retired member or survivor who is  
7 70 years of age or older shall be adjusted annually, effective April  
8 1 of each year, upward at a rate equal to the most recent five fiscal  
9 years' smoothed return, as determined by the pension system  
10 actuary, minus 500 basis points.

11 (c-2) The percentage rate prescribed by Subsections (c) and  
12 (c-1) of this section may not be less than zero percent or more than  
13 four percent, irrespective of the return rate of the pension  
14 system's investment portfolio.

15 (d) A retired member who receives a service pension under  
16 this article is eligible ~~[entitled]~~ to receive an additional amount  
17 each month equal to \$150, beginning on the later of the date the  
18 retired member's pension begins or the date the first monthly  
19 payment becomes due after June 18, 2001, and continuing until the  
20 end of the month in which the retired member dies. This amount is  
21 intended to defray the retired member's group medical insurance  
22 costs and will be paid directly by the fund to the retired member  
23 for the retired member's lifetime.

24 (e) At the end of each calendar year beginning after 1998,  
25 and subject to the conditions provided by this subsection, the  
26 pension system shall make a 13th benefit payment to each member or  
27 survivor who is hired or rehired before October 9, 2004, including a

1 member hired or rehired before October 9, 2004, who was reinstated  
 2 under arbitration, civil service, or a court ruling after that  
 3 date, and [person] who is receiving a service pension. The amount  
 4 of the 13th payment shall be the same as the last monthly payment  
 5 received by the retiree or survivor before issuance of the payment,  
 6 except the payment received by any person who has been in pay status  
 7 for less than 12 months shall be for a prorated amount determined by  
 8 dividing the amount of the last payment received by 12 and  
 9 multiplying this amount by the number of months the person has been  
 10 in pay status. The 13th payment may be made only for those calendar  
 11 years in which the pension system's funded ratio is 120 percent or  
 12 greater[+]

13 ~~[(1) the assets held by the fund will equal or exceed~~  
 14 ~~its liabilities after the 13th payment is made;~~

15 ~~[(2) the rate of return on the fund's assets exceeded~~  
 16 ~~9.25 percent for the last fiscal year ending before the payment; and~~

17 ~~[(3) the payment will not cause an increase in the~~  
 18 ~~contribution the city would have been required to make if the 13th~~  
 19 ~~payment had not been made].~~

20 (h) Final average [~~Average total direct~~] pay for a member  
 21 who retires after participating in a phase-down program in which  
 22 the member receives a periodic payment that is generated from the  
 23 member's accumulated sick time, vacation time, and overtime  
 24 balances shall be based on the final average pay the member received  
 25 on the earlier of the date:

26 (1) immediately preceding the date the member began  
 27 phase-down participation; or

1           (2) if the member began DROP participation on or after  
2 the year 2017 effective date, the member began participation in  
3 DROP [highest pay period, excluding any pay for overtime work, in  
4 the periods during which the member worked full-time before  
5 participating in the phase-down program].

6           (i) The computation of final average [~~total direct~~] pay  
7 shall be made in accordance with procedures and policies adopted by  
8 the board.

9           (j) A member participating in the phase-down program,  
10 defined in the 2011 labor agreement between the city and the police  
11 officers' union, who has separated from service shall be eligible  
12 to receive monthly service pension payments as if the member had  
13 attained normal retirement age.

14           (k) If a member is hired on or after October 9, 2004, the  
15 member may elect to receive a partial lump-sum optional payment  
16 equal to not more than 20 percent of the actuarial value of the  
17 member's accrued pension at retirement. The lump-sum payment under  
18 this subsection shall be actuarially neutral. Notwithstanding any  
19 other law, if a member elects to receive a lump-sum payment under  
20 this subsection, the value of the member's monthly service pension  
21 shall be reduced actuarially to reflect the lump-sum payment.

22           (l) A member who is receiving workers' compensation  
23 payments or who has received workers' compensation and subsequently  
24 retires or begins participation in DROP will have the member's  
25 pension or DROP benefit, as applicable, calculated on the pay that  
26 the member would have received had the member not been receiving  
27 workers' compensation benefits.



1       (m) For a member who is promoted or appointed to a position  
2 above the rank of captain on or after the 2017 effective date, the  
3 member's monthly service pension and member contributions shall be  
4 based on, as determined by the board:

5           (1) the member's pay for the position the member held  
6 immediately before being promoted or appointed; or

7           (2) the pay of the highest civil rank for classified  
8 police officers for those members who have no prior service with the  
9 city, which pay must be calculated based on the three-year average  
10 prior to retirement.

11       SECTION 2.16. Section 14, Article 6243g-4, Revised  
12 Statutes, is amended by amending Subsections (b), (c), (d), (e),  
13 (f-1), (h), (i), (k), and (l) and adding Subsection (c-1) to read as  
14 follows:

15       (b) An active member who was hired before October 9, 2004,  
16 including a member hired before October 9, 2004, who has been  
17 reinstated under arbitration, civil service, or a court ruling  
18 after that date, and has at least 20 years of service with the  
19 police department may file with the pension system an election to  
20 participate in DROP and receive a DROP benefit instead of the  
21 standard form of pension provided by this article as of the date the  
22 active member attained 20 years of service. The election may be  
23 made, under procedures established by the board, by an eligible  
24 active member who has attained the required years of service. A  
25 DROP election that is made and accepted by the board may not be  
26 revoked [~~before the member's separation from service~~].

27       (c) The monthly service pension or [~~and~~] death benefits of

1 an active member who is a DROP participant that were accrued under  
2 this article as it existed immediately before the year 2017  
3 effective date remain accrued.

4 (c-1) The monthly service pension or death benefits of an  
5 active member who becomes a DROP participant on or after the year  
6 2017 effective date will be determined as if the [~~active~~] member had  
7 separated from service and begun receiving a pension on the  
8 effective date of the member's DROP election and:

9 (1) the [~~The active~~] member does not retire but does  
10 not accrue additional service credit beginning on the effective  
11 date of the member's entry into DROP;

12 (2) any [~~the election, and~~] increases in the member's  
13 pay that occur on or after that date may not be used in computing the  
14 [~~active~~] member's monthly service pension; and

15 (3) any [~~, except as provided by Subsection (1) of this~~  
16 ~~section, but~~] cost-of-living adjustments that occur on or after  
17 that date and that otherwise would be applicable to the pension will  
18 not be made during the time the member participates in DROP.

19 (d) The member's DROP benefit is determined as provided by  
20 this subsection and Subsection (e) of this section. Each month an  
21 amount equal to the monthly service pension the active member would  
22 have been eligible [~~entitled~~] to receive if the active member had  
23 separated from service on the effective date of entry into DROP,  
24 less any amount that is intended to help defray the active member's  
25 group medical insurance costs as described by Section 12(d) of this  
26 article, shall be credited to a notional DROP account for the active  
27 member [~~, and each month an amount equal to the monthly~~

1 ~~contributions the active member makes to the fund on and after the~~  
2 ~~effective date of entry into DROP also shall be credited to the same~~  
3 ~~notional DROP account].~~ In any year in which a 13th payment is made  
4 to retired members under Section 12(e) of this article, an amount  
5 equal to the amount of the 13th payment that would have been made to  
6 the DROP participant if the DROP participant had retired on the date  
7 of DROP entry will be credited to the DROP account.

8 (e) As of the end of each month an amount is credited to each  
9 active member's notional DROP account at the rate of one-twelfth of  
10 a hypothetical earnings rate on amounts in the account. The  
11 hypothetical earnings rate is determined for each calendar year  
12 based on the compounded average of the aggregate annual rate of  
13 return on investments of the pension system for the five  
14 consecutive fiscal years ending June 30 preceding the calendar year  
15 to which the earnings rate applies, multiplied by 65 percent. The  
16 hypothetical earnings rate may not be less than 2.5 percent [~~zero~~].

17 (f-1) If a DROP participant separates from service due to  
18 death, ~~and~~ the participant's surviving spouse is eligible [~~person~~  
19 ~~entitled~~] to receive benefits under Sections 16 and 16A of this  
20 article and the surviving spouse may elect to receive [~~does not~~  
21 ~~revoke the DROP election,~~] the DROP benefit [~~may be received~~] in the  
22 form of an additional annuity over the life expectancy of the  
23 surviving spouse.

24 (h) Instead of beginning to receive a service pension on  
25 separation from service in accordance with Section 12 of this  
26 article, a retired member who is a DROP participant may elect to  
27 have part or all of the amount that would otherwise be paid as a

1 monthly service pension, less any amount required to pay the  
2 retired member's share of group medical insurance costs, credited  
3 to a DROP account, in which case the additional amounts will become  
4 eligible to be credited with hypothetical earnings in the same  
5 manner as the amounts described by Subsection (g) of this section.  
6 On and after the year 2017 effective date, additional amounts may  
7 not be credited to a DROP account under this subsection. Any  
8 amounts credited under this subsection before the year 2017  
9 effective date shall remain accrued in a retired member's DROP  
10 account.

11 (i) A retired member who has not attained age 70-1/2,  
12 whether or not a DROP participant before retirement, may elect to  
13 have part or all of an amount equal to the monthly service pension  
14 the retired member would otherwise be entitled to receive, less any  
15 amount required to pay the retired member's share of group medical  
16 insurance costs, credited to a DROP account, in which case the  
17 amounts will become eligible to be credited with hypothetical  
18 earnings in the same manner as the amounts described by Subsection  
19 (g) of this section. On and after the year 2017 effective date,  
20 additional amounts may not be credited to a DROP account under this  
21 subsection. Any amounts credited under this section before the  
22 year 2017 effective date shall remain accrued in a retired member's  
23 DROP account [~~A retired member who has elected to have monthly  
24 service pension benefits credited to a DROP account under this  
25 subsection or Subsection (h) of this section may direct that the  
26 credits stop and the monthly service pension resume at any time.  
27 However, a retired member who stops the credits at any time after~~

1 ~~September 1, 1999, may not later resume the credits].~~

2 (k) If a retired member who is [~~or was~~] a DROP participant is  
 3 rehired as an employee of the police department, any pension or DROP  
 4 distribution that was being paid shall be suspended and the monthly  
 5 amount described by Subsection (d) of this section will again begin  
 6 to be credited to the DROP account while the member continues to be  
 7 an employee. If the member's DROP account has been completely  
 8 distributed, a new notional account may not [~~will~~] be created and  
 9 the monthly amount described by Subsection (d) of this section may  
 10 not be credited to a DROP account on behalf of the member [~~to~~  
 11 ~~receive the member's monthly credits. If a retired member who was~~  
 12 ~~never a DROP participant is rehired as an employee of the police~~  
 13 ~~department, that member shall be eligible to elect participation in~~  
 14 ~~DROP on the same basis as any other member].~~

15 (l) The maximum number of years an active member may  
 16 participate in DROP is 20 years. Except as provided by this  
 17 subsection, after the DROP participant has reached the maximum  
 18 number of years of DROP participation prescribed by this  
 19 subsection, including DROP participants with 20 years or more in  
 20 DROP on or before the year 2017 effective date, the DROP participant  
 21 may not receive the monthly service pension that was credited to a  
 22 notional DROP account but may receive the hypothetical earnings  
 23 rate stated in Subsection (e) of this section. Notwithstanding the  
 24 preceding, a member's DROP account balance before the year 2017  
 25 effective date may not be reduced under the preceding provisions of  
 26 this subsection [~~The DROP account of each DROP participant who was~~  
 27 ~~an active member on May 1, 2001, shall be recomputed and adjusted,~~

1 ~~effective on that date, to reflect the amount that would have been~~  
2 ~~credited to the account if the member's pension had been computed~~  
3 ~~based on 2.75 percent of the member's average total direct pay, or~~  
4 ~~base pay if applicable, for each of the member's first 20 years of~~  
5 ~~service. The DROP account adjustment shall also include the~~  
6 ~~assumed earnings that would have been credited to the account if the~~  
7 ~~2.75 percent multiplier for the first 20 years of service had been~~  
8 ~~in effect from the time the member became a DROP participant].~~

9 SECTION 2.17. Section 15, Article 6243g-4, Revised  
10 Statutes, is amended by amending Subsections (a), (b), (c), (d),  
11 (e), and (i) and adding Subsections (a-1), (c-1), (l), (m), (n),  
12 (o), and (p) to read as follows:

13 (a) An active member who becomes totally and permanently  
14 incapacitated for the performance of the member's duties as a  
15 result of a bodily injury received in, or illness caused by, the  
16 performance of those duties shall, on presentation to the board of  
17 proof of total and permanent incapacity, be retired and shall  
18 receive an immediate duty-connected disability pension equal to:

19 (1) for members hired or rehired before October 9,  
20 2004, the greater of 55 percent of the member's final average [total  
21 direct] pay at the time of retirement or the member's accrued  
22 service pension; or

23 (2) for members hired or rehired on or after October 9,  
24 2004, the greater of 45 percent of the member's:

25 (A) final average pay at the time of retirement;

26 or

27 (B) accrued service pension.

1           (a-1) If the injury or illness described by Subsection (a)  
 2 of this section involves a traumatic event that directly causes an  
 3 immediate cardiovascular condition resulting in a total  
 4 disability, the member is eligible for a duty-connected disability  
 5 pension. A disability pension granted by the board shall be paid to  
 6 the member for the remainder of the member's life, ~~[or for]~~ as long  
 7 as the incapacity remains, subject to Subsection (e) of this  
 8 section. If a member is a DROP participant at the commencement of  
 9 the member's disability, the member shall have the option of  
 10 receiving the DROP balance in any manner that is approved by the  
 11 board and that satisfies the requirements of Section 401(a)(9) of  
 12 the code and Treasury Regulation Section 1.104-1(b) (26 C.F.R.  
 13 Section 1.104-1) and is otherwise available to any other member  
 14 under this article.

15           (b) A member ~~[with 10 years or more of credited service]~~ who  
 16 becomes totally and permanently incapacitated for the performance  
 17 of the member's duties and is not eligible for either an immediate  
 18 service pension or a duty-connected disability pension is eligible  
 19 for an immediate monthly pension computed in the same manner as a  
 20 service retirement pension but based on final average ~~[total~~  
 21 ~~direct]~~ pay and service accrued to the date of the disability. The  
 22 pension under this subsection may not be less than:

23           (1) for members hired before October 9, 2004,  
 24 including a member who involuntarily separated from service but has  
 25 been retroactively reinstated under arbitration, civil service, or  
 26 a court ruling, 27.5 percent of the member's final average ~~[total~~  
 27 ~~direct]~~ pay; or

1           (2) except as provided by Subdivision (1) of this  
2 subsection, for members hired or rehired on or after October 9,  
3 2004, 22.5 percent of the member's final average pay.

4           (c) A member hired or rehired before October 9, 2004, who  
5 becomes eligible [~~entitled~~] to receive a disability pension after  
6 November 23, 1998, is eligible [~~entitled~~] to receive:

7           (1) subject to Subsection (c-1) of this section, a  
8 one-time lump-sum payment of \$5,000 at the same time the first  
9 monthly disability pension payment is made, but only if the member  
10 has not previously received a \$5,000 payment under this section or  
11 Section 12 of this article; and

12           (2) [~~. The retired member shall also receive~~] an  
13 additional amount each month equal to \$150, beginning on the later  
14 of the date the pension begins or the date the first monthly payment  
15 becomes due after June 18, 2001, and continuing as long as the  
16 disability pension continues, to help defray the cost of group  
17 medical insurance.

18           (c-1) For any year in which a 13th payment is made to retired  
19 members under Section 12(e) of this article, a 13th payment,  
20 computed in the same manner and subject to the same conditions,  
21 shall also be paid to members who have retired under this section.

22           (d) A person may not receive a disability pension unless the  
23 person files with the board an application for a disability pension  
24 not later than 180 days after the date of separation from service,  
25 at which time the board shall have the person examined, not later  
26 than the 90th day after the date the member files the application,  
27 by a physician or physicians chosen and compensated by the board.



1 The physician shall make a report and recommendations to the board  
2 regarding the extent of any disability and whether any disability  
3 that is diagnosed is a duty-connected disability. Except as  
4 provided by Subsection (j) of this section, a person may not receive  
5 a disability pension for an injury received or illness incurred  
6 after separation from service. In accordance with Section 3(g) of  
7 this article, the board may, through its presiding officer, issue  
8 process, administer oaths, examine witnesses, and compel witnesses  
9 to testify as to any matter affecting retirement, disability, or  
10 death benefits under any pension plan within the pension system.

11 (e) A retired member who has been retired for disability is  
12 subject at all times to reexamination by a physician chosen and  
13 compensated by the board and shall submit to further examination as  
14 the board may require. If a retired member refuses to submit to an  
15 examination, the board shall ~~may~~ order the payments stopped. If a  
16 retired member who has been receiving a disability pension under  
17 this section recovers so that in the opinion of the board the  
18 retired member is able to perform the usual and customary duties  
19 formerly performed for the police department, and the retired  
20 member is reinstated or offered reinstatement to the position, or  
21 hired by another law enforcement agency to a comparable position  
22 ~~[reasonably comparable in rank and responsibility to the position,~~  
23 ~~held at the time of separation from service]~~, the board shall order  
24 the member's disability pension stopped. A member may apply for a  
25 normal pension benefit, if eligible, if the member's disability  
26 benefit payments are stopped by the board under this subsection.

27 (i) Effective for payments that become due after April 30,

1 2000, and instead of the disability benefit provided by Subsection  
2 (a) or[,] (b)[, ~~or (h)~~] of this section, a member who suffers a  
3 catastrophic injury shall receive a monthly benefit equal to 100  
4 percent of the member's final average [~~total direct~~] pay determined  
5 as of the date of retirement, and the member's DROP balance, if any.

6 (1) A disability pension may not be paid to a member for any  
7 disability if:

8 (1) the disability resulted from an intentionally  
9 self-inflicted injury or a chronic illness resulting from:

10 (A) an addiction by the member through a  
11 protracted course of non-coerced ingestion of alcohol, narcotics,  
12 or prescription drugs not prescribed to the member; or

13 (B) other substance abuse; or

14 (2) except as provided by Subsection (m) of this  
15 section, the disability was a result of the member's commission of a  
16 felony.

17 (m) The board may waive Subsection (1)(2) of this section if  
18 the board determines that facts exist that mitigate denying the  
19 member's application for a disability pension.

20 (n) A member receiving a disability pension under this  
21 article or a person receiving survivor benefits as a disabled  
22 dependent child under this article shall file an annual report of  
23 employment activities and earnings with the pension system. The  
24 pension system shall prescribe the form and the time for filing the  
25 report required by this subsection.

26 (o) The board shall consider the result of any examinations,  
27 the report by the physician, and the report of employment

1 activities and earnings in determining whether any benefits  
2 received under this section shall be continued, decreased, or  
3 discontinued. The board may reduce or entirely discontinue all  
4 benefits to a person receiving benefits under this section who,  
5 after notice from the board, fails to file the report of employment  
6 activities and earnings.

7 (p) A person who fraudulently applies for or receives a  
8 disability pension may be subject to criminal and civil  
9 prosecution.

10 SECTION 2.18. Section 16, Article 6243g-4, Revised  
11 Statutes, is amended to read as follows:

12 Sec. 16. RIGHTS OF SURVIVORS. (a) For purposes of this  
13 article, a marriage is considered to exist only if the couple is  
14 lawfully married under the laws of a state, the District of  
15 Columbia, a United States territory, or a foreign jurisdiction and  
16 the marriage would be recognized as a marriage under the laws of at  
17 least one state, possession, or territory of the United States,  
18 regardless of domicile [~~marriage is recorded in the records of the~~  
19 ~~recorder's office in the county in which the marriage ceremony was~~  
20 ~~performed~~]. In the case of a common-law marriage, a marriage  
21 declaration must be signed by the member and the member's  
22 common-law spouse before a notary public or similar official and  
23 recorded in the records of the applicable jurisdiction [~~county~~  
24 ~~clerk's office in the county~~] in which the couple resides at the  
25 commencement of the marriage. In addition, a marriage that is  
26 evidenced by a declaration of common-law marriage signed before a  
27 notary public or similar official after December 31, 1999, may not

1 be treated as effective earlier than the date on which it was signed  
2 before the notary public or similar official.

3 (b) If a retired member dies after becoming eligible for  
4 ~~[entitled to]~~ a service or disability pension, the board shall pay  
5 an immediate monthly benefit as follows:

6 (1) to the surviving spouse for life, if there is a  
7 surviving spouse, a sum equal to the pension that was being received  
8 by the retired member at the time of death;

9 (2) to the guardian of any dependent child under 18  
10 years of age or a child with a disability as long as the dependent  
11 child complies with the definition of dependent child under Section  
12 2(7) of this article ~~[children]~~, on behalf of the dependent child  
13 ~~[children]~~, or directly to a dependent child described by Section  
14 2(7)(B) of this article, and if there is no spouse eligible for  
15 ~~[entitled to]~~ an allowance, the sum a surviving spouse would have  
16 received, to be divided equally among all ~~[the]~~ dependent children  
17 if there is more than one dependent child; or

18 (3) to any dependent parents for life if no spouse or  
19 dependent child is eligible for ~~[entitled to]~~ an allowance, the sum  
20 the spouse would have received, to be divided equally between the  
21 two parents if there are two dependent parents.

22 (c) If an active ~~[a]~~ member of the pension system who has not  
23 completed 20 ~~[10]~~ years of service in the police department is  
24 killed or dies from any cause growing out of or in consequence of  
25 any act clearly not in the actual performance of the member's  
26 official duty, the member's surviving spouse, dependent child or  
27 children, or dependent parent or parents are eligible ~~[entitled]~~ to

1 receive an immediate benefit. The benefit is computed in the same  
2 manner as a service retirement pension but is based on the deceased  
3 member's service and final average [~~total direct~~] pay at the time of  
4 death. The monthly benefit may not be less than:

5 (1) 27.5 percent of the member's final average [~~total~~  
6 ~~direct~~] pay for members hired before October 9, 2004, including a  
7 member who involuntarily separated from service but has been  
8 retroactively reinstated under arbitration, civil service, or a  
9 court ruling; or

10 (2) 22.5 percent of the member's final average pay for  
11 members hired or rehired on or after October 9, 2004.

12 (e) If any active member is killed or dies from any cause  
13 growing out of or in consequence of the performance of the member's  
14 duty, the member's surviving spouse, dependent child or children,  
15 or dependent parent or parents are eligible [~~entitled~~] to receive  
16 immediate benefits computed in accordance with Subsection (b) of  
17 this section, except that the benefit [~~payable to the spouse, or to~~  
18 ~~the guardian of the dependent child or children if there is no~~  
19 ~~surviving spouse, or the dependent parent or parents if there is no~~  
20 ~~surviving spouse or dependent child,~~] is equal to 100 percent of the  
21 member's final average [~~total direct~~] pay, computed as of the date  
22 of death.

23 (f) A surviving spouse who receives a survivor's benefit  
24 under this article is eligible [~~entitled~~] to receive an additional  
25 amount each month equal to \$150, beginning with the later of the  
26 date the first payment of the survivor's benefit is due or the date  
27 the first monthly payment becomes due after June 18, 2001, and

1 continuing until the end of the month in which the surviving spouse  
2 dies.

3 (g) A surviving spouse or dependent who becomes eligible to  
4 receive benefits with respect to an active member who was hired or  
5 rehired before October 9, 2004, who dies in active service after  
6 November 23, 1998, is eligible [~~entitled~~] to receive a one-time  
7 lump-sum payment of \$5,000 at the time the first monthly pension  
8 benefit is paid, if the member has not already received a \$5,000  
9 lump-sum payment under Section 12 or 15(c) of this article. If more  
10 than one dependent is eligible to receive a payment under this  
11 subsection, the \$5,000 shall be divided equally among the eligible  
12 dependents. This payment has no effect on the amount of the  
13 surviving spouse's or dependents' monthly pension and may not be  
14 paid more than once.

15 (h) The monthly benefits of surviving spouses or dependents  
16 provided under this section, except the \$150 monthly payments  
17 described by Subsection (f) of this section, shall be increased  
18 annually at the same time and by the same percentage as the pensions  
19 of retired members are increased in accordance with Section 12(c)  
20 or 12(c-1) of this article. Also, for any year in which a 13th  
21 payment is made pursuant to Section 12(e) of this article, a 13th  
22 payment, computed in the same manner and subject to the same  
23 conditions, shall also be made to the survivor [~~survivors~~] who is  
24 eligible [~~are entitled~~] to receive death benefits at that time if  
25 the member would have been entitled to a 13th payment, if living.

26 (i) If a member or individual receiving a survivor's pension  
27 dies before monthly payments have been made for at least five years,

1 leaving no person otherwise eligible [~~entitled~~] to receive further  
2 monthly payments with respect to the member, the monthly payments  
3 shall continue to be made [~~to the designated beneficiary of the~~  
4 ~~member or survivor, or to the estate of the member or survivor if a~~  
5 ~~beneficiary was not designated,~~] in the same amount as the last  
6 monthly payment made to the member or [~~]~~ survivor [~~, or estate,~~]  
7 until payments have been made for five years with respect to the  
8 member. The payments shall be made to the spouse of the member, if  
9 living, and if no spouse is living, to the natural or adopted  
10 children of the member, to be divided equally among the children if  
11 the member has more than one child. If the member has no spouse or  
12 children who are living, the benefit may not be paid. If the member  
13 dies after becoming eligible to receive benefits [~~vested~~] but  
14 before payments begin, leaving no survivors eligible for benefits,  
15 the amount of each monthly payment over the five-year period shall  
16 be the same as the monthly payment the member would have received if  
17 the member had taken disability retirement on the date of the  
18 member's death and shall be paid to the member's spouse or children  
19 in the manner provided by this subsection. If the member has no  
20 spouse or children who are living, then the benefit may not be paid  
21 [~~A member may designate a beneficiary in lieu of the member's estate~~  
22 ~~to receive the remaining payments in the event the member and all~~  
23 ~~survivors die before payments have been received for five years].~~  
24 The member's estate or a beneficiary who is not a survivor or  
25 dependent is not eligible [~~entitled~~] to receive the payment  
26 described by Subsection (g) of this section.

27 (j) A benefit payment made in accordance with this section

1 on behalf of a minor or other person under a legal disability fully  
2 discharges the pension system's obligation to that person.

3 (k) A retired member or surviving spouse may designate a  
4 beneficiary on a form prescribed by the pension system to receive  
5 the final monthly payment owed but not received before the member's  
6 or surviving spouse's death.

7 (l) The board may at any time require a person receiving  
8 death benefits as a disabled child under this article to undergo a  
9 medical examination by a physician appointed or selected by the  
10 board for that purpose.

11 SECTION 2.19. Section 16A, Article 6243g-4, Revised  
12 Statutes, is amended to read as follows:

13 Sec. 16A. BENEFICIARY DESIGNATION FOR DROP. (a) Except for  
14 the marriage requirement described by Section 16(a) of this  
15 article, the [~~The~~] provisions of Section 16 of this article  
16 pertaining to rights of survivors do not apply to an amount held in  
17 a member's DROP account. A member who participates in DROP may  
18 designate a beneficiary in the form and manner prescribed by or on  
19 behalf of the board to receive the balance of the member's DROP  
20 account in the event of the member's death, as permitted by Section  
21 401(a)(9) of the code and the board's policies. A member who is  
22 married is considered to have designated the member's spouse as the  
23 member's beneficiary unless the spouse consents, in a notarized  
24 writing delivered to the board, to the designation of another  
25 person as beneficiary. If no designated beneficiary survives the  
26 member, the board shall [~~may~~] pay the balance of the member's DROP  
27 account to the member's beneficiaries in the following order:



1 (1) to the member's spouse;

2 (2) if the member does not have a spouse, to each  
3 natural or adopted child of the member, or to the guardian of the  
4 child if the child is a minor or has a disability, in equal shares;

5 (3) if the member does not have a spouse or any  
6 children, to each surviving parent of the member in equal shares; or

7 (4) if the member has no beneficiaries described by  
8 Subdivisions (1), (2), and (3) of this subsection, to the estate of  
9 the member.

10 (b) If a member names a spouse as a beneficiary and is  
11 subsequently divorced from that spouse, the divorce voids the  
12 designation of the divorced spouse as the member's beneficiary. A  
13 designation of a divorced spouse will cause the board to pay any  
14 balance remaining in the member's DROP account in the order  
15 prescribed by Subsection (a) of this section.

16 (c) The surviving spouse may designate a beneficiary on a  
17 form prescribed by the pension system to receive the balance of the  
18 DROP account owed but not received before the surviving spouse's  
19 death.

20 (d) Payment of the balance of the member's DROP account made  
21 in accordance with this section on behalf of a minor or other person  
22 under a legal disability fully discharges the pension system's  
23 obligation to that person.

24 SECTION 2.20. Section 17, Article 6243g-4, Revised  
25 Statutes, is amended by amending Subsections (b), (d), and (e) and  
26 adding Subsection (i) to read as follows:

27 (b) A member of the pension system who has not completed 20

1 years of service at the time of separation from service with the  
2 police department is eligible for [~~entitled to~~] a refund of the  
3 total of the contributions the member made to the pension system,  
4 plus any amount that was contributed for the member by the city and  
5 not applied in accordance with this section to provide the member  
6 with 10 years of service. The refund does not include interest, and  
7 neither the city nor the member is eligible for [~~entitled to~~] a  
8 refund of the contributions the city made on the member's behalf,  
9 except as expressly provided by this subsection. By receiving the  
10 refund, the member forfeits any service earned before separation  
11 from service, even if it is otherwise nonforfeitable.

12 (d) A member must apply to the board for a refund within one  
13 year after the date of separation from service. Failure to apply  
14 for the refund within the one-year period results in a forfeiture of  
15 the right to the refund except for an inactive member who is  
16 eligible for a pension [~~whose right to a pension is~~  
17 ~~nonforfeitable~~]. However, the board may reinstate any amount  
18 forfeited and allow the refund on application by the former member.

19 (e) Heirs, executors, administrators, personal  
20 representatives, or assignees are not eligible [~~entitled~~] to apply  
21 for and receive the refund authorized by this section [~~except as~~  
22 ~~provided by Section 16(c) of this article~~].

23 (i) Former members reemployed on or after October 9, 2004,  
24 or current members who left service after October 9, 2004, if  
25 reemployed by the city, may purchase prior service credit at a rate  
26 of interest equal to 2.25 percent per year. Active members hired  
27 before October 9, 2004, who have not yet purchased prior service

1 credit or members hired before October 9, 2004, who involuntarily  
2 separated from service but have been retroactively reinstated under  
3 arbitration, civil service, or a court ruling may purchase prior  
4 service credit at a rate of interest equal to 2.75 percent per year.  
5 The board may adopt rules necessary to implement this section.

6 SECTION 2.21. Section 18(a), Article 6243g-4, Revised  
7 Statutes, is amended to read as follows:

8 (a) Except as provided by this section:

9 (1) credit may not be allowed to any person for service  
10 with any department in the city other than the police department;  
11 [~~and~~]

12 (2) a person's service will be computed from the date  
13 of entry into the service of the police department as a classified  
14 police officer until the date of separation from service with the  
15 police department; and

16 (3) a member who received service credit for service  
17 with any department in the city other than the police department and  
18 who is receiving a monthly pension benefit or who began  
19 participation in DROP before the year 2017 effective date shall  
20 continue to have the service credit apply.

21 SECTION 2.22. Sections 19(b) and (d), Article 6243g-4,  
22 Revised Statutes, are amended to read as follows:

23 (b) A person who rejoins the pension system under this  
24 section is eligible [~~entitled~~] to receive service credit for each  
25 day of service and work performed by the person in a classified  
26 position in the police department, except for any period during  
27 which the person is a DROP participant. The board shall add service

1 earned after the transfer to the prior service the active member  
2 accrued in a classified position in the police department.  
3 However, the active member may not receive service credit under  
4 this article, except to the extent provided by Section 18, for  
5 service performed for the city other than in a classified position  
6 in the police department.

7 (d) When a member who has transferred as described by this  
8 section subsequently retires, the retired member is eligible for  
9 ~~[entitled to]~~ a pension computed on the basis of the combined  
10 service described by Subsection (b) of this section, after  
11 deducting any period in which the member was suspended from duty  
12 without pay, on leave of absence without pay, separated from  
13 service, or employed by the city in a capacity other than in a  
14 classified position in the police department.

15 SECTION 2.23. Section 21, Article 6243g-4, Revised  
16 Statutes, is amended to read as follows:

17 Sec. 21. DETERMINATION OF BENEFITS; PROVISION OF  
18 INFORMATION. (a) The board may require any member, survivor, or  
19 other person or entity to furnish information the board requires  
20 for the determination of benefits under this article. If a person  
21 or entity does not cooperate in the furnishing or obtaining of  
22 information required as provided by this section, the board may  
23 withhold payment of the pension or other benefits dependent on the  
24 information.

25 (b) The city, not later than the 14th day after the date the  
26 city receives a request by or on behalf of the board, shall, unless  
27 otherwise prohibited by law, supply the pension system with

1 personnel, payroll, and financial records in the city's possession  
2 that the pension system determines necessary to provide pension  
3 administrative and fiduciary services under this section, to  
4 establish beneficiaries' eligibility for any benefit, or to  
5 determine a member's credited service or the amount of any  
6 benefits, including disability benefits, and such other  
7 information the pension system may need, including:

8 (1) information needed to verify service, including  
9 the following information:

- 10 (A) the date a person is sworn in to a position;  
11 (B) the days a person is under suspension;  
12 (C) the days a person is absent without pay,  
13 including the days a person is on maternity leave;  
14 (D) the date of a person's termination from  
15 employment; and  
16 (E) the date of a person's reemployment with the  
17 city;

- 18 (2) medical records;  
19 (3) workers' compensation records and pay information;  
20 (4) payroll information;  
21 (5) information needed to verify whether a member is  
22 on military leave; and  
23 (6) information regarding phase-down participants,  
24 including information related to entry date and phase-down plan.

25 (c) The city shall provide any information that may be  
26 reasonably necessary to enable the pension system to comply with  
27 administrative services the pension system performs for the city as

1 reasonably necessary to obtain any ruling or determination letter  
2 from the Internal Revenue Service.

3 (d) The information provided by the city shall be  
4 transmitted to the pension system electronically in a format  
5 specified by the pension system, to the extent available to the  
6 city, or in writing if so requested on behalf of the pension system.

7 (e) The pension system shall determine each member's  
8 credited service and pension benefits on the basis of the personnel  
9 and financial records of the city and the records of the pension  
10 system.

11 SECTION 2.24. Section 23, Article 6243g-4, Revised  
12 Statutes, is amended to read as follows:

13 Sec. 23. MEMBERS IN MILITARY SERVICE. (a) A member of the  
14 pension system engaged in active service in a uniformed service may  
15 not be required to make the monthly payments into the fund and may  
16 not lose any previous years' service with the city because of the  
17 uniformed service. The uniformed service shall count as continuous  
18 service in the police department if the member returns to the city  
19 police department after discharge from the uniformed service as an  
20 employee within the period required by the Uniformed Services  
21 Employment and Reemployment Rights Act of 1994 (38 U.S.C. Section  
22 4301 et seq.), as amended, and the uniformed service does not exceed  
23 the period for which a person is eligible ~~entitled~~ to have service  
24 counted pursuant to that Act. Notwithstanding any other provision  
25 of this article, contributions and benefits shall be paid and  
26 qualified service for military service shall be determined in  
27 compliance with Section 414(u) of the code.

1           (b) The city is required to make its payments into the fund  
2 on behalf of each member while the member is engaged in a uniformed  
3 service. If a member who has less than 10 years of service in the  
4 pension system dies directly or indirectly as a result of the  
5 uniformed service, and without returning to active service, the  
6 spouse, dependent children, dependent parent, or estate of the  
7 member is eligible [~~entitled~~] to receive a benefit in the same  
8 manner as described by Section 16(c) of this article.

9           SECTION 2.25. Section 24(b), Article 6243g-4, Revised  
10 Statutes, is amended to read as follows:

11           (b) Payments due on behalf of a dependent child shall be  
12 paid to the dependent child's guardian, if any, or if none to the  
13 person with whom the dependent child is living, except that the  
14 board may make payments directly to a dependent child in an  
15 appropriate case and withhold payments otherwise due on behalf of  
16 any person if the board has reason to believe the payments are not  
17 being applied on behalf of the person eligible [~~entitled~~] to  
18 receive them. The board may request a court of competent  
19 jurisdiction to appoint a person to receive and administer the  
20 payments due to any dependent child or person under a disability.

21           SECTION 2.26. Section 25, Article 6243g-4, Revised  
22 Statutes, is amended by amending Subsections (b), (c), (d), (g),  
23 and (h) and adding Subsections (c-1) and (h-1) through (h-13) to  
24 read as follows:

25           (b) A member or survivor of a member of the pension system  
26 may not accrue a retirement pension, disability retirement  
27 allowance, death benefit allowance, DROP benefit, or any other

1 benefit under this article in excess of the benefit limits  
 2 applicable to the fund under Section 415 of the code. The board  
 3 shall reduce the amount of any benefit that exceeds those limits by  
 4 the amount of the excess. If total benefits under this fund and the  
 5 benefits and contributions to which any member is eligible  
 6 ~~[entitled]~~ under any other qualified plans maintained by the city  
 7 that employs the member would otherwise exceed the applicable  
 8 limits under Section 415 of the code, the benefits the member would  
 9 otherwise receive from the fund shall be reduced to the extent  
 10 necessary to enable the benefits to comply with Section 415.

11 (c) Subject to Subsection (c-1) of this section, any ~~[Any]~~  
 12 distributee ~~[member or survivor]~~ who receives ~~[any distribution~~  
 13 ~~that is]~~ an eligible rollover distribution ~~[as defined by Section~~  
 14 ~~402(c)(4) of the code]~~ is eligible ~~[entitled]~~ to have that  
 15 distribution transferred directly to another eligible retirement  
 16 plan of the distributee's ~~[member's or survivor's]~~ choice on  
 17 providing direction to the pension system regarding that transfer  
 18 in accordance with procedures established by the board.

19 (c-1) For purposes of Subsection (c) of this section:

20 (1) "Direct rollover" means a payment by the plan to  
 21 the eligible retirement plan specified by the distributee.

22 (2) "Distributee" means a member or a member's  
 23 surviving spouse or non-spouse designated beneficiary or a member's  
 24 spouse or former spouse who is the alternate payee under a qualified  
 25 domestic relations order with regard to the interest of the spouse  
 26 or former spouse.

27 (3) "Eligible retirement plan" means:



1           (A) an individual retirement account as defined  
2 by Section 408(a) of the code;

3           (B) an individual retirement annuity as defined  
4 by Section 408(b) of the code;

5           (C) an annuity plan as described by Section  
6 403(a) of the code;

7           (D) an eligible deferred compensation plan as  
8 defined by Section 457(b) of the code that is maintained by an  
9 eligible employer as described by Section 457(e)(1)(A) of the code;

10          (E) an annuity contract as described by Section  
11 403(b) of the code;

12          (F) a qualified trust as described by Section  
13 401(a) of the code that accepts the distributee's eligible rollover  
14 distribution; and

15          (G) in the case of an eligible rollover  
16 distribution, for a designated beneficiary that is not the  
17 surviving spouse, a spouse, or a former spouse who is an alternate  
18 payee under a qualified domestic relations order, an eligible  
19 retirement plan means only an individual retirement account or  
20 individual retirement annuity that is established for the purpose  
21 of receiving the distribution on behalf of the beneficiary.

22          (4) "Eligible rollover distribution" means any  
23 distribution of all or any portion of the balance to the credit of  
24 the distributee, except that an eligible rollover distribution does  
25 not include:

26                 (A) any distribution that is one of a series of  
27 substantially equal periodic payments, not less frequently than

1 annually, made for life or life expectancy of the distributee or the  
2 joint lives or joint life expectancies of the distributee and the  
3 distributee's designated beneficiary or for a specified period of  
4 10 years or more;

5 (B) any distribution to the extent the  
6 distribution is required under Section 401(a)(9) of the code; or

7 (C) any distribution that is made on hardship of  
8 the employee.

9 (d) The annual compensation for each member [~~total salary~~]  
10 taken into account for any purpose under this article [~~for any~~  
11 ~~member of the pension system~~] may not exceed \$200,000 for any year  
12 for an eligible participant, or for years beginning after 2001 for  
13 an ineligible participant, or \$150,000 a year before 2001 for an  
14 ineligible participant. These dollar limits shall be adjusted from  
15 time to time in accordance with guidelines provided by the United  
16 States secretary of the treasury and must comply with Section  
17 401(a)(17) of the code. For purposes of this subsection, an  
18 eligible participant is a person who first became an active member  
19 before 1996, and an ineligible participant is a member who is not an  
20 eligible participant.

21 (g) Distribution of benefits must begin not later than April  
22 1 of the year following the calendar year during which the member  
23 eligible for [~~entitled to~~] the benefits becomes 70-1/2 years of age  
24 or terminates employment with the employer, whichever is later, and  
25 must otherwise conform to Section 401(a)(9) of the code.

26 (h) For purposes of adjusting any benefit due to the  
27 limitations prescribed by Section 415 of the code, the following

1 provisions shall apply:

2 (1) the 415(b) limitation with respect to any member  
3 who at any time has been a member in any other defined benefit plan  
4 as defined in Section 414(j) of the code maintained by the city  
5 shall apply as if the total benefits payable under all the defined  
6 benefit plans in which the member has been a member were payable  
7 from one plan; and

8 (2) the 415(c) limitation with respect to any member  
9 who at any time has been a member in any other defined contribution  
10 plan as defined in Section 414(i) of the code maintained by the city  
11 shall apply as if the total annual additions under all such defined  
12 contribution plans in which the member has been a member were  
13 payable from one plan.

14 (h-1) For purposes of adjusting any benefit due to the  
15 limitations prescribed by Section 415(b) of the code, the following  
16 provisions shall apply:

17 (1) before January 1, 1995, a member may not receive an  
18 annual benefit that exceeds the limits specified in Section 415(b)  
19 of the code, subject to the applicable adjustments in that section;

20 (2) on and after January 1, 1995, a member may not  
21 receive an annual benefit that exceeds the dollar amount specified  
22 in Section 415(b)(1)(A) of the code, subject to the applicable  
23 adjustments in Section 415(b) of the code and subject to any  
24 additional limits that may be specified in the pension system;

25 (3) in no event may a member's annual benefit payable  
26 under the pension system, including any DROP benefits, in any  
27 limitation year be greater than the limit applicable at the annuity

1 starting date, as increased in subsequent years pursuant to Section  
2 415(d) of the code, including regulations adopted under that  
3 section; and

4 (4) the "annual benefit" means a benefit payable  
5 annually in the form of a straight life annuity, with no ancillary  
6 benefits, without regard to the benefit attributable to any  
7 after-tax employee contributions, unless attributable under  
8 Section 415(n) of the code, and to rollover contributions as  
9 defined in Section 415(b)(2)(A) of the code. For purposes of this  
10 subdivision, the "benefit attributable" shall be determined in  
11 accordance with applicable federal regulations.

12 (h-2) For purposes of adjustments to the basic limitation  
13 under Section 415(b) of the code in the form of benefits, the  
14 following provisions apply:

15 (1) if the benefit under the pension system is other  
16 than the form specified in Subsections (h-1)(1)-(3) of this  
17 section, including DROP benefits, the benefit shall be adjusted so  
18 that it is the equivalent of the annual benefit, using factors  
19 prescribed in applicable federal regulations; and

20 (2) if the form of benefit without regard to the  
21 automatic benefit increase feature is not a straight life annuity  
22 or a qualified joint and survivor annuity, Subdivision (1) of this  
23 subsection is applied by either reducing the limit under Section  
24 415(b) of the code applicable at the annuity starting date or  
25 adjusting the form of benefit to an actuarially equivalent amount  
26 determined by using the assumptions specified in Treasury  
27 Regulation Section 1.415(b)-1(c)(2)(ii) that takes into account

1 the additional benefits under the form of benefit as follows:

2 (A) for a benefit paid in a form to which Section  
3 417(e)(3) of the code does not apply, the actuarially equivalent  
4 straight life annuity benefit that is the greater of:

5 (i) the annual amount of the straight life  
6 annuity, if any, payable to the member under the pension system  
7 commencing at the same annuity starting date as the form of benefit  
8 to the member or the annual amount of the straight life annuity  
9 commencing at the same annuity starting date that has the same  
10 actuarial present value as the form of benefit payable to the  
11 member, computed using a five percent interest assumption or the  
12 applicable statutory interest assumption; and

13 (ii) for years prior to January 1, 2009, the  
14 applicable mortality tables described in Treasury Regulation  
15 Section 1.417(e)-1(d)(2), and for years after December 31, 2008,  
16 the applicable mortality tables described in Section 417(e)(3)(B)  
17 of the code; or

18 (B) for a benefit paid in a form to which Section  
19 417(e)(3) of the code applies, the actuarially equivalent straight  
20 life annuity benefit that is the greatest of:

21 (i) the annual amount of the straight life  
22 annuity commencing at the annuity starting date that has the same  
23 actuarial present value as the particular form of benefit payable,  
24 computed using the interest rate and mortality table, or tabular  
25 factor, specified in the plan for actuarial experience;

26 (ii) the annual amount of the straight life  
27 annuity commencing at the annuity starting date that has the same

1 actuarial present value as the particular form of benefit payable,  
2 computed using a 5.5 percent interest assumption or the applicable  
3 statutory interest assumption, and for years prior to January 1,  
4 2009, the applicable mortality tables for the distribution under  
5 Treasury Regulation Section 1.417(e)-1(d)(2), and for years after  
6 December 31, 2008, the applicable mortality tables described in  
7 Section 417(e)(3)(B) of the code; or

8 (iii) the annual amount of the straight  
9 life annuity commencing at the annuity starting date that has the  
10 same actuarial present value as the particular form of benefit  
11 payable computed using the applicable interest rate for the  
12 distribution under Treasury Regulation Section 1.417(e)-1(d)(3)  
13 using the rate in effect for the month prior to retirement before  
14 January 1, 2017, and using the rate in effect for the first day of  
15 the plan year with a one-year stabilization period on and after  
16 January 1, 2017, and for years prior to January 1, 2009, the  
17 applicable mortality tables for the distribution under Treasury  
18 Regulation Section 1.417(e)-1(d)(2), and for years after December  
19 31, 2008, the applicable mortality tables described in Section  
20 417(e)(3)(B) of the code, divided by 1.05.

21 (h-3) The pension system actuary may adjust the limitation  
22 under Section 415(b) of the code at the annuity starting date in  
23 accordance with Subsections (h-1) and (h-2) of this section.

24 (h-4) The following are benefits for which no adjustment of  
25 the limitation in Section 415(b) of the code is required:

26 (1) any ancillary benefit that is not directly related  
27 to retirement income benefits;

1           (2) the portion of any joint and survivor annuity that  
2 constitutes a qualified joint and survivor annuity; and

3           (3) any other benefit not required under Section  
4 415(b)(2) of the code and regulations adopted under that section to  
5 be taken into account for purposes of the limitation of Section  
6 415(b)(1) of the code.

7           (h-5) The following provisions apply to other adjustments  
8 of the limitation under Section 415(b) of the code:

9           (1) in the event the member's pension benefits become  
10 payable before the member attains 62 years of age, the limit  
11 prescribed by this section shall be reduced in accordance with  
12 federal regulations adopted under Section 415(b) of the code, so  
13 that that limit, as reduced, equals an annual straight life annuity  
14 benefit when the retirement income benefit begins, that is  
15 equivalent to a \$160,000, as adjusted, annual benefit beginning at  
16 62 years of age;

17           (2) in the event the member's benefit is based on at  
18 least 15 years of service as a full-time employee of any police or  
19 fire department or on 15 years of military service, in accordance  
20 with Sections 415(b)(2)(G) and (H) of the code, the adjustments  
21 provided for in Subdivision (1) of this section may not apply; and

22           (3) in accordance with Section 415(b)(2)(I) of the  
23 code, the reductions provided for in Subdivision (1) of this  
24 section may not be applicable to preretirement disability benefits  
25 or preretirement death benefits.

26           (h-6) The following provisions of this subsection govern  
27 adjustment of the defined benefit dollar limitation for benefits

1 commenced after 65 years of age:

2 (1) if the annuity starting date for the member's  
3 benefit is after 65 years of age and the pension system does not  
4 have an immediately commencing straight life annuity payable at  
5 both 65 years of age and the age of benefit commencement, the  
6 defined benefit dollar limitation at the member's annuity starting  
7 date is the annual amount of a benefit payable in the form of a  
8 straight life annuity commencing at the member's annuity starting  
9 date that is the actuarial equivalent of the defined benefit dollar  
10 limitation, with actuarial equivalence computed using a five  
11 percent interest rate assumption and the applicable mortality table  
12 for that annuity starting date as defined in Section 417(e)(3)(B)  
13 of the code, expressing the member's age based on completed  
14 calendar months as of the annuity starting date;

15 (2) if the annuity starting date for the member's  
16 benefit is after age 65, and the pension system has an immediately  
17 commencing straight life annuity payable at both 65 years of age and  
18 the age of benefit commencement, the defined benefit dollar  
19 limitation at the member's annuity starting date is the lesser of  
20 the limitation determined under Subdivision (1) of this section and  
21 the defined benefit dollar limitation multiplied by the ratio of  
22 the annual amount of the adjusted immediately commencing straight  
23 life annuity under the pension system at the member's annuity  
24 starting date to the annual amount of the adjusted immediately  
25 commencing straight life annuity under the pension system at 65  
26 years of age, both determined without applying the limitations of  
27 this subsection; and



1           (3) notwithstanding the other requirements of this  
2 section:

3           (A) no adjustment shall be made to reflect the  
4 probability of a member's death between the annuity starting date  
5 and 62 years of age, or between 65 years of age and the annuity  
6 starting date, as applicable, if benefits are not forfeited on the  
7 death of the member prior to the annuity starting date; and

8           (B) to the extent benefits are forfeited on death  
9 before the annuity starting date, the adjustment shall be made, and  
10 for this purpose no forfeiture shall be treated as occurring on the  
11 member's death if the pension system does not charge members for  
12 providing a qualified preretirement survivor annuity, as defined in  
13 Section 417(c) of the code, on the member's death.

14           (h-7) For the purpose of Subsection (h-6)(2) of this  
15 section, the adjusted immediately commencing straight life annuity  
16 under the pension system at the member's annuity starting date is  
17 the annual amount of such annuity payable to the member, computed  
18 disregarding the member's accruals after 65 years of age but  
19 including actuarial adjustments even if those actuarial  
20 adjustments are used to offset accruals, and the adjusted  
21 immediately commencing straight life annuity under the pension  
22 system at 65 years of age is the annual amount of the annuity that  
23 would be payable under the pension system to a hypothetical member  
24 who is 65 years of age and has the same accrued benefit as the  
25 member.

26           (h-8) The maximum pension benefits payable to any member who  
27 has completed less than 10 years of participation shall be the

1 amount determined under Subsection (h-1) of this section, as  
2 adjusted under Subsection (h-2) or (h-5) of this section,  
3 multiplied by a fraction, the numerator of which is the number of  
4 the member's years of participation and the denominator of which is  
5 10. The limit under Subsection (h-9) of this section concerning the  
6 \$10,000 limit shall be similarly reduced for any member who has  
7 accrued less than 10 years of service, except the fraction shall be  
8 determined with respect to years of service instead of years of  
9 participation. The reduction provided by this subsection cannot  
10 reduce the maximum benefit below 10 percent of the limit determined  
11 without regard to this subsection. The reduction provided for in  
12 this subsection may not be applicable to preretirement disability  
13 benefits or preretirement death benefits.

14 (h-9) Notwithstanding Subsection (h-8) of this section, the  
15 pension benefit payable with respect to a member shall be deemed not  
16 to exceed the limit provided by Section 415 of the code if the  
17 benefits payable, with respect to such member under this pension  
18 system and under all other qualified defined benefit pension plans  
19 to which the city contributes, do not exceed \$10,000 for the  
20 applicable limitation year and for any prior limitation year and  
21 the city has not at any time maintained a qualified defined  
22 contribution plan in which the member participated.

23 (h-10) On and after January 1, 1995, for purposes of  
24 applying the limits under Section 415(b) of the code to a member's  
25 benefit paid in a form to which Section 417(e)(3) of the code does  
26 not apply, the following provisions apply:

27 (1) a member's applicable limit shall be applied to the

1 member's annual benefit in the member's first limitation year  
2 without regard to any cost-of-living adjustments under Section 12  
3 of this article;

4 (2) to the extent that the member's annual benefit  
5 equals or exceeds the limit, the member shall no longer be eligible  
6 for cost-of-living increases until such time as the benefit plus  
7 the accumulated increases are less than the limit; and

8 (3) after the time prescribed by Subdivision (2) of  
9 this subsection, in any subsequent limitation year, a member's  
10 annual benefit, including any cost-of-living increases under  
11 Section 12 of this article, shall be tested under the applicable  
12 benefit limit, including any adjustment under Section 415(d) of the  
13 code to the dollar limit under Section 415(b)(1)(A) of the code, and  
14 the regulations under those sections.

15 (h-11) Any repayment of contributions, including interest  
16 on contributions, to the plan with respect to an amount previously  
17 refunded on a forfeiture of service credit under the plan or another  
18 governmental plan maintained by the pension system may not be taken  
19 into account for purposes of Section 415 of the code, in accordance  
20 with applicable federal regulations.

21 (h-12) Reduction of benefits or contributions to all plans,  
22 where required, shall be accomplished by:

23 (1) first, reducing the member's benefit under any  
24 defined benefit plans in which the member participated, with the  
25 reduction to be made first with respect to the plan in which the  
26 member most recently accrued benefits and then in the priority  
27 determined by the pension system and the plan administrator of such

1 other plans; and

2 (2) next, reducing or allocating excess forfeitures  
3 for defined contribution plans in which the member participated,  
4 with the reduction to be made first with respect to the plan in  
5 which the member most recently accrued benefits and then in the  
6 priority determined by the pension system and the plan  
7 administrator for such other plans.

8 (h-13) Notwithstanding Subsection (h-12) of this section,  
9 reductions may be made in a different manner and priority pursuant  
10 to the agreement of the pension system and the plan administrator of  
11 all other plans covering such member. [~~If the amount of any benefit~~  
12 ~~is to be determined on the basis of actuarial assumptions that are~~  
13 ~~not otherwise specifically set forth for that purpose in this~~  
14 ~~article, the actuarial assumptions to be used are those earnings~~  
15 ~~and mortality assumptions being used on the date of the~~  
16 ~~determination by the pension system's actuary and approved by the~~  
17 ~~board. The actuarial assumptions being used at any particular time~~  
18 ~~shall be attached as an addendum to a copy of this article and~~  
19 ~~treated for all purposes as a part of this article. The actuarial~~  
20 ~~assumptions may be changed by the pension system's actuary at any~~  
21 ~~time if approved by the board, but a change in actuarial assumptions~~  
22 ~~may not result in any decrease in benefits accrued as of the~~  
23 ~~effective date of the change.]~~

24 SECTION 2.27. Section 26(b)(3), Article 6243g-4, Revised  
25 Statutes, is amended to read as follows:

26 (3) "Maximum benefit" means the retirement benefit a  
27 retired member and the spouse, dependent child, or dependent parent

1 of a retired member or deceased member or retiree are eligible  
2 [~~entitled~~] to receive from all qualified plans in any month after  
3 giving effect to Section 25(b) of this article and any similar  
4 provisions of any other qualified plans designed to conform to  
5 Section 415 of the code.

6 SECTION 2.28. Sections 26(c), (d), and (e), Article  
7 6243g-4, Revised Statutes, are amended to read as follows:

8 (c) An excess benefit participant who is receiving benefits  
9 from the pension system is eligible for [~~entitled to~~] a monthly  
10 benefit under this excess benefit plan in an amount equal to the  
11 lesser of:

12 (1) the member's unrestricted benefit less the maximum  
13 benefit; or

14 (2) the amount by which the member's monthly benefit  
15 from the fund has been reduced because of the limitations of Section  
16 415 of the code.

17 (d) If a spouse, dependent child, or dependent parent is  
18 eligible for [~~entitled to~~] preretirement or postretirement death  
19 benefits under a qualified plan after the death of an excess benefit  
20 participant, the surviving spouse, dependent child, or dependent  
21 parent is eligible for [~~entitled to~~] a monthly benefit under the  
22 excess benefit plan equal to the benefit determined in accordance  
23 with this article without regard to the limitations under Section  
24 25(b) of this article or Section 415 of the code, less the maximum  
25 benefit.

26 (e) Any benefit to which a person is eligible [~~entitled~~]  
27 under this section shall be paid at the same time and in the same

1 manner as the benefit would have been paid from the pension system  
2 if payment of the benefit from the pension system had not been  
3 precluded by Section 25(b) of this article. An excess benefit  
4 participant or any beneficiary may not, under any circumstances,  
5 elect to defer the receipt of all or any part of a payment due under  
6 this section.

7 SECTION 2.29. The heading to Section 27, Article 6243g-4,  
8 Revised Statutes, is amended to read as follows:

9 Sec. 27. CERTAIN WRITTEN AGREEMENTS BETWEEN PENSION SYSTEM  
10 AND CITY AUTHORIZED [~~AGREEMENT TO CHANGE BENEFITS~~].

11 SECTION 2.30. Section 27, Article 6243g-4, Revised  
12 Statutes, is amended by amending Subsection (b) and adding  
13 Subsection (c) to read as follows:

14 (b) A pension benefit or allowance provided by this article  
15 may be increased if the increase:

16 (1) is first approved by a qualified actuary selected  
17 by the board;

18 (2) is approved by the board and the city in a written  
19 agreement as authorized by this section; and

20 (3) does not deprive a member, without the member's  
21 written consent, of a right to receive benefits when [~~that have~~  
22 ~~become fully vested and matured in~~] the member is fully eligible.

23 (c) In a written agreement entered into between the city and  
24 the board under this section, the parties may not fundamentally:

25 (1) alter Sections 9 through 9E of this article;

26 (2) increase the assumed rate of return to more than  
27 seven percent per year;

1           (3) extend the amortization period of a liability  
2 layer to more than 30 years from the first day of the fiscal year  
3 beginning 12 months after the date of the risk sharing valuation  
4 study in which the liability layer is first recognized; or

5           (4) allow a city contribution rate in any year that is  
6 less than or greater than the city contribution rate required under  
7 Section 9D or 9E of this article, as applicable.

8           SECTION 2.31. Section 29, Article 6243g-4, Revised  
9 Statutes, is amended by adding Subsections (c), (d), (e), (f), and  
10 (g) to read as follows:

11           (c) To carry out the provisions of Sections 9 through 9E of  
12 this article, the board and the pension system shall provide the  
13 city actuary under a confidentiality agreement the actuarial data  
14 used by the pension system actuary for the pension system's  
15 actuarial valuations or valuation studies and other data as agreed  
16 to between the city and the pension system that the city actuary  
17 determines is reasonably necessary for the city actuary to perform  
18 the studies required by Sections 9A through 9F of this article.  
19 Actuarial data described by this subsection does not include  
20 information described by Subsection (a) of this section.

21           (d) A risk sharing valuation study or other report prepared  
22 by either the city actuary or the pension system actuary under  
23 Sections 9A through 9G of this article may not:

24           (1) include information described by Subsection (a) of  
25 this section; or

26           (2) provide confidential or private information  
27 regarding specific individuals or be grouped in a manner that

1 allows confidential or private information regarding a specific  
2 individual to be discerned.

3 (e) The information, data, and document exchanges under  
4 Sections 9 through 9E of this article have all the protections  
5 afforded by applicable law and are expressly exempt from the  
6 disclosure requirements under Chapter 552, Government Code, except  
7 as may be agreed to by the city and pension system in a written  
8 agreement under Section 27 of this article.

9 (f) Subsection (e) of this section does not apply to final  
10 risk sharing valuation studies prepared under Section 9A or 9B of  
11 this article.

12 (g) Before a union contract is approved by the city, the  
13 mayor of the city must cause the city actuaries to deliver to the  
14 mayor a report estimating the impact of the proposed union contract  
15 on fund costs.

16 SECTION 2.32. Article 6243g-4, Revised Statutes, is amended  
17 by adding Section 30 to read as follows:

18 Sec. 30. FORFEITURE OF BENEFITS. (a) Notwithstanding any  
19 other law, a member who is convicted, after exhausting all appeals,  
20 of an offense punishable as a felony of the first degree in relation  
21 to, arising out of, or in connection with the member's service as a  
22 classified police officer may not receive any benefits under this  
23 article.

24 (b) After the member described by Subsection (a) of this  
25 section is finally convicted, the member's spouse may apply for  
26 benefits if the member, but for application of Subsection (a) of  
27 this section, would have been eligible for a pension benefit or a



1 delayed payment of benefits. If the member would not have been  
2 eligible for a pension benefit or a delayed payment of benefits, the  
3 member's spouse may apply for a refund of the member's  
4 contributions. A refund under this subsection does not include  
5 interest and does not include contributions the city made on the  
6 member's behalf. The city may not receive a refund of any  
7 contributions the city made on the member's behalf.

8 SECTION 2.33. Sections 2(19) and (23), 8(b), 12(f), 14(f)  
9 and (m), 15(h) and (j), and 18(b) and (c), Article 6243g-4, Revised  
10 Statutes, are repealed.

11 SECTION 2.34. A city and board that have entered into one or  
12 more agreements under Section 27, Article 6243g-4, Revised  
13 Statutes, shall agree in writing as to the portions of such  
14 agreements that, as of the year 2017 effective date, shall remain in  
15 effect.

16 SECTION 2.35. Notwithstanding Section 2(3), Article  
17 6243g-4, Revised Statutes, as amended by this Act, the assumed rate  
18 of return for the fiscal year ending June 30, 2018, is seven percent  
19 per year for purposes of Article 6243g-4, Revised Statutes.

20 SECTION 2.36. The pension system established under Article  
21 6243g-4, Revised Statutes, shall require the pension system actuary  
22 to prepare the first actuarial experience study required under  
23 Section 9C, Article 6243g-4, Revised Statutes, as added by this  
24 Act, not later than September 30, 2022.

25 ARTICLE 3. MUNICIPAL EMPLOYEES PENSION SYSTEM

26 SECTION 3.01. Section 1, Chapter 88 (H.B. 1573), Acts of the  
27 77th Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's

1 Texas Civil Statutes), is amended by amending Subdivisions (1),  
2 (5), (7), (14), (18), and (26) and adding Subdivisions (1-a),  
3 (1-b), (1-c), (1-d), (1-e), (1-f), (4-a), (4-b), (4-c), (4-d),  
4 (4-e), (4-f), (11-a), (11-b), (11-c), (11-d), (11-e), (11-f),  
5 (11-g), (11-h), (11-i), (12-a), (12-b), (14-a), (14-b), (15-a),  
6 (17-a), (18-a), (20-a), (21-a), (26-a), (26-b), (28), (29), and  
7 (30) to read as follows:

8 (1) "Actuarial data" includes:

9 (A) the census data, assumption tables,  
10 disclosure of methods, and financial information that are routinely  
11 used by the pension system actuary to prepare an actuarial  
12 valuation under Section 2B of this Act or an actuarial experience  
13 study under Section 8D of this Act; and

14 (B) any other data that is reasonably necessary  
15 to prepare a risk sharing valuation study under Section 8B or 8C of  
16 this Act.

17 (1-a) "Actuarial experience study" has the meaning  
18 assigned by Section 802.1014, Government Code.

19 (1-b) "Adjustment factor" means the assumed rate of  
20 return less two percent.

21 (1-c) "Amortization period" means the time period  
22 necessary to fully pay a liability layer.

23 (1-d) "Amortization rate" means the sum of the  
24 scheduled amortization payments less the city contribution amount  
25 for a given fiscal year for the liability layers divided by the  
26 projected pensionable payroll for the same fiscal year.

27 (1-e) "Assumed rate of return" means the assumed

1 market rate of return on pension system assets.

2 (1-f) "Authorized absence" means:

3 (A) each day an employee is absent due to an  
4 approved holiday, vacation, accident, or sickness, if the employee  
5 is continued on the employment rolls of the city or the pension  
6 system, receives the employee's regular salary from the city or the  
7 pension system for each day of absence, and remains eligible to work  
8 on recovery or return; or

9 (B) any period that a person is on military leave  
10 of absence under Section 18(a) of this Act, provided the person  
11 complies with the requirements of that section.

12 (4-a) "City contribution amount" means the amount of  
13 city contributions made to the pension fund under Section  
14 8A(a)(1)(B) of this Act, if any.

15 (4-b) "City contribution rate" means, for a fiscal  
16 year, the rate at which a city makes contributions to the pension  
17 fund under Section 8A(a)(1)(A) of this Act.

18 (4-c) "Corridor" means the range of city contribution  
19 rates that are:

20 (A) equal to or greater than the minimum  
21 contribution rate; and

22 (B) equal to or less than the maximum  
23 contribution rate.

24 (4-d) "Corridor margin" means five percentage points.

25 (4-e) "Corridor midpoint" means the estimated city  
26 contribution rate specified in the initial risk sharing valuation  
27 study under Section 8C of this Act, and as may be adjusted under

1 Section 8E or 8F of this Act, and in each case rounded to the nearest  
2 hundredths decimal place.

3 (4-f) "Cost-of-living adjustment percentage" means a  
4 percentage that:

5 (A) except as provided by Paragraph (B), is equal  
6 to the pension system's five-year investment return, based on a  
7 rolling five-year basis and net of investment expenses, minus the  
8 adjustment factor, and multiplied by 50 percent; and

9 (B) may not be less than zero or more than two  
10 percent.

11 (5) "Credited service" means each day of service and  
12 prior service of a member for which:

13 (A) the city [~~has~~] and [~~, for service in group A,~~]  
14 the member have [~~has~~] made required contributions to the pension  
15 fund that were not subsequently withdrawn;

16 (B) the member has purchased service credit or  
17 converted service credit from group B to group A by paying into the  
18 pension fund required amounts that were not subsequently withdrawn;

19 (C) the member has reinstated service under  
20 Section 7(g) of this Act; and

21 (D) the member has previously made payments to  
22 the pension fund that, under then existing provisions of law, make  
23 the member eligible for credit for the service and that were not  
24 subsequently withdrawn.

25 (7) "Dependent child" means an unmarried natural or  
26 legally adopted child of a member, deferred participant, or retiree  
27 who:

1 (A) was supported by the member, deferred  
2 participant, or retiree before the termination of employment of the  
3 member, deferred participant, or retiree; and

4 (B) is under 21 years of age or is totally and  
5 permanently disabled from performing any full-time employment  
6 because of an injury, illness, serious mental illness, intellectual  
7 disability, or pervasive development disorder [~~or retardation~~]  
8 that began before the child became 18 years of age and before the  
9 termination of employment [~~death~~] of the member, deferred  
10 participant, or retiree.

11 (11-a) "Employer normal cost rate" means the normal  
12 cost rate minus the member contribution rate for group D members  
13 under Section 8 of this Act. The present value of additional member  
14 contributions different from the group D rate taken into account  
15 for purposes of determining the employer normal cost rate must be  
16 applied toward the actuarial accrued liability.

17 (11-b) "Estimated city contribution rate" means the  
18 city contribution rate determined in a risk sharing valuation study  
19 under Section 8B or 8C of this Act in accordance with Section  
20 8B(a)(3) of this Act.

21 (11-c) "Fiscal year," except as provided by Section 1B  
22 of this Act, means a fiscal year beginning on July 1 and ending on  
23 June 30.

24 (11-d) "Funded ratio" means the ratio of the pension  
25 system's actuarial value of assets divided by the pension system's  
26 actuarial accrued liability.

27 (11-e) "Legacy liability" means the unfunded

1 actuarial accrued liability:

2 (A) for the fiscal year ending June 30, 2016,  
3 reduced to reflect:

4 (i) changes to benefits or contributions  
5 under this Act;

6 (ii) the deposit of pension obligation bond  
7 proceeds on or before December 31, 2017; and

8 (iii) payments by the city and earnings at  
9 the assumed rate of return allocated to the legacy liability for the  
10 period between July 1, 2016, and July 1, 2017, excluding July 1,  
11 2017; and

12 (B) for each subsequent fiscal year:

13 (i) reduced by the city contribution amount  
14 for that year allocated to the amortization of the legacy  
15 liability; and

16 (ii) adjusted by the assumed rate of  
17 return.

18 (11-f) "Level percent of payroll method" means the  
19 amortization method that defines the amount of the liability layer  
20 recognized each fiscal year as a level percent of pensionable  
21 payroll until the amount of the liability layer remaining is  
22 reduced to zero.

23 (11-g) "Liability gain layer" means a liability layer  
24 that decreases the unfunded actuarial accrued liability.

25 (11-h) "Liability layer" means the unanticipated  
26 change as established in each risk sharing valuation study prepared  
27 under Section 8B or 8C of this Act, as applicable.

1           (11-i) "Liability loss layer" means a liability layer  
2 that increases the unfunded actuarial accrued liability. For  
3 purposes of this Act, the legacy liability is a liability loss  
4 layer.

5           (12-a) "Maximum contribution rate" means the rate  
6 equal to the corridor midpoint plus the corridor margin.

7           (12-b) "Minimum contribution rate" means the rate  
8 equal to the corridor midpoint minus the corridor margin.

9           (14) "Military service" means active service in the  
10 armed forces of the United States or wartime service in the armed  
11 forces of the United States or in the allied forces, if credit for  
12 military service has not been granted under any federal or other  
13 state system or used in any other retirement system, except as  
14 expressly required under federal law.

15           (14-a) "Normal cost rate" means the salary weighted  
16 average of the individual normal cost rates determined for the  
17 current active population, plus an allowance for projected  
18 administrative and investment expenses determined in the most  
19 recent actuarial experience study conducted under Section 8D of  
20 this Act, expressed as a rate, provided the allowance may not exceed  
21 1.25 percent of pensionable payroll for the current fiscal year  
22 unless agreed to by the city.

23           (14-b) "Payoff year" means the year a liability layer  
24 is fully amortized under the amortization period. A payoff year may  
25 not be extended or accelerated for a period that is less than one  
26 month.

27           (15-a) "Pension actuary" means the actuary engaged by

1 the pension system under Section 2B of this Act.

2 (17-a) "Pension obligation bond" means a bond issued  
3 in accordance with Chapter 107, Local Government Code.

4 (18) "Pension system," unless the context requires  
5 otherwise, means the retirement, disability, and survivor benefit  
6 plans for municipal employees of a city under this Act and employees  
7 under Section 3(d) of this Act.

8 (18-a) "Pensionable payroll" means the combined  
9 salaries paid to all members in a fiscal year.

10 (20-a) "Price inflation assumption" means:

11 (A) the most recent headline consumer price index  
12 10-year forecast published in the Federal Reserve Bank of  
13 Philadelphia Survey of Professional Forecasters; or

14 (B) if the forecast described by Paragraph (A) of  
15 this subdivision is not available, another standard as determined  
16 by mutual agreement between the city and the pension board entered  
17 into under Section 3(n) of this Act.

18 (21-a) "Projected pensionable payroll" means the  
19 estimated pensionable payroll for the fiscal year beginning 12  
20 months after the date of the risk sharing valuation study prepared  
21 under Section 8B or 8C of this Act, as applicable, at the time of  
22 calculation by:

23 (A) projecting the prior fiscal year's  
24 pensionable payroll forward two years using the current payroll  
25 growth rate assumptions; and

26 (B) adjusting, if necessary, for changes in  
27 population or other known factors, provided those factors would



1 have a material impact on the calculation, as determined by the  
2 pension board.

3 (26) "Surviving spouse" means a spouse by marriage of  
4 [~~person who was married to~~] a member, deferred participant, or  
5 retiree at the time of death of the member, deferred participant, or  
6 retiree and as of the date of [before] separation from service by  
7 the member, deferred participant, or retiree.

8 (26-a) "Third quarter line rate" means the corridor  
9 midpoint plus 2.5 percentage points.

10 (26-b) "Total city contribution" means, for a fiscal  
11 year, an amount equal to the sum of:

12 (A) the city contribution rate multiplied by the  
13 pensionable payroll for the fiscal year; and

14 (B) the city contribution amount for the fiscal  
15 year.

16 (28) "Unfunded actuarial accrued liability" means the  
17 difference between the actuarial accrued liability and the  
18 actuarial value of assets. For purposes of this definition:

19 (A) "actuarial accrued liability" means the  
20 portion of the actuarial present value of projected benefits  
21 attributed to past periods of member service based on the cost  
22 method used in the risk sharing valuation study prepared under  
23 Section 8B or 8C of this Act, as applicable; and

24 (B) "actuarial value of assets" means the value  
25 of pension plan investments as calculated using the asset smoothing  
26 method used in the risk sharing valuation study prepared under  
27 Section 8B or 8C of this Act, as applicable.

1           (29) "Unanticipated change" means, with respect to the  
2 unfunded actuarial accrued liability in each risk sharing valuation  
3 study prepared under Section 8B or 8C of this Act, as applicable,  
4 the difference between:

5                   (A) the remaining balance of all then-existing  
6 liability layers as of the date of the risk sharing valuation study;  
7 and

8                   (B) the actual unfunded actuarial accrued  
9 liability as of the date of the risk sharing valuation study.

10           (30) "Year 2017 effective date" means:

11                   (A) July 1, 2017, if .B. No. \_\_, Acts of the  
12 85th Legislature, Regular Session, 2017, took effect on or before  
13 July 1, 2017; or

14                   (B) the date on which .B. No. \_\_, Acts of the  
15 85th Legislature, Regular Session, 2017, took effect, if the Act  
16 took effect after July 1, 2017.

17           SECTION 3.02. Chapter 88 (H.B. 1573), Acts of the 77th  
18 Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's Texas  
19 Civil Statutes), is amended by adding Sections 1A, 1B, and 1C to  
20 read as follows:

21           Sec. 1A. INTERPRETATION OF ACT. This Act does not and may  
22 not be interpreted to:

23                   (1) relieve the city, the pension board, or the  
24 pension system of their respective obligations under Sections 8A  
25 through 8E of this Act or of any agreement between the city and the  
26 pension board authorized by Section 3(n) of this Act;

27                   (2) reduce or modify the rights of the city, the

1 pension system, or the pension board, including any officer or  
2 employee of the city, pension system, or pension board, to enforce  
3 obligations described by Subdivision (1) of this subsection;

4 (3) relieve the city, including any official or  
5 employee of the city, from:

6 (A) paying or directing to pay required  
7 contributions to the pension system or fund under Section 8 or 8A of  
8 this Act or to take other steps required by Section 8E or 8F of this  
9 Act or under any agreement between the city and the pension board  
10 authorized by Section 3(n) of this Act; or

11 (B) reducing or modifying the rights of the  
12 pension board and any officer or employee of the pension board or  
13 pension system to enforce obligations described by Subdivision (1)  
14 of this section;

15 (4) relieve the pension board or pension system,  
16 including any officer or employee of the pension board or pension  
17 system, from any obligation to implement a benefit change or take  
18 other steps required under Section 8D or 8E of this Act or under any  
19 agreement between the city and the pension board authorized by  
20 Section 3(n) of this Act; or

21 (5) reduce or modify the rights of the city and any  
22 officer or employee of the city to enforce an obligation described  
23 by Subdivision (4) of this section.

24 Sec. 1B. FISCAL YEAR. The pension system or the city, or  
25 both, may only change their respective fiscal years by entering  
26 into a written agreement under Section 3(n) of this Act. If the  
27 pension system and city enter into an agreement described by this

1 section, the parties shall, in the agreement, adjust the provisions  
2 of Sections 8A through 8F of this Act to reflect that change.

3 Sec. 1C. ALTERNATIVE PLANS. The pension system and the city  
4 may enter into a written agreement under Section 3(n) of this Act to  
5 offer an alternative plan or plans, including defined contribution  
6 plans, if both parties consider it appropriate.

7 SECTION 3.03. Section 2, Chapter 88 (H.B. 1573), Acts of the  
8 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's  
9 Texas Civil Statutes), is amended by amending Subsections (c), (d),  
10 (g), (j), (l), and (n) and adding Subsections (c-1), (c-2), (c-3),  
11 (j-1), (j-2), (ee), (ff), (gg), (hh), (ii), and (jj) to read as  
12 follows:

13 (c) The pension board consists of 11 [~~nine~~] trustees as  
14 follows:

15 (1) one person appointed by the mayor of the city [~~or~~  
16 ~~the director of the civil service commission as the mayor's~~  
17 ~~representative~~];

18 (2) one person appointed by the controller of the city  
19 [~~treasurer or a person performing the duties of treasurer~~];

20 (3) four municipal employees of the city who are  
21 members of the pension system;

22 (4) two retirees, each of whom:

23 (A) has at least five years of credited service  
24 in the pension system;

25 (B) receives a retirement pension from the  
26 pension system; and

27 (C) is not an officer or employee of the city;

1 [~~and~~]

2 (5) one person appointed by the elected trustees who

3 [~~+~~

4 [~~(A)~~] has been a resident of this state for the  
5 three years preceding the date of initial appointment; and

6 (6) two persons appointed by the governing body of the  
7 city [~~(B) is not a city officer or employee~~].

8 (c-1) To serve as a trustee under Subsection (c)(1), (2), or  
9 (6) of this section, a person may not be a participant in or  
10 beneficiary of the pension system.

11 (c-2) A trustee appointed under Subsection (c)(1), (2),  
12 (5), or (6) of this section must have expertise in at least one of  
13 the following areas: accounting, finance, pensions, investments,  
14 or actuarial science. Of the trustees appointed under Subsection  
15 (c)(1), (2), and (6) of this section, not more than two trustees may  
16 have expertise in the same area.

17 (c-3) A trustee appointed under Subsection (c)(1) of this  
18 section shall serve a three-year term expiring in July of the  
19 applicable year. The appointed trustee may be removed at any time  
20 by the mayor. The mayor shall fill a vacancy caused by the  
21 trustee's death, resignation, or removal and the person appointed  
22 to fill the vacancy shall serve the remainder of the unexpired term  
23 of the replaced trustee and may not serve beyond the expiration of  
24 the unexpired term unless appointed by the mayor.

25 (d) To serve as a trustee under Subsection (c)(3) of this  
26 section, a person must be a member with at least five years of  
27 credited service and be elected by the active members of the pension

1 system voting at an election called by the pension board. No more  
2 than two of the employee trustees may be employees of the same  
3 department.

4 (g) To serve as a trustee under Subsection (c)(4) of this  
5 section, a person must be elected by a majority of the retirees  
6 voting [~~retired members of the pension system~~] at an election  
7 called by the pension board.

8 (j) To serve as a trustee under Subsection (c)(5) of this  
9 section, the person must be appointed by a vote of a majority of the  
10 elected trustees of the pension board. The trustee appointed under  
11 Subsection (c)(5) of this section shall serve [~~serves~~] a three-year  
12 [~~two-year~~] term. The appointment or reappointment of the appointed  
13 trustee shall take place in July [~~January~~] of the [~~each~~  
14 ~~even-numbered~~] year in which the term ends. The appointed trustee  
15 may be removed at any time by a vote of a majority of the elected  
16 trustees of the pension board. A vacancy caused by the appointed  
17 trustee's death, resignation, or removal shall be filled by the  
18 elected trustees of the pension board. The appointee serves for the  
19 remainder of the unexpired term of the replaced trustee. An  
20 appointed trustee may not serve beyond the expiration of the  
21 three-year [~~two-year~~] term unless a majority of [~~other than by~~  
22 ~~appointment for a new term by~~] the elected trustees of the pension  
23 board reappoint the trustee for a new term.

24 (j-1) Each trustee appointed under Subsection (c)(6) of  
25 this section shall serve three-year terms expiring in July of the  
26 applicable year. A trustee appointed under Subsection (c)(6) of  
27 this section may be removed at any time by a vote of a majority of

1 the members of the governing body of the city. A vacancy caused by  
2 the appointed trustee's death, resignation, or removal shall be  
3 filled by a vote of a majority of the members of the governing body  
4 of the city. A person appointed to fill the vacancy shall serve the  
5 remainder of the unexpired term of the replaced trustee, and may not  
6 serve beyond the expiration of the unexpired term unless appointed  
7 by the mayor.

8 (j-2) If a majority of the pension board determines that a  
9 trustee appointed under Subsection (c)(1), (2), or (6) of this  
10 section has or is acting in a manner that conflicts with the  
11 interests of the pension system or is in violation of this Act or  
12 any agreement between the pension board and the city entered into  
13 under Section 3(n) of this Act, the pension board may recommend to  
14 the mayor, controller, or governing body, as appropriate, that the  
15 appointed trustee be removed from the pension board. If the  
16 appointed trustee was appointed by the governing body of the city,  
17 an action item concerning the pension board's recommendation shall  
18 be placed on the governing body's agenda for consideration and  
19 action. The governing body shall make a determination on the  
20 recommendation and communicate the determination to the pension  
21 system not later than the 45th day after the date of the  
22 recommendation.

23 (1) To serve on the pension board, each [~~Each~~] trustee  
24 shall, at the first pension board meeting following the trustee's  
25 most recent election or appointment, take an oath of office that the  
26 trustee:

27 (1) will diligently and honestly administer the

1 pension system; and

2 (2) will not knowingly violate this Act or willingly  
3 allow a violation of this Act to occur.

4 (n) The person serving as a trustee under Subsection (c)(2)  
5 of this section serves as the treasurer of the pension fund [~~under~~  
6 ~~penalty of that person's official bond and oath of office~~]. The  
7 treasurer shall file an [That person's] official bond payable to  
8 the [city shall cover the person's position as treasurer of the]  
9 pension system. The treasurer is [fund, and that person's sureties  
10 are] liable on [for] the treasurer's official bond for the faithful  
11 performance of the treasurer's duties under this Act in connection  
12 with [actions pertaining to] the pension fund [to the same extent as  
13 the sureties are liable under the terms of the bond for other  
14 actions and conduct of the treasurer].

15 (ee) A trustee appointed under Subsection (c)(1), (2), (5),  
16 or (6) of this section who fails to attend at least 50 percent of all  
17 regular pension board meetings, as determined annually each July 1,  
18 may be removed from the pension board by the appointing entity. A  
19 trustee removed under this subsection may not be appointed as a  
20 trustee for one year following removal.

21 (ff) All trustees appointed under Subsection (c) of this  
22 section shall complete minimum educational training requirements  
23 established by the State Pension Review Board. The appointing  
24 entity may remove an appointed trustee who does not complete  
25 minimum educational training requirements during the period  
26 prescribed by the State Pension Review Board.

27 (gg) The pension board shall adopt an ethics policy



1 governing, among other matters, conflicts of interest, including  
2 standards of ethical conduct and disclosure requirements,  
3 applicable to:

4 (1) trustees;

5 (2) employees; and

6 (3) any contractors or categories of contractors that  
7 the pension determines provide:

8 (A) any advice or opinion to the pension system  
9 that is the basis for a significant decision or action by or on  
10 behalf of the pension system; or

11 (B) significant services to the pension system  
12 that relate to the administration and operation of the pension  
13 system.

14 (hh) During a trustee's term on the pension board and for  
15 one year after leaving the pension board, a trustee may not  
16 represent any other person or organization in any formal or  
17 informal appearance before the pension board or pension system  
18 staff concerning a matter for which the person has or had  
19 responsibility as a trustee.

20 (ii) The pension board may establish standing or temporary  
21 committees as necessary to assist the board in carrying out its  
22 business, including committees responsible for risk management or  
23 governance, investments, administration and compensation,  
24 personnel issues, financial and actuarial matters, audits,  
25 disability determinations, and agreements under Section 3(n) of  
26 this Act. If the pension board establishes a committee responsible  
27 for agreements under Section 3(n) of this Act, the committee must be

1 a committee of the elected trustees and the trustee appointed by the  
2 elected trustees. Except for a committee responsible for  
3 agreements under Section 3(n) of this Act and any committee  
4 responsible for personnel issues:

5 (1) each committee must include at least one elected  
6 trustee and one trustee appointed by the mayor, controller, or  
7 governing body of the city;

8 (2) committee meetings are open to all trustees; and

9 (3) a committee may not make final decisions and may  
10 only make recommendations to the pension board.

11 (jj) Subsections (x)(1) through (4), (y), and (cc) of this  
12 section do not grant the pension board authority to take any action  
13 that conflicts or interferes with application of Sections 8A  
14 through 8F of this Act.

15 SECTION 3.04. Chapter 88 (H.B. 1573), Acts of the 77th  
16 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas  
17 Civil Statutes), is amended by adding Sections 2A, 2B, 2C, and 2D to  
18 read as follows:

19 Sec. 2A. CONFLICTS OF INTEREST. (a) The existence or  
20 appearance of a conflict of interest on the part of any trustee is  
21 detrimental to the proper functioning of the pension system if not  
22 properly addressed. An appointed trustee may not deliberate or  
23 vote on an action relating to the investment of pension system  
24 assets if:

25 (1) the trustee or an entity with which the trustee is  
26 affiliated is:

27 (A) a competitor or an affiliate of the person or

1 firm that is the subject of or otherwise under consideration in the  
2 action; or

3 (B) likely would be subject to a due diligence  
4 review by the person or firm that is under consideration in the  
5 investment-related action; or

6 (2) the pension board otherwise determines that the  
7 proposed action would create a direct or indirect benefit for the  
8 appointed trustee or a firm with which the appointed trustee is  
9 affiliated.

10 (b) The city attorney shall:

11 (1) provide annual training to trustees appointed by  
12 the city regarding conflicts of interest; and

13 (2) to the extent authorized by city ordinances, at  
14 the request of an external affairs committee if established in  
15 accordance with Section 2(ii) of this Act, review and take  
16 appropriate action on a complaint alleging a conflict of interest  
17 on the part of a city-appointed trustee.

18 Sec. 2B. PENSION SYSTEM ACTUARY; ACTUARIAL VALUATIONS. (a)  
19 Subject to Subsection (b) of this section, the pension board shall  
20 hire an actuary or actuarial firm for purposes of this Act.

21 (b) An actuary hired under this section must have at least  
22 five years of experience as an actuary working with one or more  
23 public retirement systems and must be a fellow of the Society of  
24 Actuaries, a member of the American Academy of Actuaries, or an  
25 enrolled actuary under the Employees Retirement Income Security Act  
26 of 1974 (29 U.S.C. Section 1001 et seq.).

27 (c) At least annually, the pension system actuary shall make

1 a valuation of the assets and liabilities of the pension fund. The  
2 valuation must include the risk sharing valuation study conducted  
3 under Section 8B or 8C of this Act, as applicable.

4 (d) The actuary or actuarial firm shall provide a report of  
5 the valuation to the city.

6 Sec. 2C. QUALIFICATIONS OF CITY ACTUARY. (a) An actuary  
7 hired by the city for purposes of this Act must be an actuary from a  
8 professional service firm who:

9 (1) is not already engaged by the pension system or any  
10 other pension system or fund authorized under Articles 6243e.2(1)  
11 or 6243g-4, Revised Statutes, to provide actuarial services to the  
12 pension system or fund, as applicable;

13 (2) has a minimum of five years of professional  
14 actuarial experience; and

15 (3) is a fellow of the Society of Actuaries or a member  
16 of the American Academy of Actuaries and who, in carrying out duties  
17 for the city, has met the applicable requirements to issue  
18 statements of actuarial opinion.

19 (b) Notwithstanding Subsection (a) of this section, the  
20 city actuary does not need to meet any greater qualifications than  
21 those qualifications required of the pension system actuary.

22 Sec. 2D. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT  
23 CONSULTANT. (a) At least once every three years, the board shall  
24 hire an independent investment consultant, including an  
25 independent investment consulting firm, to conduct a review of  
26 pension system investments and submit a report to the board and the  
27 city concerning the review or demonstrate in the pension system's

1 annual financial report that the review was conducted. The  
2 independent investment consultant shall review and report on at  
3 least the following:

4 (1) the pension system's compliance with its  
5 investment policy statement, ethics policies, including policies  
6 concerning the acceptance of gifts, and policies concerning insider  
7 trading;

8 (2) the pension system's asset allocation, including a  
9 review and discussion of the various risks, objectives, and  
10 expected future cash flows;

11 (3) the pension system's portfolio structure,  
12 including the system's need for liquidity, cash income, liquid  
13 returns, and inflation protection and the active, passive, or index  
14 approaches used for different portions of the portfolio;

15 (4) investment manager or advisor performance reviews  
16 and an evaluation of the processes used to select and evaluate  
17 managers;

18 (5) benchmarks used for each asset class and  
19 individual manager;

20 (6) an evaluation of fees and trading costs;

21 (7) an evaluation of investments in any leverage,  
22 foreign exchange, or other hedging transaction; and

23 (8) an evaluation of investment-related disclosures  
24 in the pension system's annual reports or valuations.

25 (b) When the board retains an independent investment  
26 consultant under this section, the pension system may require the  
27 consultant to agree in writing to maintain the confidentiality of:

1           (1) information provided to the consultant that is  
2 reasonably necessary to conduct a review under this section; and

3           (2) any nonpublic information provided for the pension  
4 system for the audit.

5           (c) The costs for the investment report required by this  
6 section shall be paid from the fund.

7           SECTION 3.05. Section 3, Chapter 88 (H.B. 1573), Acts of the  
8 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's  
9 Texas Civil Statutes), is amended by amending Subsections (f) and  
10 (n) and adding Subsections (o), (p), (q), (r), and (s) to read as  
11 follows:

12           (f) The pension board shall compensate from the pension fund  
13 the persons performing services under Subsections (d) and (e) of  
14 this section and may provide other employee benefits that the  
15 pension board considers proper. Any person employed by the pension  
16 board under Subsection (d) or (e) of this section who has service  
17 credits with the pension system at the time of the person's  
18 employment by the pension board retains the person's status in the  
19 pension system. Any person employed by the pension system who does  
20 not have service credits with the pension system at the time of  
21 employment is a group D [~~A~~] member. The pension board shall adopt a  
22 detailed annual budget detailing its proposed administrative  
23 expenditures under this subsection for the next fiscal year.

24           (n) Notwithstanding any other law and except as  
25 specifically limited by Subsection (o) of this section, the pension  
26 board may enter into a written agreement with the city regarding  
27 pension issues and benefits. The agreement must be approved by the

1 pension board and the governing body of the city and signed by the  
2 mayor and by the pension board or the pension board's designee. The  
3 agreement is enforceable against and binding on the pension board,  
4 the city, and the pension system, including the pension system's  
5 members, retirees, deferred participants, beneficiaries, eligible  
6 survivors, and alternate payees. Any reference in this Act to an  
7 agreement between the city and the pension board or pension system  
8 is a reference to an agreement entered under this subsection.

9 (o) In any written agreement entered into between the city  
10 and the pension board under Subsection (n) of this section, the  
11 parties may not:

12 (1) fundamentally alter Sections 8A through 8F of this  
13 Act;

14 (2) increase the assumed rate of return to more than  
15 seven percent per year;

16 (3) extend the amortization period of a liability  
17 layer to more than 30 years from the first day of the fiscal year  
18 beginning 12 months after the date of the risk sharing valuation  
19 study in which the liability layer is first recognized; or

20 (4) allow a city contribution rate in any year that is  
21 less than the city contribution rate required under Section 8E or  
22 8F, as applicable, of this Act.

23 (p) Annually on or before the end of the fiscal year, the  
24 pension board shall make a report to the mayor and the governing  
25 body of the city, each of which shall provide a reasonable  
26 opportunity for the pension board to prepare and present the  
27 report.

1       (g) The pension board shall provide quarterly investment  
2 reports to the mayor.

3       (r) At the mayor's request, the pension board shall meet,  
4 discuss, and analyze with the mayor or the mayor's representatives  
5 any city proposed policy changes and ordinances that may have a  
6 financial effect on the pension system.

7       (s) The pension board shall work to reduce administrative  
8 and investment expenses, including by cooperating with any other  
9 pension fund to which the city contributes.

10       SECTION 3.06. Section 5, Chapter 88 (H.B. 1573), Acts of the  
11 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's  
12 Texas Civil Statutes), is amended by amending Subsections (b), (e),  
13 (f), and (g) and adding Subsections (j), (k), and (l) to read as  
14 follows:

15       (b) Except as provided by Subsection (c), (j), or (k) of  
16 this section and Sections 4 and 6 of this Act, an employee or  
17 elected official is a group A member of the pension system as a  
18 condition of employment or service if the employee or elected  
19 official, as applicable:

20               (1) is hired or rehired as an employee by the city, the  
21 predecessor system, or the pension system on or after September 1,  
22 1999, and before January 1, 2008;

23               (1-a) is elected, hired, or rehired as an executive  
24 official on or after January 1, 2005, and before January 1, 2008;

25               (2) was a member of the predecessor system before  
26 September 1, 1981, under the terms of Chapter 358, Acts of the 48th  
27 Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas



1 Civil Statutes), and did not make an election before December 1,  
2 1981, under Section 22(a) of that Act to receive a refund of  
3 contributions and become a group B member;

4 (3) was a group A member who terminated employment  
5 included in the predecessor system before May 3, 1991, elected  
6 under Section 16, Chapter 358, Acts of the 48th Legislature,  
7 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil  
8 Statutes), to leave the member's contributions in that pension  
9 fund, met the minimum service requirements for retirement at an  
10 attained age, was reemployed in a position included in the  
11 predecessor system before September 1, 1999, and elected, not later  
12 than the 30th day after the date reemployment began, to continue as  
13 a group A member;

14 (4) became a member of, or resumed membership in, the  
15 predecessor system as an employee or elected official of the city  
16 after January 1, 1996, and before September 1, 1999, and elected by  
17 submission of a signed and notarized form in a manner determined by  
18 the pension board to become a group A member and to contribute a  
19 portion of the person's salary to the pension fund as required by  
20 Chapter 358, Acts of the 48th Legislature, Regular Session, 1943  
21 (Article 6243g, Vernon's Texas Civil Statutes); or

22 (5) met the requirements of Section 3B, Chapter 358,  
23 Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g,  
24 Vernon's Texas Civil Statutes), or Subsection (f) of this section  
25 for membership in group A.

26 (e) Any member or former member of the pension system  
27 elected to an office of the city on or after September 1, 1999, and

1 before January 1, 2008, is [~~becomes~~] a group A member and is  
2 eligible to receive credit for all previous service on the same  
3 conditions as reemployed group A members under Sections 7(c), (d),  
4 (e), and (f) of this Act, except as otherwise provided by this Act.  
5 Notwithstanding any other provision in this Act and for purposes of  
6 this subsection [~~or in Chapter 358, Acts of the 48th Legislature,~~  
7 ~~Regular Session, 1943 (Article 6243g, Vernon's Texas Civil~~  
8 ~~Statutes)~~], consecutive terms of office of any elected member who  
9 is elected to an office of the city are considered to be continuous  
10 employment for purposes of this Act.

11 (f) Each group B member of the pension system may make an  
12 irrevocable election on a date and in a manner determined by the  
13 pension board to change membership from group B to group A:

14 (1) for future service only; or

15 (2) for future service and to convert all past group B  
16 service to group A service and comply with the requirements of  
17 Subsection (h) of this section provided the service is converted  
18 before December 31, 2005.

19 (g) Each group A member with service in group B may make an  
20 irrevocable election not later than December 31, 2005, [~~on a date~~]  
21 and in a manner determined by the pension board to convert all group  
22 B service to group A service and to comply with the requirements of  
23 Subsection (h) of this section.

24 (j) Except as provided by Subsection (k) of this section or  
25 Section 4 or 6 of this Act, an employee or elected official is a  
26 group D member of the pension system as a condition of employment or  
27 service if the employee or elected official, as applicable:

1           (1) is hired as an employee by the city or the pension  
2 system on or after January 1, 2008; or

3           (2) is elected, hired, or rehired as an executive  
4 official on or after January 1, 2008.

5           (k) Notwithstanding any provision of this section, for  
6 purposes of Subsection (j) of this section:

7           (1) consecutive terms of office of an elected member  
8 who is elected to an office of the city are considered to be  
9 continuous employment;

10           (2) a former employee who is rehired as an employee by  
11 the city or the pension system on or after January 1, 2008, is, as a  
12 condition of employment, a member of the group in which that  
13 employee participated at the time immediately preceding the  
14 employee's separation from service; and

15           (3) any member or former member of the pension system  
16 elected to an office of the city on or after January 1, 2008, is a  
17 member of the group in which that elected member participated at the  
18 time immediately preceding the elected member's separation from  
19 service.

20           (l) For purposes of this section, "executive official" has  
21 the meaning assigned by Section 6(b) of this Act.

22           SECTION 3.07. Section 6, Chapter 88 (H.B. 1573), Acts of the  
23 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's  
24 Texas Civil Statutes), is amended by amending Subsections (a), (c),  
25 and (h) and adding Subsections (a-1), (a-2), and (a-3) to read as  
26 follows:

27           (a) Except as provided by Section 4 of this Act, an employee

1 or elected official is a [A] group C member of the pension system if  
2 the employee or elected official, as applicable, is elected, hired,  
3 or rehired as an executive official on or after September 1, 1999,  
4 and before January 1, 2005.

5 (a-1) A group C member is subject to the provisions that  
6 apply to group A or group D members under this Act, as applicable,  
7 except as otherwise provided by this section.

8 (a-2) Notwithstanding any other provision of this Act, an  
9 executive official who is a group A member under this Act shall earn  
10 pension service in accordance with Subsection (d) of this section  
11 for service performed before January 1, 2005. An executive  
12 official described by this section remains subject to other  
13 provisions of this Act governing group A members, including the  
14 retirement eligibility provisions of Section 10 of this Act.

15 (a-3) Subsections (a), (a-1), and (a-2) of this Act do not  
16 affect:

17 (1) any credited service or benefit percentage accrued  
18 in group C before January 1, 2005;

19 (2) any group C benefit that a deferred participant or  
20 retiree is eligible to receive that was earned before January 1,  
21 2005; or

22 (3) the terms and obligations of any service purchase  
23 obligation to convert service to group C that was made before  
24 January 1, 2005.

25 (c) An executive official becomes a member of group C on the  
26 official's effective date of participation in group C, except that  
27 a group A, ~~[or]~~ group B, or group D member who is participating in

1 the DROP under Section 12 of this Act is ineligible to become a  
2 member of group C.

3 (h) This section applies to a member only while the member  
4 is an eligible executive official. A member who ceases to be an  
5 executive official and transfers to or is rehired into a municipal  
6 position covered by group A participates in group A or group D, as  
7 applicable, does not forfeit group C service, and remains eligible  
8 for normal retirement for group C service as provided under  
9 Subsection (e) of this section. A former group C member is not  
10 eligible to participate in group B.

11 SECTION 3.08. Section 7, Chapter 88 (H.B. 1573), Acts of the  
12 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's  
13 Texas Civil Statutes), is amended by amending Subsections (a), (c),  
14 (e), (f), (g), and (h) and adding Subsections (g-1), (g-2), (i),  
15 (j), (k), and (l) to read as follows:

16 (a) Notwithstanding any other provision of this Act,  
17 duplication of service or credited service in group A, B, ~~C~~, or  
18 D of the pension system or in the pension system and any other  
19 defined benefit pension plan to which the city contributes is  
20 prohibited.

21 (c) Except as provided by Section 12 of this Act, a ~~group A~~  
22 member may pay into the pension fund and obtain credit for any  
23 service with the city or the pension system for which credit is  
24 otherwise allowable ~~in group A~~ under this Act, except that:

25 (1) no required contributions were made by the member  
26 for the service; or

27 (2) refunded contributions attributable to the

1 service have not been subsequently repaid.

2 (e) To establish service described by Subsection (c) of this  
3 section that occurred on or after September 1, 1999, the member  
4 shall pay a sum computed by multiplying the member's salary during  
5 the service by the rate established [~~by the pension board~~] for  
6 member contributions under Section 8 of this Act, and the city shall  
7 pay into the pension fund an amount equal to the rate established  
8 for city contributions under Section 8 of this Act [~~multiplied by~~  
9 ~~that member's salary for the same period~~].

10 (f) In addition to the amounts to be paid by the member under  
11 Subsection (d) or (e) of this section, the member shall also pay  
12 interest on those amounts at the current assumed rate of return [~~six~~  
13 ~~percent~~] per year, not compounded, from the date the contributions  
14 would have been deducted, if made, or from the date contributions  
15 were refunded to the date of repayment of those contributions into  
16 the pension fund.

17 (g) Before the year 2017 effective date, if [~~if~~] a group B or  
18 group D member separates from service before completing five years  
19 of credited service, the member's service credit is canceled at the  
20 time of separation. If the member is reemployed by the city in a  
21 position covered by the pension system before the first anniversary  
22 of the date of separation, all credit for previous service is  
23 restored. Any member whose service credit is canceled under this  
24 subsection and who is reemployed by the city in a position covered  
25 by the pension system after the first anniversary of the date of  
26 separation receives one year of previous service credit in group B  
27 or group D, as applicable, for each full year of subsequent service

1 up to the amount of the previous service that was canceled.

2 (g-1) On or after the year 2017 effective date, if a group B  
3 or group D member who has made required member contributions  
4 separates from service before completing five years of credited  
5 service, the member's service credit is canceled at the time of  
6 separation and the member is eligible to receive a refund of  
7 required member contributions as provided by Section 17 of this  
8 Act. If the member is reemployed before the first anniversary of  
9 the date of separation:

10 (1) subject to Subsection (g-1) of this section, all  
11 credit for previous service for which no member contributions were  
12 required is restored, along with credit for previous service for  
13 which the member did not receive a refund of contributions; and

14 (2) if the member's service credit is canceled under  
15 this subsection, the member is eligible to reinstate the canceled  
16 credited service by paying the pension system the refund amount, if  
17 any, plus interest on those amounts at the current assumed rate of  
18 return per year, not compounded, from the date contributions were  
19 refunded to the date of repayment of those contributions to the  
20 pension fund.

21 (g-2) For purposes of Subsection (g-1)(2) of this section,  
22 for any canceled service for which contributions were not required,  
23 the member receives one year of previous service credit in group B  
24 or group D, as appropriate, for each full year of subsequent service  
25 up to the amount of the previous service that was canceled.

26 (h) A group B member who was a group A member before  
27 September 1, 1981, and who was eligible to purchase credit for

1 previous service under Chapter 358, Acts of the 48th Legislature,  
2 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil  
3 Statutes), may purchase the service credit in group B by paying into  
4 the pension fund an amount equal to the assumed rate of return [~~six~~  
5 ~~percent~~] per year, not compounded, on any contributions previously  
6 withdrawn for the period from the date of withdrawal to the date of  
7 purchase.

8 (i) Under rules and procedures adopted by the pension board,  
9 a group D member may effectuate a direct trustee-to-trustee  
10 transfer from a qualifying code Section 457(b) plan to the pension  
11 system to purchase an increased or enhanced benefit in accordance  
12 with the provisions of code Sections 415(n) and 457(e)(17) of the  
13 Internal Revenue Code of 1986. The amount transferred under this  
14 subsection shall be held by the pension system and the pension  
15 system may not separately account for the amount. The pension board  
16 by rule shall determine the additional service credit and benefit  
17 that a member is entitled to based on a transfer under this  
18 subsection.

19 (j) For purposes of this subsection and Subsection (k),  
20 "furlough time" means the number of days a person has been  
21 furloughed. A person who has been voluntarily or involuntarily  
22 furloughed shall receive credited service for each day that the  
23 person has been furloughed, provided that:

24 (1) the pension system receives all required city  
25 contributions and member contributions for the credited service  
26 attributable to the furlough time for the pay period in which the  
27 furlough occurs, based on the regular salary that each furloughed



1 member would have received if the member had worked during the  
2 furlough time;

3 (2) the member may receive not more than 10 days of  
4 credited service in a fiscal year for furlough time; and

5 (3) credited service for furlough time may not be used  
6 to meet the five-year requirement under Section 10(b) of this Act  
7 for eligibility for a benefit.

8 (k) For purposes of Subsection (j) of this section, the city  
9 shall establish a unique pay code for furlough time to provide for  
10 timely payment of city contributions and member contributions for  
11 furlough time and to allow the pension system to identify furlough  
12 time for each furloughed employee.

13 (l) Notwithstanding any provision of this section, the  
14 interest rate on any service purchase shall be the then current  
15 assumed rate of return, not compounded.

16 SECTION 3.09. The heading to Section 8, Chapter 88 (H.B.  
17 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article  
18 6243h, Vernon's Texas Civil Statutes), is amended to read as  
19 follows:

20 Sec. 8. MEMBER CONTRIBUTIONS.

21 SECTION 3.10. Sections 8(a), (b), and (c), Chapter 88 (H.B.  
22 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article  
23 6243h, Vernon's Texas Civil Statutes), are amended to read as  
24 follows:

25 (a) Subject to adjustments authorized under Section 8E or 8F  
26 of this Act, beginning on the year 2017 effective date, each [Each]  
27 [group—A] member of the pension system shall make biweekly

1 ~~[monthly]~~ contributions during employment in an amount determined  
2 in accordance with this section or Section 10A(a) of this Act ~~[by~~  
3 ~~the pension board and expressed as a percentage of salary]~~. The  
4 contributions shall be deducted by the employer from the salary of  
5 each member and paid to the pension system for deposit in the  
6 pension fund. Member contributions under this section shall be  
7 made as follows:

8 (1) each group A member shall contribute:

9 (A) seven percent of the member's salary  
10 beginning with the member's first full biweekly pay period that  
11 occurs on or after the year 2017 effective date; and

12 (B) eight percent of the member's salary  
13 beginning with the member's first full biweekly pay period for the  
14 member that occurs on or after July 1, 2018;

15 (2) each group B member shall contribute:

16 (A) two percent of the member's salary beginning  
17 with the member's first full biweekly pay period that occurs on or  
18 after the year 2017 effective date; and

19 (B) four percent of the member's salary beginning  
20 with the member's first full biweekly pay period for the member that  
21 occurs on or after July 1, 2018; and

22 (3) subject to Section 10A(a) of this Act, each group D  
23 member shall contribute two percent of the member's salary  
24 beginning with the member's first full biweekly pay period that  
25 occurs on or after the year 2017 effective date.

26 (b) This section does not increase or decrease the  
27 contribution obligation of any member that arose before the year

1 2017 effective date [~~September 1, 2001,~~] or give rise to any claim  
2 for a refund for any contributions made before that date.

3 (c) The city [~~employer~~] shall pick up the contributions  
4 required of [~~group A~~] members by Subsection (a) of this section and  
5 contributions required of group D members under Section 10A(a) of  
6 this Act as soon as reasonably practicable under applicable rules  
7 for all salaries earned by members after the year 2017 effective  
8 date and by January 1, 2018, for contributions required by Section  
9 10A(a) of this Act. The city shall pay the pickup contributions to  
10 the pension system from the same source of funds that is used for  
11 paying salaries to the members. The pickup contributions are in  
12 lieu of contributions by [~~group A~~] members. The city may pick up  
13 those contributions by a deduction from each [~~group A~~] member's  
14 salary equal to the amount of the member's contributions picked up  
15 by the city. Members may not choose to receive the contributed  
16 amounts directly instead of having the contributed amounts paid by  
17 the city to the pension system. An accounting of member  
18 contributions picked up by the employer shall be maintained, and  
19 the contributions shall be treated for all other purposes as if the  
20 amount were a part of the member's salary and had been deducted  
21 under this section. Contributions picked up under this subsection  
22 shall be treated as employer contributions in determining tax  
23 treatment of the amounts under the Internal Revenue Code of 1986, as  
24 amended.

25 SECTION 3.11. Chapter 88 (H.B. 1573), Acts of the 77th  
26 Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's Texas  
27 Civil Statutes), is amended by adding Sections 8A, 8B, 8C, 8D, 8E,

1 8F, 8G, 8H, and 8I to read as follows:

2 Sec. 8A. CITY CONTRIBUTIONS. (a) The city shall make  
3 contributions to the pension system for deposit into the pension  
4 fund as provided by this section and Section 8C, 8E, or 8F of this  
5 Act, as applicable. The city shall contribute:

6 (1) except by written agreement between the city and  
7 the pension board under Section 3(n) of this Act providing for an  
8 earlier contribution date, beginning with the year 2017 effective  
9 date and ending with the fiscal year ending June 30, 2018, an  
10 amount, as determined in the initial risk sharing valuation study  
11 conducted under Section 8C of this Act, equal to the sum of:

12 (A) the city contribution rate multiplied by the  
13 pensionable payroll for the fiscal year; and

14 (B) except as provided by Subsection (e) of this  
15 section, the city contribution amount for the fiscal year; and

16 (2) for each fiscal year after the fiscal year ending  
17 June 30, 2018, an amount, as determined in the subsequent risk  
18 sharing valuation study conducted under Section 8B of this Act,  
19 equal to the sum of:

20 (A) the city contribution rate multiplied by the  
21 pensionable payroll for the applicable fiscal year; and

22 (B) except as provided by Subsection (e) of this  
23 section, the city contribution amount for the applicable fiscal  
24 year.

25 (b) At least biweekly, the city shall make the contributions  
26 required by Subsection (a) of this section by depositing with the  
27 pension system an amount equal to the sum of:

1           (A) the city contribution rate multiplied by the  
2 pensionable payroll for the biweekly period; and

3           (B) the city contribution amount for the  
4 applicable fiscal year divided by 26.

5       (c) Subject to Section 8E or 8F of this Act, the city  
6 contribution rate:

7           (1) except as provided by Subdivision (2) of this  
8 subsection, is a percent that equals the sum of the employer normal  
9 cost rate and the amortization rate for all liability layers; and

10          (2) may not exceed the maximum contribution rate or be  
11 less than the minimum contribution rate.

12       (d) With respect to each fiscal year:

13           (1) the first contribution by the city under this  
14 section for the fiscal year shall be made not later than the date  
15 payment is made to employees for their first full biweekly pay  
16 period beginning on or after the first day of the fiscal year; and

17           (2) the final contribution by the city under this  
18 section for the fiscal year shall be made not later than the date  
19 payment is made to employees for the final biweekly pay period of  
20 the fiscal year.

21       (e) In addition to the amounts required under this section,  
22 the city may at any time contribute additional amounts to the  
23 pension system for deposit in the pension fund by entering into a  
24 written agreement with the pension board in accordance with Section  
25 3(n) of this Act.

26       (f) If, in any given fiscal year, the funded ratio is  
27 greater than or equal to 100 percent, the city contribution under

1 this section may not include the city contribution amount.

2 (g) Contributions made under this section by the city to the  
3 pension system shall only be credited against any amortization  
4 schedule of payments due to the pension system under this Act.

5 (h) Subsection (g) of this section does not affect the  
6 exclusion of contribution amounts under Subsection (f) of this  
7 section or changes to an amortization schedule of a liability layer  
8 under Section 8B(a)(5)(F), 8C(i), or 8E(c)(4)-(5) of this Act.

9 (i) Notwithstanding any other law and except for the pension  
10 obligation bond assumed under Section 8C(d)(2) of this Act, the  
11 city may not issue a pension obligation bond to fund the city  
12 contribution rate under Subsection (a)(1)(A) or (a)(2)(A) of this  
13 section.

14 Sec. 8B. RISK SHARING VALUATION STUDIES. (a) The pension  
15 system and the city shall prepare a risk sharing valuation study in  
16 accordance with this section. A risk sharing valuation study must:

17 (1) be included in the annual valuation study prepared  
18 under Section 2B of this Act;

19 (2) calculate the unfunded actuarial accrued  
20 liability of the pension system consistent with actuarial standards  
21 of practice and based on actuarial data or estimates of actuarial  
22 data provided by the pension system actuary;

23 (3) estimate the city contribution rate by making  
24 adjustments to the calculation of the rate that do not require  
25 agreement between the city and the pension board under Section 8E or  
26 8F of this Act;

27 (4) detail the total city contribution before and

1 after any adjustments required under Section 8E or 8F of this Act;

2 (5) subject to Subsection (g) of this section, be  
3 based on assumptions and methods determined based on the most  
4 recent actuarial experience study conducted under Section 8D of  
5 this Act, provided the following assumptions and methods are used:

6 (A) an ultimate entry age normal actuarial  
7 method;

8 (B) for purposes of determining the actuarial  
9 value of assets:

10 (i) except as provided by Subparagraph (ii)  
11 of this paragraph and Section 8E(c)(1) or 8F(c)(1) of this Act, an  
12 asset smoothing method of reflecting actuarial losses and gains  
13 experienced over a five-year period established in an actuarial  
14 experience study applied prospectively beginning on the year 2017  
15 effective date; and

16 (ii) for the initial risk sharing valuation  
17 study prepared under Section 8C of this Act, a marked-to-market  
18 method applied as of June 30, 2016;

19 (C) closed layered amortization of liability  
20 layers to ensure that the amortization period for each layer begins  
21 12 months after the date of the risk sharing valuation study in  
22 which the liability layer is first recognized;

23 (D) each liability layer is assigned an  
24 amortization period;

25 (E) each liability loss layer amortized over a  
26 period of 30 years from the first day of the fiscal year beginning  
27 12 months after the date of the risk sharing valuation study in

1 which the liability loss layer is first recognized, except that the  
2 legacy liability must be amortized from July 1, 2016, for a 30-year  
3 period beginning July 1, 2017;

4 (F) the amortization period for each liability  
5 gain layer being:

6 (i) equal to the remaining amortization  
7 period on the largest remaining liability loss layer and the two  
8 layers must be treated as one layer such that if the payoff year of  
9 the liability loss layer is accelerated or extended, the payoff  
10 year of the liability gain layer is also accelerated or extended; or

11 (ii) if there is no liability loss layer, a  
12 period of 30 years from the first day of the fiscal year beginning  
13 12 months after the date of the risk sharing valuation study in  
14 which the liability gain layer is first recognized;

15 (G) liability layers, including the legacy  
16 liability, funded according to the level percent of payroll method;

17 (H) the assumed rate of return, subject to  
18 adjustment under Section 8E(c)(2) of this Act or, if Section 8C(g)  
19 of this Act applies, adjustment in accordance with a written  
20 agreement entered into under Section 3(n) of this Act;

21 (I) the price inflation assumption, which may be  
22 adjusted by plus or minus 50 basis points by the pension board based  
23 on the most recent actuarial experience study;

24 (J) projected salary increases and payroll  
25 growth rate set in consultation with the city's finance director;

26 (K) payroll for purposes of determining the  
27 corridor midpoint, city contribution rate, and city contribution



1 amount must be projected using the annual payroll growth rate  
2 assumption, which for purposes of preparing any amortization  
3 schedule may not exceed three percent; and

4 (L) the city contribution rate calculated  
5 without inclusion of the legacy liability; and

6 (6) be revised and restated, if appropriate, not later  
7 than the 30th day after the date of a written agreement between the  
8 city and the pension board authorized under Section 3(n) of this  
9 Act.

10 (b) As soon as practicable after the end of a fiscal year,  
11 the pension system actuary at the direction of the pension system  
12 and the city actuary at the direction of the city shall separately  
13 prepare a proposed risk sharing valuation study based on the fiscal  
14 year that just ended.

15 (c) Not later than October 31 following the end of the  
16 fiscal year, the pension system shall provide to the city actuary,  
17 under a confidentiality agreement in which the city actuary agrees  
18 to comply with the confidentiality provisions of Section 8G of this  
19 Act, the actuarial data described by Subsection (a)(2) of this  
20 section.

21 (d) Not later than the 150th day after the last day of the  
22 fiscal year:

23 (1) the pension system actuary, at the direction of  
24 the pension system, shall provide the proposed risk sharing  
25 valuation study prepared by the pension system actuary under  
26 Subsection (b) of this section to the city actuary; and

27 (2) the city actuary, at the direction of the city,

1 shall provide the proposed risk sharing valuation study prepared by  
2 the city actuary under Subsection (b) of this section to the pension  
3 system actuary.

4 (e) Each actuary described by Subsection (d) of this section  
5 may provide copies of the proposed risk sharing valuation studies  
6 to the city or the pension system as appropriate.

7 (f) If, after exchanging proposed risk sharing valuation  
8 studies under Subsection (d) of this section, it is found that the  
9 difference between the projected city contribution rate in the  
10 proposed risk sharing valuation study prepared by the pension  
11 system actuary and the projected city contribution rate in the risk  
12 sharing valuation study prepared by the city actuary for the  
13 corresponding fiscal year is:

14 (1) less than or equal to two percentage points, the  
15 city contribution rate proposed by the pension system actuary will  
16 be used, and the risk sharing valuation study prepared by the  
17 pension system is considered to be the final risk sharing valuation  
18 study for the fiscal year for the purposes of this Act; or

19 (2) greater than two percentage points, the city  
20 actuary and the pension system actuary shall have 20 business days  
21 to reconcile the difference, provided that without the mutual  
22 agreement of both actuaries, the difference in the city  
23 contribution rate calculated by the city actuary and the city  
24 contribution rate calculated by the pension system actuary may not  
25 be further increased and:

26 (A) if, as a result of reconciliation efforts  
27 under this subdivision, the difference is reduced to less than or

1 equal to two percentage points:

2 (i) the city contribution rate proposed  
3 under the reconciliation by the pension system actuary will be  
4 used; and

5 (ii) the pension system's risk sharing  
6 valuation study is considered to be the final risk sharing  
7 valuation study for the fiscal year for the purposes of this Act; or

8 (B) if, after 20 business days, the pension  
9 system actuary and the city actuary are not able to reach a  
10 reconciliation that reduces the difference to an amount less than  
11 or equal to two percentage points, then:

12 (i) the city actuary at the direction of the  
13 city and the pension system actuary at the direction of the pension  
14 system each shall deliver to the finance director of the city and  
15 the executive director of the pension system a final risk sharing  
16 valuation study with any agreed-to changes, marked as the final  
17 risk sharing valuation study for each actuary; and

18 (ii) not later than the 90th day before the  
19 first day of the next fiscal year, the finance director and the  
20 executive director shall execute a joint addendum to the final risk  
21 sharing valuation study received under Subparagraph (i) of this  
22 paragraph that is a part of the final risk sharing valuation study  
23 for the fiscal year for all purposes and reflects the arithmetic  
24 average of the city contribution rates for the fiscal year stated in  
25 the final risk sharing valuation study.

26 (g) The assumptions and methods used and the types of  
27 actuarial data and financial information used to prepare the

1 initial risk sharing valuation study under Section 8C of this Act  
2 shall be used to prepare each subsequent risk sharing valuation  
3 study under this section, unless changed based on the actuarial  
4 experience study conducted under Section 8D of this Act.

5 (h) The actuarial data provided under Subsection (a)(2) of  
6 this section may not include the identifying information of  
7 individual members.

8 Sec. 8C. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR  
9 MIDPOINT AND CITY CONTRIBUTION AMOUNTS. (a) The pension system and  
10 the city shall separately prepare an initial risk sharing valuation  
11 study that is dated as of July 1, 2016, in accordance with this  
12 section. An initial risk sharing valuation study must:

13 (1) except as otherwise provided by this section, be  
14 prepared in accordance with Section 8B of this Act, and for purposes  
15 of Section 8B(a)(2) of this Act, be based on actuarial data as of  
16 June 30, 2016;

17 (2) project the corridor midpoint for 31 fiscal years  
18 beginning with the fiscal year beginning July 1, 2017; and

19 (3) subject to Subsections (i), (j), and (k) of this  
20 section, include a schedule of city contribution amounts for 30  
21 fiscal years beginning with the fiscal year beginning July 1, 2017.

22 (b) If the following actions are not taken before the year  
23 2017 effective date, as soon as practicable after the year 2017  
24 effective date:

25 (1) the pension system shall provide to the city  
26 actuary under a confidentiality agreement the actuarial data needed  
27 to prepare the proposed initial risk sharing valuation study;

1           (2) not later than the 30th day after the date the  
2 city's actuary receives the actuarial data:

3           (A) the city actuary, at the direction of the  
4 city, shall provide a proposed initial risk sharing valuation study  
5 to the pension system actuary; and

6           (B) the pension system actuary, at the direction  
7 of the pension system, shall provide a proposed initial risk  
8 sharing valuation study to the city actuary; and

9           (3) the city actuary and the pension system actuary  
10 shall adopt an initial risk sharing valuation study in accordance  
11 with Subsection (c) of this section.

12           (c) If, after exchanging proposed initial risk sharing  
13 valuation studies under Subsection (b)(2) of this section, it is  
14 determined that the difference between the percentage rate computed  
15 by dividing the projected total city contribution by the projected  
16 pensionable payroll for any fiscal year in the proposed initial  
17 risk sharing valuation study prepared by the pension system actuary  
18 and in the proposed initial risk sharing valuation study prepared  
19 by the city actuary is:

20           (1) less than or equal to two percentage points, the  
21 city contribution rate and the city contribution amount for that  
22 fiscal year as determined by the pension system actuary will be  
23 used; or

24           (2) greater than two percentage points, the city  
25 actuary and the pension system actuary shall have 20 business days  
26 to reconcile the difference and:

27           (A) if, as a result of reconciliation efforts

1 under this subdivision, the difference in any fiscal year is  
2 reduced to less than or equal to two percentage points, the city  
3 contribution rate as determined by the pension system actuary for  
4 that fiscal year will be used; or

5 (B) if, after 20 business days, the city actuary  
6 and the pension system actuary are not able to reach a  
7 reconciliation that reduces the difference to an amount less than  
8 or equal to two percentage points for any fiscal year:

9 (i) the city actuary at the direction of the  
10 city and the pension system actuary at the direction of the pension  
11 system each shall deliver to the finance director of the city and  
12 the executive director of the pension system a final initial risk  
13 sharing valuation study with any agreed-to changes, marked as the  
14 final initial risk sharing valuation study for each actuary; and

15 (ii) the finance director and the executive  
16 director shall execute a joint addendum to the final initial risk  
17 sharing valuation study that is a part of each final initial risk  
18 sharing valuation study for all purposes and that reflects the  
19 arithmetic average of the city contribution rate and the city  
20 contribution amount for each fiscal year in which the difference  
21 was greater than two percentage points.

22 (d) In preparing the initial risk sharing valuation study,  
23 the city actuary and pension system actuary shall:

24 (1) adjust the actuarial value of assets to be equal to  
25 the current market value of assets;

26 (2) assume the issuance of planned pension obligation  
27 bonds by December 31, 2017; and

1           (3) assume benefit and contribution changes  
2 contemplated by this article as of the year 2017 effective date.

3           (e) If the city actuary does not prepare an initial risk  
4 sharing valuation study for purposes of this section, the pension  
5 system actuary's initial risk sharing valuation study will be used  
6 as the final risk sharing valuation study for purposes of this Act  
7 unless the city did not prepare a proposed initial risk sharing  
8 valuation study because the pension system actuary did not provide  
9 the necessary actuarial data in a timely manner. If the city did not  
10 prepare a proposed initial risk sharing valuation study because the  
11 pension system actuary did not provide the necessary actuarial data  
12 in a timely manner, the city actuary shall have 60 days to prepare  
13 the proposed initial risk sharing valuation study on receipt of the  
14 necessary information.

15           (f) If the pension system actuary does not prepare a  
16 proposed initial risk sharing valuation study for purposes of this  
17 section, the proposed initial risk sharing valuation study prepared  
18 by the city actuary will be the final risk sharing valuation study  
19 for purposes of this Act.

20           (g) The city and the pension board may agree under Section  
21 3(n) of this Act on a transition plan for resetting the corridor  
22 midpoint:

23                   (1) if at any time the funded ratio is equal to or  
24 greater than 100 percent; or

25                   (2) for any fiscal year after the payoff year of the  
26 legacy liability.

27           (h) If the city and the pension board have not entered into

1 an agreement described by Subsection (g) of this section in a given  
2 fiscal year, the corridor midpoint will be the value determined in  
3 the initial risk sharing valuation study prepared in accordance  
4 with this section.

5 (i) Subject to Subsections (j) and (k) of this section, the  
6 city contribution amount described by Subsection (a)(3) of this  
7 section must be a predetermined payment amount expressed in dollars  
8 under a payment schedule that amortizes the legacy liability using  
9 the level percent of payroll method and the amortization period and  
10 payoff year.

11 (j) If the city makes a contribution to the pension system  
12 of at least \$5 million more than the amount that would be required  
13 by Section 8A(a) of this Act, a liability gain layer with the same  
14 remaining amortization period as the legacy liability is created.  
15 In each subsequent risk sharing valuation study until the end of  
16 that amortization period, the city contribution amount must be  
17 decreased by the amortized amount in each fiscal year covered by the  
18 liability gain layer.

19 (k) If the city fails to pay to the pension system the  
20 proceeds of pension obligation bonds by December 31, 2017, the risk  
21 sharing valuation study prepared for the fiscal year ending June  
22 30, 2019, must reflect an adjustment to the city contribution  
23 amount for the amortization period remaining for the legacy  
24 liability to account for the undelivered bond proceeds, give credit  
25 for amounts actually paid, and amortize any unpaid amounts over the  
26 remaining amortization period for the legacy liability. The  
27 adjusted city contribution amount under this subsection will, for



1 purposes of this Act, be considered the city contribution amount  
2 established in the initial risk sharing valuation study and that  
3 amount may be restated from time to time in subsequent risk sharing  
4 valuation studies to reflect adjustments to the amortization  
5 schedule authorized by Section 8E(c)(3) or 8F(c)(3) of this Act, or  
6 the city contribution amount authorized by Subsection (i) or (j) of  
7 this section.

8 Sec. 8D. ACTUARIAL EXPERIENCE STUDIES. (a) At least once  
9 every four years, the pension system actuary, at the direction of  
10 the pension system, shall conduct an actuarial experience study.  
11 The actuarial experience study required by this subsection must be  
12 completed not later than September 30 of the year in which the study  
13 is required to be conducted.

14 (b) Except as otherwise expressly provided by Section 8B of  
15 this Act, actuarial assumptions and methods used in the preparation  
16 of a risk sharing valuation study, other than the initial risk  
17 sharing valuation study, shall be based on the results of the most  
18 recent actuarial experience study.

19 (c) Not later than the 180th day before the date the pension  
20 board may consider adopting any assumptions and methods for  
21 purposes of Section 8B of this Act, the pension system shall provide  
22 the city actuary with a substantially final draft of the pension  
23 system's actuarial experience study, including:

24 (1) all assumptions and methods recommended by the  
25 pension system actuary; and

26 (2) summaries of the reconciled actuarial data used in  
27 creation of the actuarial experience study.

1       (d) Not later than the 60th day after the date the city  
2 receives the final draft of the pension system's actuarial  
3 experience study under Subsection (c) of this section, the city  
4 actuary and pension system actuary shall confer and cooperate on  
5 producing a final actuarial experience study. During the period  
6 prescribed by this subsection, the pension system actuary may  
7 modify the recommended assumptions in the draft actuarial  
8 experience study to reflect any changes to assumptions and methods  
9 to which the pension system actuary and the city actuary agree.

10       (e) At the city actuary's written request, the pension  
11 system shall provide additional actuarial data used by the pension  
12 system actuary to prepare the draft actuarial experience study,  
13 provided that confidential data may only be provided subject to a  
14 confidentiality agreement entered into between the pension system  
15 and the city actuary.

16       (f) The city actuary, at the direction of the city, shall  
17 provide in writing to the pension system actuary and the pension  
18 system:

19               (1) any assumptions and methods recommended by the  
20 city actuary that differ from the assumptions and methods  
21 recommended by the pension system actuary; and

22               (2) the city actuary's rationale for each method or  
23 assumption the actuary recommends and determines to be consistent  
24 with standards adopted by the Actuarial Standards Board.

25       (g) Not later than the 30th day after the date the pension  
26 system actuary receives the city actuary's written recommended  
27 assumptions and methods and rationale under Subsection (f) of this

1 section, the pension system shall provide a written response to the  
2 city actuary identifying any assumption or method recommended by  
3 the city actuary that the pension system does not accept. If any  
4 assumption or method is not accepted, the pension system shall  
5 recommend to the city the names of three independent actuaries for  
6 purposes of this section.

7 (h) An actuary may only be recommended, selected, or engaged  
8 by the pension system as an independent actuary under this section  
9 if the person:

10 (1) is not already engaged by the city, the pension  
11 system, or any other pension system or fund authorized under  
12 Article 6243e.2(1) or 6243g-4, Revised Statutes, to provide  
13 actuarial services to the city, the pension system, or another  
14 pension system or fund;

15 (2) is a member of the American Academy of Actuaries;  
16 and

17 (3) has at least five years of experience as an actuary  
18 working with one or more public retirement systems with assets in  
19 excess of \$1 billion.

20 (i) Not later than the 20th day after the date the city  
21 receives the list of three independent actuaries under Subsection  
22 (g) of this section, the city shall identify and the pension system  
23 shall hire one of the listed independent actuaries on terms  
24 acceptable to the city and the pension system to perform a scope of  
25 work acceptable to the city and the pension system. The city and  
26 the pension system each shall pay 50 percent of the cost of the  
27 independent actuary engaged under this subsection. The city shall

1 be provided the opportunity to participate in any communications  
2 between the independent actuary and the pension system concerning  
3 the engagement, engagement terms, or performance of the terms of  
4 the engagement.

5 (j) The independent actuary engaged under Subsection (i) of  
6 this section shall receive on request from the city or the pension  
7 system:

8 (1) the pension system's draft actuarial experience  
9 study, including all assumptions and methods recommended by the  
10 pension system actuary;

11 (2) summaries of the reconciled actuarial data used to  
12 prepare the draft actuarial experience study;

13 (3) the city actuary's specific recommended  
14 assumptions and methods together with the city actuary's written  
15 rationale for each recommendation;

16 (4) the pension system actuary's written rationale for  
17 its recommendations; and

18 (5) if requested by the independent actuary and  
19 subject to a confidentiality agreement, additional confidential  
20 actuarial data.

21 (k) Not later than the 30th day after the date the  
22 independent actuary receives all the requested information under  
23 Subsection (j) of this section, the independent actuary shall  
24 advise the pension system and the city whether it agrees with the  
25 assumption or method recommended by the city actuary or the  
26 corresponding method or assumption recommended by the pension  
27 system actuary, together with the independent actuary's rationale

1 for making the determination. During the period prescribed by this  
2 subsection, the independent actuary may discuss recommendations in  
3 simultaneous consultation with the pension system actuary and the  
4 city actuary.

5 (l) The pension system and the city may not seek any  
6 information from any prospective independent actuary about  
7 possible outcomes of the independent actuary's review.

8 (m) If an independent actuary has questions or concerns  
9 regarding an engagement entered into under this section, the  
10 independent actuary shall simultaneously consult with both the city  
11 actuary and the pension system actuary regarding the questions or  
12 concerns. This subsection does not limit the pension system's  
13 authorization to take appropriate steps to complete the engagement  
14 of the independent actuary on terms acceptable to both the pension  
15 system and the city or to enter into a confidentiality agreement  
16 with the independent actuary, if needed.

17 (n) If the pension board does not adopt an assumption or  
18 method recommended by the city or pension system actuary and to  
19 which the independent actuary agrees, the city actuary is  
20 authorized to use that recommended assumption or method in  
21 connection with preparation of a risk sharing valuation study under  
22 Section 8B of this Act until the next actuarial experience study is  
23 conducted.

24 Sec. 8E. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY  
25 CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT; AUTHORIZATION FOR  
26 CERTAIN ADJUSTMENTS. (a) This section governs the determination  
27 of the city contribution rate applicable in a fiscal year if the

1 estimated city contribution rate under a risk sharing valuation  
2 study prepared under Section 8B or 8C of this Act, as applicable, is  
3 lower than the corridor midpoint.

4 (b) If the funded ratio is:

5 (1) less than 90 percent and the proposed city  
6 contribution rate is equal to or greater than the minimum  
7 contribution rate, the city contribution rate for the fiscal year  
8 equals the corridor midpoint; or

9 (2) equal to or greater than 90 percent and the city  
10 contribution rate is:

11 (A) equal to or greater than the minimum  
12 contribution rate, the estimated city contribution rate is the city  
13 contribution rate for the fiscal year; or

14 (B) except as provided by Subsection (d) or (e)  
15 of this section, less than the minimum contribution rate for the  
16 corresponding fiscal year, the city contribution rate for the  
17 fiscal year equals the minimum contribution rate achieved in  
18 accordance with Subsection (c) of this section.

19 (c) For purposes of Subsection (b)(2)(B) of this section,  
20 the following adjustments shall be applied sequentially to the  
21 extent required to increase the estimated city contribution rate to  
22 equal the minimum contribution rate:

23 (1) first, adjust the actuarial value of assets equal  
24 to the current market value of assets, if making the adjustment  
25 causes the city contribution rate to increase;

26 (2) second, under a written agreement between the city  
27 and the pension board under Section 3(n) of this Act entered into

1 not later than the 30th day before the first day of the next fiscal  
2 year, the city and the pension board may agree to reduce the assumed  
3 rate of return;

4 (3) third, under a written agreement between the city  
5 and the pension board under Section 3(n) of this Act entered into  
6 not later than the 30th day before the first day of the next fiscal  
7 year, prospectively restore all or part of any benefit reductions  
8 or reduce increased employee contributions, in each case made after  
9 the year 2017 effective date;

10 (4) fourth, accelerate the payoff year of the legacy  
11 liability by offsetting the remaining legacy liability by the  
12 amount of the new liability loss layer, provided that during the  
13 accelerated period the city will continue to pay the city  
14 contribution amount as scheduled in the initial risk sharing  
15 valuation study, subject to Section 8C(i) or (j) of this Act; and

16 (5) fifth, accelerate the payoff year of existing  
17 liability loss layers, excluding the legacy liability, by  
18 accelerating the oldest liability loss layers first, to an  
19 amortization period of not less than 20 years from the first day of  
20 the fiscal year beginning 12 months after the date of the risk  
21 sharing valuation study in which the liability loss layer is first  
22 recognized.

23 (d) If the funded ratio is:

24 (1) equal to or greater than 100 percent:

25 (A) all existing liability layers, including the  
26 legacy liability, are considered fully amortized and paid;

27 (B) the city contribution amount may no longer be

1 included in the city contribution under Section 8A of this Act; and

2 (C) the city and the pension system may mutually  
3 agree to change assumptions in a written agreement entered into  
4 between the city and the pension board under Section 3(n) of this  
5 Act; and

6 (2) greater than 100 percent in a written agreement  
7 between the city and the pension system entered into under Section  
8 3(n) of this Act, the pension system may reduce member  
9 contributions or increase pension benefits if as a result of the  
10 action:

11 (A) the funded ratio is not less than 100  
12 percent; and

13 (B) the city contribution rate is not more than  
14 the minimum contribution rate.

15 (e) Except as provided by Subsection (f) of this section, if  
16 an agreement under Subsection (d) of this section is not reached on  
17 or before the 30th day before the first day of the next fiscal year,  
18 before the first day of the next fiscal year, the pension board  
19 shall reduce member contributions and implement or increase  
20 cost-of-living adjustments, but only to the extent that the city  
21 contribution rate is set at or below the minimum contribution rate  
22 and the funded ratio is not less than 100 percent.

23 (f) If any member contribution reduction or benefit  
24 increase has occurred within the previous three fiscal years, the  
25 pension board may not make additional adjustments to benefits, and  
26 the city contribution rate must be set to equal the minimum  
27 contribution rate.



1       Sec. 8F. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY  
2 CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR MIDPOINT;  
3 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs  
4 the determination of the city contribution rate in a fiscal year  
5 when the estimated city contribution rate under a risk sharing  
6 valuation study prepared under Section 8B or 8C of this Act, as  
7 applicable, is equal to or greater than the corridor midpoint.

8       (b) If the estimated city contribution rate is:

9           (1) less than or equal to the maximum contribution  
10 rate for the corresponding fiscal year, the estimated city  
11 contribution rate is the city contribution rate; or

12           (2) except as provided by Subsection (d) or (f) of this  
13 section, greater than the maximum contribution rate for the  
14 corresponding fiscal year, the city contribution rate equals the  
15 corridor midpoint achieved in accordance with Subsection (c) of  
16 this section.

17       (c) For purposes of Subsection (b)(2) of this section, the  
18 following adjustments shall be applied sequentially to the extent  
19 required to decrease the estimated city contribution rate to equal  
20 the corridor midpoint:

21           (1) first, adjust the actuarial value of assets to the  
22 current market value of assets, if making the adjustment causes the  
23 city contribution rate to decrease;

24           (2) second, if the payoff year of the legacy liability  
25 was accelerated under Section 8E(c) of this Act:

26           (A) extend the payoff year of the legacy  
27 liability by increasing the legacy liability by the amount of the

1 new liability gain layer to a maximum amount; and

2 (B) during the extended period provided by  
3 Paragraph (A) of this subdivision, the city shall continue to pay  
4 the city contribution amount for the extended period in accordance  
5 with the schedule included in the initial risk sharing valuation  
6 study, subject to Section 8C(j) or 8E(k) of this Act; and

7 (3) third, if the payoff year of a liability loss layer  
8 other than the legacy liability was previously accelerated under  
9 Section 8E(c) of this Act, extend the payoff year of existing  
10 liability loss layers, excluding the legacy liability, by extending  
11 the most recent loss layers first, to a payoff year not later than  
12 30 years from the first day of the fiscal year beginning 12 months  
13 after the date of the risk sharing valuation study in which the  
14 liability loss layer is first recognized.

15 (d) If the city contribution rate after adjustment under  
16 Subsection (c) of this section is greater than the third quarter  
17 line rate, the city contribution rate equals the third quarter line  
18 rate. To the extent necessary to comply with this subsection, the  
19 city and the pension board shall enter into a written agreement  
20 under Section 3(n) of this Act to increase member contributions and  
21 make other benefit or plan changes not otherwise prohibited by  
22 applicable federal law or regulations.

23 (e) Gains resulting from adjustments made as the result of a  
24 written agreement between the city and the pension board under  
25 Subsection (d) of this section must be applied to the city  
26 contribution rate and not to the legacy liability.

27 (f) If an agreement under Subsection (d) of this section is

1 not reached on or before the 30th day before the first day of the  
2 next fiscal year, before the start of the next fiscal year to which  
3 the city contribution rate would apply, the pension board, to the  
4 extent necessary to set the city contribution rate equal to the  
5 third quarter line rate, shall:

6 (1) increase member contributions; and

7 (2) decrease cost-of-living adjustments.

8 (g) If the city contribution rate remains greater than the  
9 corridor midpoint in the third fiscal year after adjustments are  
10 made in accordance with an agreement under Subsection (d) of this  
11 section, in that fiscal year the city contribution rate equals the  
12 corridor midpoint achieved in accordance with Subsection (h) of  
13 this section.

14 (h) The city contribution rate must be set at the corridor  
15 midpoint under Subsection (g) of this section by:

16 (1) in the risk sharing valuation study for the third  
17 fiscal year described by Subsection (d) of this section, adjusting  
18 the actuarial value of assets to equal the current market value of  
19 assets, if making the adjustment causes the city contribution rate  
20 to decrease; and

21 (2) under a written agreement entered into between the  
22 city and the pension board under Section 3(n) of this Act:

23 (A) increasing member contributions; and

24 (B) making any other benefit or plan changes not  
25 otherwise prohibited by applicable federal law or regulations.

26 (i) If an agreement under Subsection (h)(2) of this section  
27 is not reached on or before the 30th day before the first day of the

1 next fiscal year, before the start of the next fiscal year, the  
2 pension board, to the extent necessary to set the city contribution  
3 rate equal to the corridor midpoint, shall:

4 (1) increase member contributions; and

5 (2) decrease cost-of-living adjustments.

6 Sec. 8G. CONFIDENTIALITY. (a) The information, data, and  
7 document exchanges under Sections 8A through 8F of this Act have all  
8 the protections afforded by applicable law and are expressly exempt  
9 from the disclosure requirements under Chapter 552, Government  
10 Code, except as may be agreed to by the city and pension system in a  
11 written agreement under Section 3(n) of this Act.

12 (b) Subsection (a) of this section does not apply to final  
13 risk sharing valuation studies prepared under Section 8B of this  
14 Act.

15 (c) A risk sharing valuation study or other report prepared  
16 by either the city actuary or the pension system actuary under  
17 Sections 8A through 8F may not:

18 (A) include information in a form that includes  
19 identifiable information relating to a specific individual; or

20 (B) provide confidential or private information  
21 regarding specific individuals or be grouped in a manner that  
22 allows confidential or private information regarding a specific  
23 individual to be discerned.

24 Sec. 8H. UNILATERAL ACTION PROHIBITED. No unilateral  
25 decision or action by the pension board is binding on the city and  
26 no unilateral action by the city is binding on the pension system  
27 with respect to the application of Sections 8A through 8F of this

1 Act unless expressly provided by a provision of those sections.  
2 Nothing in this section is intended to limit the powers or authority  
3 of the pension board.

4 Sec. 8I. PENSION REVIEW BOARD; REPORT. (a) After preparing  
5 a final risk sharing valuation study under Section 8B or 8C of this  
6 Act, the pension system and the city shall jointly submit a copy of  
7 the study or studies, as appropriate, to the State Pension Review  
8 Board for validation and confirmation that the pension system and  
9 city are in compliance with this Act.

10 (b) Not later than the 30th day after the date an action is  
11 taken under Section 8E or 8F of this Act, the pension system shall  
12 submit a report to the State Pension Review Board regarding any  
13 actions taken under those sections.

14 (c) The State Pension Review Board shall notify the  
15 governor, the lieutenant governor, the speaker of the house of  
16 representatives, and the legislative committees having principal  
17 jurisdiction over legislation governing public retirement systems  
18 if the State Pension Review Board determines the pension system or  
19 the city is not in compliance with Sections 8A through 8H of this  
20 Act.

21 SECTION 3.12. Section 9(c), Chapter 88 (H.B. 1573), Acts of  
22 the 77th Legislature, Regular Session, 2001 (Article 6243h,  
23 Vernon's Texas Civil Statutes), is amended to read as follows:

24 (c) If a member dies and there are no eligible survivors to  
25 receive the allowance provided for in Section 14 of this Act, the  
26 member's spouse [~~beneficiary~~] or, if there is no spouse  
27 [~~beneficiary~~], the member's estate shall receive the refund amount.

1 SECTION 3.13. Section 10, Chapter 88 (H.B. 1573), Acts of  
2 the 77th Legislature, Regular Session, 2001 (Article 6243h,  
3 Vernon's Texas Civil Statutes), is amended by amending Subsections  
4 (b), (d), (e), (g), and (h) and adding Subsections (c-1), (d-1),  
5 (d-2), and (e-1) to read as follows:

6 (b) A group A or group B member of the pension system who  
7 terminates employment is eligible for a normal retirement pension  
8 beginning on the member's effective retirement date after the date  
9 the member completes at least five years of credited service and  
10 attains either:

11 (1) 62 years of age; or  
12 (2) subject to Section 6(a-2) of this Act, a  
13 combination of years of age and years of credited service,  
14 including parts of years, the sum of which equals or is greater than  
15 the number:

16 (A) 75, provided the member is at least 50 years  
17 of age; or

18 (B) 70, provided the member attained a  
19 combination of years of age and years of credited service,  
20 including parts of years, the sum of which equals or is greater than  
21 the number 68 before December 31, 2004.

22 (c-1) A group D member who terminates employment is eligible  
23 for a normal retirement pension beginning on the member's effective  
24 retirement date after the date the member completes at least five  
25 years of credited service and attains 62 years of age.

26 (d) The amount of the monthly normal retirement pension  
27 payable to an eligible:

1           (1) [retired] group A or group B member who retires on  
2 or before December 31, 2004, shall be determined under the  
3 provisions in effect on December 31, 2004, subject to Section 17 of  
4 this Act;

5           (2) group A member who retires after December 31,  
6 2004, is equal to the sum of:

7                   (A) the member's accrued monthly normal  
8 retirement pension based on the member's years of credited service  
9 that were earned before December 31, 2004, determined under the law  
10 in effect on December 31, 2004, subject to Section 17 of this Act;

11                   (B) the member's average monthly salary  
12 multiplied by 2.5 [3-1/4] percent for each year of the member's  
13 years of credited service in group A during the member's first 20  
14 [10] years of service that is earned after December 31, 2004; [~~7~~  
15 ~~3-1/2 percent for each of the member's years of credited service in~~  
16 ~~group A during the member's next 10 years of service,~~] and

17                   (C) the member's average monthly salary  
18 multiplied by 3.25 [4-1/4] percent for each year of credited  
19 service of the member in group A during the member's years of  
20 service in excess of the 20 years described under Paragraph (B) of  
21 this subdivision that is earned after December 31, 2004; or

22           (3) group B member who retires after December 31,  
23 2004, is equal to the sum of:

24                   (A) the member's accrued monthly normal  
25 retirement pension based on the member's years of credited service  
26 that were earned before December 31, 2004, determined under the law  
27 in effect on December 31, 2004, subject to Section 17 of this Act;

1           (B) the member's average monthly salary  
2 multiplied by 1.75 percent for each year of the member's years of  
3 credited service in group B during the member's first 10 years of  
4 service that is earned after December 31, 2004;

5           (C) the member's average monthly salary  
6 multiplied by two percent for each of the member's years of credited  
7 service in group B in excess of the 10 years described under  
8 Paragraph (B) of this subdivision that is earned after December 31,  
9 2004; and

10           (D) the member's average monthly salary  
11 multiplied by 2.5 percent for each year of credited service of the  
12 member in group B during the member's years of service in excess of  
13 20 years that is earned after December 31, 2004.

14           (d-1) For purposes of Subsection (d) of this section,  
15 service credit is rounded to the nearest one-twelfth of a year [~~For~~  
16 ~~purposes of this subsection, service credit is rounded to the~~  
17 ~~nearest one-twelfth of a year. The normal retirement pension of a~~  
18 ~~retired group A member may not exceed 90 percent of the member's~~  
19 ~~average monthly salary].~~

20           (d-2) The amount of the monthly normal retirement pension  
21 payable to an eligible group D member who retires on or after  
22 January 1, 2008, is equal to the sum of:

23           (1) the member's average monthly salary multiplied by  
24 1.8 percent for each year of the member's years of credited service  
25 in group D during the member's first 25 years of service; and

26           (2) the member's average monthly salary multiplied by  
27 1 percent for each year of credited service of the member in group D



1 during the member's years of service in excess of 25 years.

2 (e) A group D member who terminates employment with the city  
3 or the pension system may elect to receive an early retirement  
4 pension payable as a reduced benefit if the member has attained:

5 (1) at least 10 years of credited service and is at  
6 least 55 years of age; or

7 (2) five years of credited service and a combination  
8 of years of age and years of credited service, including parts of  
9 years, the sum of which equals or is greater than the number 75.

10 (e-1) The amount of the early retirement pension payable to  
11 a retired group D member under Subsection (e) of this section shall  
12 be equal to the monthly normal retirement pension reduced by 0.25  
13 percent for each month the member is less than 62 years of age at  
14 retirement [~~monthly normal retirement pension payable to an~~  
15 ~~eligible retired group B member equals the member's average monthly~~  
16 ~~salary multiplied by 1-3/4 percent for each year of the member's~~  
17 ~~years of credited service in group B during the member's first 10~~  
18 ~~years of service, 2 percent for each of the member's years of~~  
19 ~~credited service in group B during the member's next 10 years of~~  
20 ~~service, and 2-3/4 percent for each year of credited service of the~~  
21 ~~member in group B during the member's years of service in excess of~~  
22 ~~20 years. For purposes of this subsection, service credit is~~  
23 ~~rounded to the nearest one-twelfth of a year. The normal retirement~~  
24 ~~pension of a retired group B member may not exceed 90 percent of the~~  
25 ~~member's average monthly salary].~~

26 (g) Notwithstanding any other provision of this Act, the  
27 total normal retirement pension of a retired member with credited

1 service in group A, group B, ~~[or]~~ group C, or group D may not exceed  
 2 90 percent of the member's average monthly salary.

3 (h) On or after February 1, 2018, and for ~~[For]~~ future  
 4 payments only, pension benefits for all group A retirees and group B  
 5 retirees, and for all group D retirees who terminated employment on  
 6 or after the year 2017 effective date with at least five years of  
 7 credited service, and survivor benefits for ~~[all retirees and]~~  
 8 eligible survivors of a former member of group A or group B, or of a  
 9 former member of group D who terminated employment on or after the  
 10 year 2017 effective date with at least five years of credited  
 11 service, shall be increased annually by the cost-of-living  
 12 adjustment percentage ~~[four percent]~~, not compounded, for all such  
 13 eligible persons receiving a pension or survivor benefit as of  
 14 January 1 of the year in which the increase is made.

15 SECTION 3.14. Chapter 88 (H.B. 1573), Acts of the 77th  
 16 Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's Texas  
 17 Civil Statutes), is amended by adding Section 10A to read as  
 18 follows:

19 Sec. 10A. GROUP D MEMBER HYBRID COMPONENT. (a) On and  
 20 after January 1, 2018, in addition to the group D member  
 21 contributions under Section 8 of this Act, each group D member shall  
 22 contribute one percent of the member's salary for each biweekly pay  
 23 period beginning with the member's first full biweekly pay period  
 24 after the later of January 1, 2018, or the group D member's first  
 25 date of employment. The contribution required by this subsection:

26 (1) shall be picked up and paid in the same manner and  
 27 at the same time as group D member contributions required under

1 Section 8(a)(3) of this Act;

2 (2) is separate from and in addition to the group D  
3 member contribution under Section 8(a)(3) of this Act; and

4 (3) is not subject to reduction or increase under  
5 Sections 8A through 8F of this Act or a refund under Section 17 of  
6 this Act.

7 (b) For each biweekly pay period of a group D member's  
8 service for which the group D member makes the contribution  
9 required under Subsection (a) of this section, the following  
10 amounts shall be credited to a notional account, known as a cash  
11 balance account, for the group D member:

12 (1) the amount of the contributions paid under  
13 Subsection (a) of this section for that biweekly pay period; and

14 (2) interest on the balance of the group D member's  
15 cash balance account determined by multiplying:

16 (A) an annual rate that is one-half the pension  
17 system's five-year investment return based on a rolling  
18 five-fiscal-year basis and net of investment expenses, with a  
19 minimum annual rate of 2.5 percent and a maximum annual rate of 7.5  
20 percent, and divided by 26; and

21 (B) the amount credited to the group D member's  
22 cash balance account as of the end of the biweekly pay period.

23 (c) The pension system may not pay interest on amounts  
24 credited to a cash balance account but not received by the pension  
25 system under Subsection (b) of this section.

26 (d) On separation from service, a group D member is eligible  
27 to receive only a distribution of the contributions credited to

1 that group D member's cash balance account, without interest, until  
2 the group D member has attained at least one year of service while  
3 contributing to the cash balance account. On attainment of at least  
4 one year of service while contributing to the cash balance account,  
5 a group D member is fully vested in the accrued benefit represented  
6 by that group D member's cash balance account, including interest.

7 (e) In a manner and form prescribed by the pension board, a  
8 group D member who terminates employment is eligible to elect to  
9 receive the group D member's cash balance account benefit in a  
10 lump-sum payment, in substantially equal periodic payments, in a  
11 partial lump-sum payment followed by substantially equal periodic  
12 payments, or in partial payments from the group D member's cash  
13 balance account.

14 (f) Contributions may not be made to a group D member's cash  
15 balance account for a period that occurs after the date the group D  
16 member terminates employment, except that interest at a rate that  
17 is not greater than the rate determined by the pension board under  
18 Subsection (b)(2) of this section may be credited based on the  
19 former group D member's undistributed cash balance account after  
20 the date the group D member terminates employment.

21 (g) On the death of a group D member or former group D member  
22 before the full distribution of the member's cash balance account,  
23 the deceased member's cash balance account shall be payable in a  
24 single lump-sum payment to:

- 25 (1) the deceased member's surviving spouse;  
26 (2) if there is no surviving spouse, each designated  
27 beneficiary of the deceased member, designated in the manner and on

1 a form prescribed by the pension board; or

2 (3) if there is no designated beneficiary, to the  
3 deceased member's estate.

4 (h) The lump-sum payment described by Subsection (g) of this  
5 section shall be made within a reasonable time after the pension  
6 board has determined that the individual or estate is eligible for  
7 the distribution.

8 (i) Subject to the other provisions of this section, the  
9 pension board may adopt rules necessary to implement this section,  
10 including rules regarding the payment of the cash balance account  
11 and limitations on the timing and frequency of payments. All  
12 distributions and changes in the form of distribution must be made  
13 in a manner and at a time that complies with the Internal Revenue  
14 Code of 1986.

15 SECTION 3.15. Section 11, Chapter 88 (H.B. 1573), Acts of  
16 the 77th Legislature, Regular Session, 2001 (Article 6243h,  
17 Vernon's Texas Civil Statutes), is amended to read as follows:

18 Sec. 11. OPTION-ELIGIBLE PARTICIPANTS [~~GROUP B RETIREMENT~~  
19 ~~OPTIONS~~]. (a) In this section, "J&S Annuity" means payment of a  
20 normal retirement pension or early retirement pension under one of  
21 the options provided by Subsection (b) of this section.

22 (a-1) For purposes of this section, an option-eligible  
23 participant is:

24 (1) a former group A or group B member who terminates  
25 employment with the city or the pension system on or after June 30,  
26 2011, and who is eligible to receive a normal retirement pension,  
27 provided the member was not married as of the date of the member's

1 termination of employment;

2 (2) a former group B member who terminated employment  
3 with the city or the predecessor system before September 1, 1997,  
4 and who is eligible to receive a normal retirement pension; or

5 (3) a former group D member who terminated employment  
6 with the city or the pension system and who is eligible to receive a  
7 normal retirement pension or an early retirement pension.

8 (a-2) The pension board, in its sole discretion, shall make  
9 determinations regarding an individual's status as an  
10 option-eligible participant.

11 (a-3) Before the date an option-eligible participant  
12 commences receipt of a benefit, that option-eligible participant [A  
13 group B member who terminated employment with the city or the  
14 predecessor system before September 1, 1997,] must elect, in a  
15 manner and at a time determined by the pension board, [before the  
16 member's effective retirement date] whether to receive [have] the  
17 participant's [member's] normal retirement pension or early  
18 retirement pension, as applicable, or to have the option-eligible  
19 participant's normal retirement pension or early retirement  
20 pension, as applicable, paid under one of the options provided by  
21 Subsection (b) of this section. The election may be revoked, in a  
22 manner and at a time established by the pension board, not later  
23 than the 60th day before the date the participant commences receipt  
24 of a benefit [member's effective retirement date].

25 (b) The normal retirement pension or early retirement  
26 pension may be one of the following actuarially equivalent amounts:

27 (1) option 1: a reduced pension payable to the

1 participant [~~member~~], then on the participant's [~~member's~~] death  
2 one-half of the amount of that reduced pension is payable to the  
3 participant's [~~member's~~] designated survivor, for life;

4 (2) option 2: a reduced pension payable to the  
5 participant [~~member~~], then on the participant's [~~member's~~] death  
6 that same reduced pension is payable to the participant's  
7 [~~member's~~] designated survivor, for life; and

8 (3) option 3: a reduced pension payable to the  
9 participant [~~member~~], and if the participant [~~member~~] dies within  
10 10 years, the pension is paid to the participant's [~~member's~~]  
11 designated survivor for the remainder of the 10-year period  
12 beginning on the participant's benefit commencement [~~member's~~  
13 ~~effective retirement~~] date.

14 (c) If an option-eligible participant [~~a former group B~~  
15 ~~member~~] who has made the election provided by Subsection (b) of this  
16 section dies after terminating employment with at least five years  
17 of credited service but before attaining the age required to begin  
18 receiving a normal or early retirement pension, the person's  
19 designated survivor is eligible for the J&S Annuity [~~benefits~~]  
20 provided by the option selected by the option-eligible participant  
21 [~~former member~~] at the time of separation from service. The  
22 benefits first become payable to an eligible designated survivor on  
23 the date the option-eligible participant [~~former member~~] would have  
24 become eligible to begin receiving a pension. If the designated  
25 survivor elects for earlier payment, in a time and manner  
26 determined by the pension board, the actuarial equivalent of that  
27 amount shall be payable at that earlier date.

1           (d) A survivor benefit under Subsection (c) of this section  
2 or a J&S Annuity is not payable if:

3               (1) except as provided by Subsection (e) of this  
4 section, an option-eligible participant [~~If a former group B member~~  
5 ~~under Subsection (a) of this section~~] does not elect one of the J&S  
6 Annuity options under Subsection (b) of this section and dies  
7 before retirement has commenced;

8               (2) an option-eligible participant elects a normal  
9 retirement pension or early retirement pension and dies before  
10 retirement has commenced; or

11               (3) an option-eligible participant dies after  
12 retirement has commenced and that option-eligible participant:

13                       (A) elected a normal retirement pension or early  
14 retirement pension;

15                       (B) did not make a valid election under  
16 Subsection (b) of this section; or

17                       (C) made an election that is void [~~, a survivor~~  
18 ~~benefit is not payable~~].

19           (e) An option-eligible participant described by Subsection  
20 (a-1)(3) of this section who did not elect one of the J&S Annuity  
21 options under Subsection (b) of this section is considered to have  
22 elected a J&S Annuity option under Subsection (b)(1) of this  
23 section and to have designated the participant's surviving spouse  
24 as the optional annuitant if the participant:

25                       (1) was not in service with the city or the pension  
26 system at the time of the participant's death;

27                       (2) is survived by a surviving spouse; and



1           (3) dies before the participant's retirement has  
2 commenced.

3           (f) If the option-eligible participant described by  
4 Subsection (e) of this section has no surviving spouse, a survivor  
5 benefit or J&S Annuity is not payable. If a J&S Annuity is paid  
6 under Subsection (e) of this section, a survivor benefit is not  
7 payable under this subsection or under Section 14 of this Act.

8           (g) If Subsection (d) of this section would otherwise apply  
9 to prohibit the payment of a survivor benefit or J&S Annuity, but  
10 there is one or more dependent children of the deceased  
11 option-eligible participant, the provisions of Section 14 of this  
12 Act control the payment of survivor benefits to the dependent child  
13 or children. The pension system may not pay both a J&S Annuity  
14 under this section and a survivor benefit under Section 14 of this  
15 Act with respect to any option-eligible participant. If a J&S  
16 Annuity is paid under Subsection (e) of this section, a survivor  
17 benefit is not payable.

18           (h) If an option-eligible participant has previously  
19 elected a J&S Annuity for a previous period of service, no benefits  
20 have been paid under that previous election, and the  
21 option-eligible participant terminates employment on or after  
22 January 1, 2012, the previous election is void and the  
23 option-eligible participant shall make an election under  
24 Subsection (b) of this section to apply to all periods of service.

25           (i) If a former group B member with service before September  
26 1, 1997, was rehired in a covered position and converted the group B  
27 service covered by a J&S Annuity to group A service, and that member

1 terminates employment on or after January 1, 2012, and is not an  
2 option-eligible participant at the time of the member's subsequent  
3 termination, the previous election is void and survivor benefits  
4 for an eligible survivor, if any, are payable as provided by Section  
5 14 of this Act, provided benefits were not paid under the previous  
6 election.

7 (j) If an option-eligible participant who elects a J&S  
8 Annuity under this section designates the participant's spouse as a  
9 designated survivor and the marriage is later dissolved by divorce,  
10 annulment, or a declaration that the marriage is void, the  
11 designation is void unless the participant reaffirms the  
12 designation after the marriage was dissolved.

13 (k) A J&S Annuity payable to a designated survivor is  
14 effective on the first day of the month following the month of the  
15 option-eligible participant's death and ceases on the last day of  
16 the month of the designated survivor's death or on the last day of  
17 the month in which the survivor otherwise ceases to be eligible to  
18 receive a J&S Annuity.

19 SECTION 3.16. Section 12(a)(5), Chapter 88 (H.B. 1573),  
20 Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h,  
21 Vernon's Texas Civil Statutes), is amended to read as follows:

22 (5) "DROP entry date" means the date a member ceases to  
23 earn service credit and begins earning credit for the member's DROP  
24 account, which is the later of the date the member is eligible to  
25 participate in the DROP, the date requested by the member, or  
26 October 1, 1997, as approved by the pension board. The DROP entry  
27 date is the first day of a month and is determined by the normal

1 retirement eligibility requirements of this Act or of Chapter 358,  
2 Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g,  
3 Vernon's Texas Civil Statutes), as applicable, in effect on the  
4 requested DROP entry date. A member who enters DROP on or after  
5 January 1, 2005, may not have a DROP entry date that occurs before  
6 the date the pension system receives the member's request to  
7 participate in DROP.

8 SECTION 3.17. Section 12, Chapter 88 (H.B. 1573), Acts of  
9 the 77th Legislature, Regular Session, 2001 (Article 6243h,  
10 Vernon's Texas Civil Statutes), is amended by adding Subsections  
11 (b-1), (d-1), (o-1), (r), (s), and (t) and amending Subsections  
12 (d), (f), (g), (h), (j), (k), (m), (o), and (p) to read as follows:

13 (b-1) Notwithstanding Subsection (b) of this section, for  
14 DROP participation beginning on or after January 1, 2005, a member  
15 must meet the normal retirement eligibility requirements under  
16 Section 10(b), 10(c), or 10(c-1) of this Act to be eligible to elect  
17 to participate in DROP. This subsection does not apply to a member  
18 who:

19 (1) met the eligibility requirements under Section  
20 10(b) of this Act in effect before January 1, 2005; or

21 (2) before January 1, 2005, had at least five years of  
22 credited service and a combination of years of age and years of  
23 credited service, including parts of years, the sum of which  
24 equaled or was greater than 68.

25 (d) Credited service and normal retirement benefits cease  
26 to accrue on the day preceding the member's DROP entry date. The  
27 period of a member's DROP participation, unless revoked as provided

1 by Subsection (j) of this section, begins on the DROP participant's  
2 DROP entry date and ends on the date of the DROP participant's last  
3 day of active service with the city or the pension system. On the  
4 first day of the month following the month in which the pension  
5 board approves the member's DROP election, the DROP election  
6 becomes effective and the pension board shall establish a DROP  
7 account for the DROP participant. For each month during the period  
8 of DROP participation before a DROP participant's termination of  
9 employment, the following amounts shall be credited to the DROP  
10 participant's DROP account, including prorated amounts for partial  
11 months of service:

12 (1) an amount equal to what would have been the DROP  
13 participant's monthly normal retirement benefit if the DROP  
14 participant had retired on the DROP participant's DROP entry date,  
15 except that the monthly amount shall be computed based on the DROP  
16 participant's credited service and average monthly salary as of the  
17 DROP entry date and the benefit accrual rates and maximum allowable  
18 benefit applicable on the DROP election date, with the  
19 cost-of-living adjustments payable under Subsection (s) of this  
20 section, if any, that would apply if the DROP participant had  
21 retired on the DROP participant's DROP entry date; and

22 (2) ~~[for a group A member, the member's contributions~~  
23 ~~to the pension fund required under Section 8 of this Act during the~~  
24 ~~member's participation in the DROP, and~~

25 ~~[(3)]~~ subject to Subsection (d-1) of this section,  
26 interest on the DROP participant's DROP account balance computed at  
27 a rate determined by the pension board and compounded at intervals

1 designated by the pension board, but at least once in each 13-month  
2 period.

3 (d-1) Beginning January 1, 2018, the pension board shall  
4 establish the interest rate applicable under Subsection (d)(2) of  
5 this section as of January 1 of each year at a rate:

6 (1) except as provided by Subdivision (2) of this  
7 subsection, equal to half the pension system's five-year investment  
8 return based on a rolling five-fiscal-year basis and net of  
9 investment expenses; and

10 (2) that may not be less than 2.5 percent or more than  
11 7.5 percent.

12 (f) The period for credits to a DROP participant's DROP  
13 account includes each month beginning with the DROP participant's  
14 DROP entry date through the date the DROP participant terminates  
15 employment with the city or the pension system. Credits may not be  
16 made to a DROP participant's DROP account for a period that occurs  
17 after the date the DROP participant terminates employment, except  
18 that interest at a rate determined by the pension board may be paid  
19 on the person's undistributed DROP account balance after the date  
20 the person terminates employment. A DROP participant must pay  
21 required contributions to the pension system for all time in DROP  
22 that would otherwise constitute service in order to receive  
23 allowable credits to the DROP participant's DROP account.

24 (g) A DROP participant who terminates employment is  
25 eligible to elect to receive the DROP participant's DROP benefit in  
26 a lump sum, in substantially equal periodic payments, [~~or~~] in a  
27 partial lump sum followed by substantially equal periodic payments,

1 or in partial payments from the participant's DROP account, in a  
2 manner and form determined by the pension board. The pension board  
3 may establish procedures concerning partial payments under this  
4 subsection, including limitations on the timing and frequency of  
5 those payments. A participant who elects partial payments may  
6 elect to receive the participant's entire remaining DROP account  
7 balance in a single lump-sum payment. The pension board shall  
8 determine a reasonable time for lump-sum and periodic payments of  
9 the DROP benefit. [~~An election concerning single lump-sum or~~  
10 ~~partial payments as provided by this subsection must satisfy the~~  
11 ~~requirements of Section 401(a)(9), Internal Revenue Code of 1986,~~  
12 ~~as amended.] All distributions and changes in the form of  
13 distribution must be made in a manner and at a time that complies  
14 with that provision of the Internal Revenue Code of 1986, as  
15 amended.~~

16 (h) If a DROP participant dies before the full distribution  
17 of the DROP participant's DROP account balance, the undistributed  
18 DROP account balance shall be distributed to the DROP participant's  
19 surviving spouse, if any, in a lump-sum payment within a reasonable  
20 time after the pension board has determined that the surviving  
21 spouse is eligible for the distribution. If there is no surviving  
22 spouse, each beneficiary of the DROP participant [~~participant's~~  
23 ~~beneficiary~~], as designated in the manner and on a form established  
24 by the pension board, is eligible to receive the beneficiary's  
25 applicable portion of the deceased DROP participant's  
26 undistributed DROP account balance in a lump-sum payment within a  
27 reasonable time after the pension board has determined that the

1 beneficiary is eligible for the distribution. If no beneficiary is  
2 designated, the undistributed DROP account balance shall be  
3 distributed to the deceased participant's [~~member's~~] estate.

4 (j) An election to participate in the DROP is irrevocable,  
5 except that:

6 (1) if a DROP participant is approved for a service  
7 disability pension, the DROP participant's DROP election is  
8 automatically revoked; and

9 (2) if a DROP participant dies, the surviving spouse,  
10 if any, or the beneficiary, if any, may elect to revoke the DROP  
11 participant's DROP election, at a time and in a manner determined by  
12 the pension board, only if the revocation occurs before a  
13 distribution from the DROP participant's DROP account or the  
14 payment of a survivor benefit under this Act or Chapter 358, Acts of  
15 the 48th Legislature, Regular Session, 1943 (Article 6243g,  
16 Vernon's Texas Civil Statutes) [~~, and~~

17 [~~(3) a DROP participant approved by the pension board~~  
18 ~~of the predecessor system before September 1, 1999, to participate~~  
19 ~~in the DROP may make a one-time, irrevocable election before~~  
20 ~~termination of employment, on a date and in a manner determined by~~  
21 ~~the pension board, to revoke the DROP election and waive any and all~~  
22 ~~rights associated with the DROP election].~~

23 (k) On revocation of a DROP election under Subsection (j) of  
24 this section, the DROP account balance becomes zero, and a  
25 distribution of DROP benefits may not be made to the participant  
26 [~~member~~], the participant's [~~member's~~] surviving spouse, or the  
27 participant's [~~member's~~] beneficiaries. In the event of

1 revocation, the benefits based on the participant's [~~member's~~]  
2 service are determined as if the participant's [~~member's~~] DROP  
3 election had never occurred.

4 (m) If an unanticipated actuarial cost occurs in  
5 administering the DROP, the pension board, on the advice of the  
6 pension system [~~system's~~] actuary, may take action necessary to  
7 mitigate the unanticipated cost, including refusal to accept  
8 additional elections to participate in the DROP [~~plan~~]. The  
9 pension system shall continue to administer the DROP [~~plan~~] for the  
10 DROP participants participating in the DROP [~~plan~~] before the date  
11 of the mitigating action.

12 (o) Except as provided by Subsection (o-1) of this section,  
13 on [~~On~~] termination of employment, a DROP participant shall receive  
14 a normal retirement pension under Section 10 of this Act or under  
15 Section 11, 22A, or 24 of Chapter 358, Acts of the 48th Legislature,  
16 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil  
17 Statutes), as those sections read on the day preceding the  
18 participant's DROP entry date, as applicable, except that the  
19 credited service under that section is the member's credited  
20 service as of the day before the member's DROP entry date, the  
21 benefit accrual rate applicable to the credited service shall be  
22 the benefit accrual rate in effect on the member's DROP election  
23 date, the maximum allowable benefit shall be the maximum allowable  
24 benefit in effect on the member's DROP election date, and the  
25 member's average monthly salary is the average monthly salary  
26 determined as of the later [~~date~~] of the member's DROP entry date or  
27 January 1, 2005, as applicable [~~termination of employment~~]. The



1 DROP participant's normal retirement pension is increased by any  
2 cost-of-living adjustments applied to the monthly credit to the  
3 member's DROP account under Subsection (d)(1) of this section  
4 during the member's participation in the DROP. Cost-of-living  
5 adjustments applicable to periods after the date of the DROP  
6 participant's termination of employment are based on the DROP  
7 participant's normal retirement pension computed under this  
8 subsection or Subsection (o-1) of this section, as applicable,  
9 excluding any cost-of-living adjustments.

10 (o-1) On termination of employment, and before any benefit  
11 or DROP payment, a DROP participant who is an option-eligible  
12 participant shall make the required election under Section 11 of  
13 this Act. If the option-eligible participant elects a J&S Annuity,  
14 the DROP account, including all DROP credits, shall be recalculated  
15 from the DROP entry date to termination of employment as provided by  
16 Subsection (o) of this section as if the J&S Annuity was selected to  
17 be effective as of the DROP entry date.

18 (p) If a DROP election is not revoked under Subsection (j)  
19 of this section, the survivor benefit payable to an eligible  
20 survivor of a deceased DROP participant under Section 14 of this Act  
21 is computed as a percentage of the monthly ordinary disability  
22 pension that the member would have been eligible to receive had the  
23 member suffered a disability the day before the member's DROP entry  
24 date, except that the ordinary disability pension is computed based  
25 on the DROP participant's credited service as of the day before the  
26 DROP participant's DROP entry date, the benefit accrual rate  
27 applicable to the credited service as of the DROP participant's

1 DROP election date, and the DROP participant's average monthly  
2 salary as of the later [date] of the DROP participant's DROP entry  
3 date or January 1, 2005, as applicable [death]. A surviving spouse,  
4 if any, of a DROP participant who dies from a cause directly  
5 resulting from a specific incident in the performance of the DROP  
6 participant's duties for the city or the pension system is  
7 ineligible to receive enhanced survivor benefits under Section  
8 14(c) of this Act unless the DROP election is revoked under  
9 Subsection (j)(2) of this section and the surviving spouse receives  
10 a survivor benefit as otherwise provided by this subsection.

11 (r) Except as provided by Subsection (s) of this section,  
12 the pension system may not credit a DROP account with a  
13 cost-of-living adjustment percentage on or after February 1, 2018.

14 (s) On or after February 1, 2018, and for future credit  
15 only, the pension system shall credit a cost-of-living adjustment  
16 percentage, not compounded, to the DROP account of a DROP  
17 participant who was at least 62 years of age as of January 1 of the  
18 year in which the increase is made.

19 (t) The pension board may establish deadlines for the  
20 submission of any information, document, or other record pertaining  
21 to DROP.

22 SECTION 3.18. Sections 13(a), (b), and (c), Chapter 88  
23 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001  
24 (Article 6243h, Vernon's Texas Civil Statutes), are amended to read  
25 as follows:

26 (a) A member who has completed five or more years of  
27 credited service and who becomes disabled is eligible, regardless

1 of age, for an ordinary disability retirement and shall receive a  
2 monthly disability pension computed in accordance with Section  
3 10(d) of this Act [~~for group A members and Section 10(e) for group B~~  
4 ~~members~~].

5 (b) A member who is disabled by reason of a personal injury  
6 sustained or a hazard undergone as a result of, and while in the  
7 performance of, the member's employment duties at some definite  
8 place and at some definite time on or after the date of becoming a  
9 member, without serious and wilful misconduct on the member's part,  
10 is eligible for a service disability retirement and shall receive a  
11 monthly disability pension equal to the greater of:

12 (1) the monthly normal retirement pension computed  
13 under Section 10(d) of this Act [~~for a group A member or Section~~  
14 ~~10(e) for a group B member~~]; or

15 (2) 20 percent of the member's monthly salary on the  
16 date the injury occurred or the hazard was undergone.

17 (c) In addition to the monthly disability pension under  
18 Subsection (b)(2) of this section, a group A member shall receive  
19 one percent of the salary under Subsection (b)(2) of this section  
20 for each year of credited service. The total disability pension  
21 computed under Subsection (b)(2) of this section may not exceed the  
22 greater of:

23 (1) 40 percent of that monthly salary; or

24 (2) the monthly normal retirement pension computed in  
25 accordance with Section 10(d) of this Act [~~for a group A member or~~  
26 ~~Section 10(e) for a group B member~~].

27 SECTION 3.19. Chapter 88 (H.B. 1573), Acts of the 77th

1 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas  
2 Civil Statutes), is amended by adding Section 13A to read as  
3 follows:

4 Sec. 13A. CERTAIN DISABILITY AND SURVIVOR BENEFITS.  
5 Notwithstanding any other provision of this Act, a disability  
6 benefit or survivor benefit that first becomes payable on or after  
7 January 1, 2005, for a former member who separated from service on  
8 or after January 1, 2005, shall be determined in accordance with the  
9 monthly normal retirement pension calculation applicable under  
10 Section 10 of this Act.

11 SECTION 3.20. Section 14, Chapter 88 (H.B. 1573), Acts of  
12 the 77th Legislature, Regular Session, 2001 (Article 6243h,  
13 Vernon's Texas Civil Statutes), is amended by amending Subsections  
14 (a), (b), (c), (d), (e), and (h) and adding Subsection (b-1) to read  
15 as follows:

16 (a) Except as provided by Section 11 or [Section] 12 of this  
17 Act, the pension board shall order survivor benefits to be paid to  
18 an eligible survivor in the form of a monthly allowance under this  
19 section if:

20 (1) a member or former member of group A or group B  
21 dies from any cause after the completion of five years of credited  
22 service with the city or the pension system;

23 (2) while in the service of the city or the pension  
24 system, a member dies from any cause directly resulting from a  
25 specific incident in the performance of the member's duty; ~~[or]~~

26 (3) a member of group A or group B dies after the date  
27 the member retires on a pension because of length of service or a

1 disability and the member leaves an eligible survivor; or

2 (4) a member of group D dies from any cause after the  
3 completion of five years of credited service with the city or the  
4 pension system if the member on the date of the member's death was  
5 still in service with the city or the pension system.

6 (b) A surviving spouse of a member described by Subsection  
7 (a)(1) or (a)(4) of this section [~~or former member~~] who dies while  
8 still in [~~dies after having completed five years of credited~~]  
9 service with the city or the pension system [~~, but before beginning~~  
10 ~~to receive retirement benefits,~~] is eligible for a sum equal to the  
11 following applicable percentage [~~100 percent~~] of the retirement  
12 benefits to which the deceased member or former member would have  
13 been eligible had the member been totally disabled with an ordinary  
14 disability at the time of the member's last day of credited service;

15 (1) 80 percent, if the member's death occurs on or  
16 after the year 2017 effective date and the spouse was married to the  
17 member for at least one continuous year as of the member's date of  
18 death, except that the allowance payable to the surviving spouse  
19 may not be less than \$100 a month; or

20 (2) 50 percent, if the member's death occurs on or  
21 after the year 2017 effective date and the spouse was married to the  
22 member for less than one continuous year as of the date of the  
23 member's death.

24 (b-1) A surviving spouse of a former member described by  
25 Subsection (a)(1) of this section who dies on or after the year 2017  
26 effective date while not in the service of the city or the pension  
27 system and before the member's retirement commenced, is eligible

1 for a sum equal to 50 percent of the deceased former member's normal  
2 accrued pension at the time of the deceased former member's last day  
3 of credited service. Benefits under this subsection first become  
4 payable on the date the former member would have become eligible to  
5 begin receiving a pension. If the surviving spouse elects for  
6 earlier payment, in a time and manner determined by the pension  
7 board, the actuarial equivalent of that amount shall be payable at  
8 that earlier date.

9 (c) A surviving spouse of a member described by Subsection  
10 (a)(2) of this section who dies from a cause directly resulting from  
11 a specific incident in the performance of the member's duty with the  
12 city or the pension system, without serious or wilful misconduct on  
13 the member's part, is eligible for a sum equal to 80 [~~100~~] percent  
14 of the deceased member's final average salary.

15 (d) A surviving spouse of a retiree described by Subsection  
16 (a)(3) of this section who dies after having received retirement  
17 benefits is eligible for a sum equal to the following applicable  
18 percentage [~~100 percent~~] of the retirement benefits being received  
19 at the time of the retiree's death, including any applicable [~~-~~  
20 ~~The~~] cost-of-living adjustment in the survivor benefit under  
21 Section 10(h) of this Act [~~is~~] computed based on the unadjusted  
22 normal retirement pension of the deceased retiree:

23 (1) 80 percent, if the retiree's death occurs on or  
24 after the year 2017 effective date and the retiree separated from  
25 service with the city or pension system before the year 2017  
26 effective date;

27 (2) 80 percent, if the retiree's death occurs on or

1 after the year 2017 effective date and the retiree separated from  
2 service with the city or pension system before the year 2017  
3 effective date, provided the surviving spouse was married to the  
4 retiree at the time of the retiree's death and for at least one  
5 continuous year as of the date of the retiree's separation from  
6 service; or

7 (3) 50 percent, if both the retiree's separation from  
8 service and death occur on or after the year 2017 effective date and  
9 the surviving spouse was married to the retiree at the time of the  
10 retiree's death for less than one continuous year as of the date of  
11 the retiree's separation from service.

12 (e) If there is a surviving spouse, each dependent child  
13 shall receive a survivor benefit equal to 10 percent of the pension  
14 the member would have received if the member had been disabled at  
15 the time of death up to a maximum of 20 percent for all dependent  
16 children, except that if the total amount payable to the surviving  
17 spouse and dependent children is greater than 80 [~~100~~] percent of  
18 the benefit the member would have received, the percentage of  
19 benefits payable to the surviving spouse shall be reduced so that  
20 the total amount is not greater than 80 [~~100~~] percent of the benefit  
21 the member would have received, and the reduction shall continue  
22 until the total amount payable to the surviving spouse and  
23 dependent child, if any, would not be greater than 80 [~~100~~] percent  
24 of the benefit the member would have received.

25 (h) If a retiree dies and there is no eligible survivor, the  
26 retiree's spouse, if any, or if there is no spouse, the retiree's  
27 estate, is eligible to receive a lump-sum payment of the

1 unamortized balance of the retiree's accrued employee  
2 contributions, if any, other than contributions after the DROP  
3 entry date, as determined by an amortization schedule and method  
4 approved by the pension board. A pension payable to a retiree  
5 ceases on the last day of the month [~~preceding the month~~] of the  
6 retiree's death. A survivor benefit payable to an eligible  
7 survivor is effective on the first day of the month following the  
8 month of the retiree's death and ceases on the last day of [~~month~~  
9 ~~preceding~~] the month of the eligible survivor's death or on the last  
10 day of the month in which the survivor otherwise ceases to be  
11 eligible to receive a survivor's benefit.

12 SECTION 3.21. Sections 16(a) and (e), Chapter 88 (H.B.  
13 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article  
14 [6243h](#), Vernon's Texas Civil Statutes), are amended to read as  
15 follows:

16 (a) Notwithstanding any other provision of this Act, the  
17 pension board may pay to a member, deferred participant, eligible  
18 survivor, alternate payee, or beneficiary in a lump-sum payment the  
19 present value of any benefit payable to such a person that is less  
20 than \$20,000 [~~\$10,000~~] instead of paying any other benefit payable  
21 under this Act. If the lump-sum present value of the benefit is at  
22 least \$1,000 [~~\$5,000~~] but less than \$20,000 [~~\$10,000~~], the pension  
23 board may make a lump-sum payment only on written request by the  
24 member, deferred participant, eligible survivor, alternate payee,  
25 or other beneficiary. The pension board shall make any payment  
26 under this subsection as soon as practicable after eligibility  
27 under this section has been determined by the pension board.



1 (e) A member who is reemployed by the city or the pension  
2 system and who has at least two years of continuous credited service  
3 after reemployment may reinstate service for which the member  
4 received a lump-sum payment under this section by paying into the  
5 pension fund the amount of the lump-sum payment, plus interest on  
6 that amount at the applicable assumed rate of return [~~six percent~~  
7 ~~per year~~], not compounded, from the date the lump-sum payment was  
8 made to the member until the date of repayment to the pension fund.

9 SECTION 3.22. Section 17, Chapter 88 (H.B. 1573), Acts of  
10 the 77th Legislature, Regular Session, 2001 (Article 6243h,  
11 Vernon's Texas Civil Statutes), is amended by amending Subsections  
12 (a), (c), (d), (e), (f), (g), (h), (i), (j), (k), and (l) and adding  
13 Subsections (c-1), (c-2), (q), (r), and (s) to read as follows:

14 (a) A member who terminates employment with the city  
15 involuntarily due to a reduction in workforce, as determined by the  
16 pension board, before the member becomes eligible for a normal  
17 retirement pension or attains five years of credited service, is  
18 eligible to [~~by written notice to the pension board, may make an~~  
19 ~~irrevocable election to~~] leave the person's contributions in the  
20 pension fund until the first anniversary of the date of  
21 termination. If during that period the person is reemployed by the  
22 city and has not withdrawn the person's contributions, all rights  
23 and service credit as a member shall be immediately restored  
24 without penalty. If reemployment with the city does not occur  
25 before the first anniversary of the date of termination, all  
26 payments made by the person into the pension fund by salary  
27 deductions or other authorized contributions shall be refunded to

1 the person without interest. If the person is subsequently  
2 reemployed, the person may have credit restored, subject to the  
3 provisions applicable at the time of reemployment.

4 (c) A former member of group A or group B whose employment is  
5 terminated for a reason other than death or receipt of a retirement  
6 or disability pension after the completion of five years of  
7 credited service may elect, in a manner determined by the pension  
8 board, to receive a deferred retirement pension that begins on the  
9 member's effective retirement date after the member attains either  
10 the eligibility requirements for normal retirement under Section 10  
11 of this Act as it existed on the member's last day of credited  
12 service [~~62 years of age or a combination of years of age and years~~  
13 ~~of credited service, including parts of years, the sum of which~~  
14 ~~equals the number 70~~]. The amount of monthly benefit shall be  
15 computed in the same manner as for a normal retirement pension, but  
16 based on average monthly salary and credited service as of the  
17 member's last day of credited service and subject to the provisions  
18 of this Act or Chapter 358, Acts of 48th Legislature, Regular  
19 Session, 1943 (Article 6243g, Vernon's Texas Civil Statutes), in  
20 effect on the former member's last day of credited service.

21 (c-1) A former member of group D whose employment is  
22 terminated for a reason other than death or receipt of a retirement  
23 or disability pension after the completion of five years of  
24 credited service may elect, in a manner determined by the pension  
25 board, to receive a deferred normal retirement pension that begins  
26 on the former member's effective retirement date after the member  
27 attains 62 years of age. The amount of a monthly benefit under this

1 subsection shall be computed in the same manner as a normal  
2 retirement pension, except the benefit shall be based on the  
3 average monthly salary and credited service of the former member as  
4 of the former member's last day of credited service and subject to  
5 the provisions of this Act in effect on the former member's last day  
6 of credited service.

7 (c-2) A former member of group D whose employment is  
8 terminated for a reason other than death or receipt of a retirement  
9 or disability pension and who has met the minimum years of credited  
10 service to receive an early reduced retirement pension under  
11 Section 10(e) of this Act on attaining the required age, may elect,  
12 in a manner determined by the pension board, to receive a deferred  
13 early retirement pension that begins on the former member's  
14 effective retirement date after the member attains the required age  
15 under Section 10(e) of this Act. The amount of monthly benefit  
16 shall be computed in the same manner as for an early retirement  
17 pension under Section 10(e) of this Act, except that the benefit  
18 shall be based on the average monthly salary and credited service of  
19 the former member as of the former member's last day of credited  
20 service and subject to the provisions of this Act in effect on the  
21 former member's last day of credited service.

22 (d) If a member dies while still employed by the city,  
23 whether eligible for a pension or not, and Sections 12 and 14 of  
24 this Act do not apply, all of the member's rights in the pension  
25 fund shall be satisfied by the refund to the member's spouse  
26 [~~designated beneficiary~~], if any, or if there is no spouse  
27 [~~designated beneficiary~~], to the member's estate, of all eligible

1 payments, if any, made by the member into the pension fund, without  
2 interest.

3 (e) ~~[The provisions of Section 14 of this Act concerning~~  
4 ~~payments to eligible survivors apply in the case of any former~~  
5 ~~member who has made the election permitted by Subsection (c) of this~~  
6 ~~section and who dies before reaching the age at which the former~~  
7 ~~member would be eligible to receive a pension.]~~ If there is no  
8 eligible survivor of the former member, all of the former member's  
9 rights in the pension fund shall be satisfied by the refund to the  
10 former member's spouse ~~[designated beneficiary]~~, if any, or if  
11 there is no spouse ~~[designated beneficiary]~~, to the former member's  
12 estate, of all eligible payments made by the former member into the  
13 pension fund by way of employee contributions, without interest.

14 (f) This Act does not change the status of any former member  
15 of the predecessor system whose services with the city or the  
16 pension system were terminated under Chapter 358, Acts of the 48th  
17 Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas  
18 Civil Statutes), except as otherwise expressly provided. Refunds  
19 of contributions made under this section shall be paid to the  
20 departing member, the member's spouse ~~[beneficiary]~~, or the  
21 member's estate on written request and approval by the pension  
22 board in a lump sum, except that if the pension board determines  
23 that funds are insufficient to justify the lump-sum payment, the  
24 payment shall be refunded on a monthly basis in amounts determined  
25 by the pension board.

26 (g) If a deferred participant is reemployed by the city or  
27 the pension system before receiving a deferred retirement pension

1 or if a retiree is reemployed by the city or the pension system,  
2 Subsections (h) and (j) of this section apply to the computation of  
3 the member's pension following the member's subsequent separation  
4 from service if the member was a member on or after May 11, 2001, and  
5 is not otherwise subject to Subsection (g) of this section.

6 (h) If a member described in Subsection (g) of this section  
7 accrues not more than two years of continuous credited service  
8 after reemployment:

9 (1) the portion of the member's deferred or normal  
10 retirement pension attributable to the member's period of credited  
11 service accrued before the date of the member's original or  
12 previous separation from service is computed on the basis of the  
13 applicable provisions of this Act or the predecessor system that  
14 were in effect on the member's last day of credited service for the  
15 original or previous period of credited service;

16 (2) the portion of the member's deferred or normal  
17 retirement pension attributable to the member's period of credited  
18 service accrued after the date of the member's reemployment by the  
19 city or the pension system is computed on the basis of the  
20 applicable provisions of this Act or the predecessor system in  
21 effect on the member's last day of credited service for the  
22 subsequent period of credited service; and

23 (3) the disability pension or survivor benefit  
24 attributable to the member's period of credited service accrued  
25 both before the date of the member's original or previous  
26 separation from service and after the date of the member's  
27 reemployment by the city or the pension system is computed on the

1 basis of the applicable provisions of this Act or the predecessor  
2 system that were in effect on the member's last day of credited  
3 service for the original or previous period of credited service.

4 (i) Subject to Subsection (l) of this section, the  
5 disability pension or survivor benefit under Subsection (h)(3) of  
6 this section is computed by adding the following amounts:

7 (1) the amount of the benefit derived from the member's  
8 credited service accrued after the date of reemployment based on  
9 the benefit accrual rate in effect on the member's last day of  
10 original or previous credited service in the group in which the  
11 member participated on the member's last day of subsequent credited  
12 service; and

13 (2) the amount of the benefit the member, beneficiary,  
14 or eligible survivor was eligible to receive based on the member's  
15 original or previous credited service and the provisions in effect  
16 on the member's last day of original or previous credited service.

17 (j) If a [the] member described by Subsection (g) of this  
18 section accrues more than two years of continuous credited service  
19 after reemployment, for purposes of future payment only, a deferred  
20 retirement pension, normal retirement pension, disability pension,  
21 or survivor benefit is computed on the basis of the applicable  
22 provisions of this Act or the predecessor system in effect on the  
23 member's last day of credited service for the subsequent service.

24 (k) Notwithstanding any other provision of this Act, if a  
25 retiree is reemployed by the city or the pension system and becomes  
26 a member, the retiree's pension under this Act ceases on the day  
27 before the date the retiree is reemployed. Payment of the pension

1 shall be suspended during the period of reemployment and may not  
2 begin until the month following the month in which the reemployed  
3 retiree subsequently terminates employment. On subsequent  
4 separation, benefits payable are computed under Subsections (h) and  
5 (j) of this section, as applicable. If the reemployed retiree  
6 receives any pension during the period of reemployment, the retiree  
7 shall return all of the pension received during that period to the  
8 pension system not later than the 30th day after the date of  
9 receipt. If the reemployed retiree does not timely return all of  
10 the pension, the pension board shall offset the amount not returned  
11 against the payment of any future retirement pension, disability  
12 pension, DROP balance, or survivor benefit payable on behalf of the  
13 reemployed retiree, plus interest on the disallowed pension at the  
14 applicable assumed rate of return, not compounded, from the date  
15 the reemployed retiree received the disallowed pension to the date  
16 of the offset on the disallowed pension.

17 (1) Except as provided by Section 14 of this Act, if [~~if~~] a  
18 member is covered by Subsection (h) of this section and has made an  
19 election or was eligible to make an election under Section 11 of  
20 this Act or an optional annuity election under Section 29, Chapter  
21 358, Acts of the 48th Legislature, Regular Session, 1943 (Article  
22 6243g, Vernon's Texas Civil Statutes), or has received a pension  
23 computed on the basis of an optional annuity election, the optional  
24 annuity election, including any designation of an eligible  
25 designated survivor, governs the payment of any pension or benefit  
26 for the period of service covered by the optional annuity election,  
27 and no other survivor benefit is payable for that period of service.

1 If a member meets the requirements of Subsection (j) of this section  
2 and has made an optional annuity election or has received a pension  
3 computed on the basis of an optional annuity election, the optional  
4 annuity election, including any designation of an eligible  
5 designated survivor, shall control the payment of any pension or  
6 benefit, and no other survivor benefit is payable unless the member  
7 elects, not later than the 90th day after the date of the separation  
8 of employment and before payment of a pension, to revoke the  
9 optional annuity election for future payment of benefits. If  
10 revocation occurs, any survivor benefit is paid under Subsection  
11 (j) of this section.

12 (q) Subsections (g) through (j) and Subsection (l) of this  
13 section do not apply:

14 (1) for an employee or elected official hired,  
15 rehired, or elected before January 1, 2005, to the period of service  
16 occurring after January 1, 2005;

17 (2) to an employee or elected official hired, rehired,  
18 or elected on or after January 1, 2005; or

19 (3) to a deferred retiree or retiree who is reemployed  
20 in a pension system covered position before January 1, 2005, for a  
21 period of two years or less of continuous credited service.

22 (r) If a deferred retiree or a retiree described by  
23 Subsection (q)(3) of this section is reemployed in a pension system  
24 covered position, the retiree's pension due on the retiree's  
25 subsequent retirement shall be computed as follows:

26 (1) the portion of the retiree's pension attributable  
27 to the retiree's periods of credited service that accrued before



1 the retiree's reemployment shall be calculated on the basis of the  
2 schedule of benefits for retiring members that was in effect at the  
3 time of the member's previous termination or terminations of  
4 employment; and

5 (2) the portion of the member's pension attributable  
6 to the member's period of credited service that accrued after the  
7 member's reemployment shall be calculated on the basis of the  
8 schedule of benefits for retiring members that is in effect at the  
9 time of the member's subsequent retirement.

10 (s) The computation under Subsection (r) of this section may  
11 not result in a lower pension benefit amount for the previous  
12 service of the retiree than the pension benefit amount the retiree  
13 was eligible to receive for the retiree's previous service before  
14 the date of reemployment.

15 SECTION 3.23. Section 18(d), Chapter 88 (H.B. 1573), Acts  
16 of the 77th Legislature, Regular Session, 2001 (Article 6243h,  
17 Vernon's Texas Civil Statutes), is amended to read as follows:

18 (d) The military service credited under Subsection (c) of  
19 this section:

20 (1) may not exceed a total of 60 months; and

21 (2) may be claimed as service solely in the group in  
22 which the member participates [~~A only if the member is a group A~~  
23 ~~member or group C member~~] at the time the member claims the service  
24 [~~and~~

25 [~~(3) may be claimed as service in group B only if the~~  
26 ~~member is a group B member at the time the member claims the~~  
27 ~~service].~~

1 SECTION 3.24. Notwithstanding Section 1(1-e), Chapter 88  
2 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001  
3 (Article 6243h, Vernon's Texas Civil Statutes), as added by this  
4 Act, the assumed rate of return for the fiscal year ending June 30,  
5 2018, is seven percent per year for purposes of Chapter 88 (H.B.  
6 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article  
7 6243h, Vernon's Texas Civil Statutes).

8 SECTION 3.25. Section 8(d), Chapter 88 (H.B. 1573), Acts of  
9 the 77th Legislature, Regular Session, 2001 (Article 6243h,  
10 Vernon's Texas Civil Statutes), is repealed.

11 SECTION 3.26. (a) The change in law made by this Act to  
12 Section 2, Chapter 88 (H.B. 1573), Acts of the 77th Legislature,  
13 Regular Session, 2001 (Article 6243h, Vernon's Texas Civil  
14 Statutes), applies only to the appointment or election of a trustee  
15 of the board of trustees of the pension system established under  
16 that law that occurs on or after the effective date of this Act.

17 (b) A person who is serving as a trustee immediately before  
18 the effective date of this Act may continue to serve for the  
19 remainder of the trustee's term, and that trustee's qualifications  
20 for serving as a trustee for that term are governed by the law in  
21 effect immediately before the effective date of this Act.

22 (c) As soon as practicable after the effective date of this  
23 Act:

24 (1) the governing body of the city under Chapter 88  
25 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001  
26 (Article 6243h, Vernon's Texas Civil Statutes), shall appoint two  
27 additional members to the board of trustees in accordance with

1 Section 2(c)(6), Chapter 88 (H.B. 1573), Acts of the 77th  
2 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas  
3 Civil Statutes), as added by this Act; and

4 (2) the board of trustees of the pension system  
5 established under Chapter 88 (H.B. 1573), Acts of the 77th  
6 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas  
7 Civil Statutes), shall adopt rules necessary to ensure the  
8 appropriate staggering of trustee terms.

9 SECTION 3.27. The pension system established under Chapter  
10 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001  
11 (Article 6243h, Vernon's Texas Civil Statutes), shall require the  
12 pension system actuary to prepare the first actuarial experience  
13 study required under Section 8D, Chapter 88 (H.B. 1573), Acts of the  
14 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's  
15 Texas Civil Statutes), as added by this Act, not later than  
16 September 30, 2021.

17 ARTICLE 4. PROVISIONS APPLICABLE TO EACH PUBLIC RETIREMENT SYSTEM  
18 SUBJECT TO ACT

19 SECTION 4.01. Chapter 107, Local Government Code, is  
20 amended by adding Section 107.0036 to read as follows:

21 Sec. 107.0036. VOTER APPROVAL REQUIRED FOR CERTAIN PENSION  
22 FUND OBLIGATIONS. (a) This section applies only to a public  
23 pension fund subject to:

24 (1) Article 6243e.2(1), Revised Statutes;

25 (2) Chapter 88 (H.B. 1573), Acts of the 77th  
26 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas  
27 Civil Statutes); and

1           (3) Article 6243g-4, Revised Statutes.

2           (b) A municipality may issue an obligation under Section  
3 107.003 to fund all or any part of the unfunded liability of a  
4 public pension fund subject to this section only if the issuance is  
5 approved by a majority of the qualified voters of the municipality  
6 voting at an election held for that purpose.

7           SECTION 4.02. Section 107.0036, Local Government Code, as  
8 added by this Act, applies only to obligations for which the  
9 governing body of a municipality executes an agreement under  
10 Section 107.003(b), Local Government Code, on or after the  
11 effective date of this Act.

12           ARTICLE 5. CONFLICTING LEGISLATION; EFFECTIVE DATE

13           SECTION 5.01. If this Act conflicts with any other Act of  
14 the 85th Legislature, Regular Session, 2017, this Act controls  
15 unless the conflict is expressly resolved by the legislature by  
16 reference to this Act.

17           SECTION 5.02. Except as otherwise provided by this Act,  
18 this Act takes effect immediately if it receives a vote of  
19 two-thirds of all the members elected to each house, as provided by  
20 Section 39, Article III, Texas Constitution. If this Act does not  
21 receive the vote necessary for immediate effect, this Act takes  
22 effect September 1, 2017.