

By: Flynn, Coleman, Murphy, Huberty

H.B. No. 43

Substitute the following for H.B. No. 43:

By: Anchia

C.S.H.B. No. 43

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), (3-d), (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), (16-a), (16-b), (16-c), (16-d), and (16-e) 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 for the fund's valuation studies or an actuarial experience study under Section 13D of this article; and

(B) other data that is reasonably necessary to implement Sections 13A through 13F 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~~

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

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

11 [~~(A) is not an eligible child; and~~  
12 [~~(B) is designated a beneficiary of a member's~~  
13 ~~DROP account by valid designation under Section 5(j-1)].~~

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

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

20 (1-e) "Assumed rate of return" means the assumed  
21 market rate of return on fund assets, which is seven percent per  
22 annum unless adjusted as provided by this article.

23 (1-f) "Average monthly salary" means, if the member  
24 has participated in the fund for:

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

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

3                   (ii) the member began participation in the  
4 DROP, divided by 36; or

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

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

14                   (1-g) "Beneficiary adult child" means a child of a  
15 member by birth or adoption who:

16                           (A) is not an eligible child; and

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

19                   (3) "Code" means the federal Internal Revenue Code of  
20 1986, as amended.

21                   (3-a) "Confidentiality agreement" means a letter  
22 agreement sent from the municipal actuary or an independent actuary  
23 in which the municipal actuary or the independent actuary, as  
24 applicable, agrees to comply with the confidentiality provisions of  
25 this article.

26                   (3-b) "Corridor" means the range of municipal  
27 contribution rates that are:

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

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

5           (3-c) "Corridor margin" means five percentage points.

6           (3-d) "Corridor midpoint" means the projected  
7 municipal contribution rate specified for each fiscal year for 31  
8 years in the initial risk sharing valuation study under Section 13C  
9 of this article, and as may be adjusted under Section 13E or 13F of  
10 this article, and in each case rounded to the nearest hundredths  
11 decimal place.

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

14           (10-b) "Estimated municipal contribution rate" means  
15 the municipal contribution rate estimated in a final risk sharing  
16 valuation study under Section 13B or 13C of this article, as  
17 applicable, as required by Section 13B(a)(5) of this article.

18           (11-a) "Fiscal year," except as provided by Section 1B  
19 of this article, means a fiscal year beginning on July 1 and ending  
20 on June 30.

21           (12-a) "Funded ratio" means the ratio of the fund's  
22 actuarial value of assets divided by the fund's actuarial accrued  
23 liability.

24           (12-b) "Legacy liability" means the unfunded  
25 actuarial accrued liability:

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

1                   (i) changes to benefits or contributions  
2 under this article that took effect on the year 2017 effective date;  
3 and

4                   (ii) payments by the municipality and  
5 earnings at the assumed rate of return allocated to the legacy  
6 liability from July 1, 2016, to July 1, 2017, excluding July 1,  
7 2017; and

8                   (B) for each subsequent fiscal year:

9                   (i) reduced by the contributions for that  
10 year allocated to the amortization of the legacy liability; and

11                   (ii) adjusted by the assumed rate of  
12 return.

13                   (12-c) "Level percent of payroll method" means the  
14 amortization method that defines the amount of the liability layer  
15 recognized each fiscal year as a level percent of pensionable  
16 payroll until the amount of the liability layer remaining is  
17 reduced to zero.

18                   (12-d) "Liability gain layer" means a liability layer  
19 that decreases the unfunded actuarial accrued liability.

20                   (12-e) "Liability layer" means the legacy liability  
21 established in the initial risk sharing valuation study under  
22 Section 13C of this article and the unanticipated change as  
23 established in each subsequent risk sharing valuation study  
24 prepared under Section 13B of this article.

25                   (12-f) "Liability loss layer" means a liability layer  
26 that increases the unfunded actuarial accrued liability. For  
27 purposes of this article, the legacy liability is a liability loss

1 layer.

2 (12-g) "Maximum contribution rate" means the rate  
3 equal to the corridor midpoint plus the corridor margin.

4 (13-a) "Minimum contribution rate" means the rate  
5 equal to the corridor midpoint minus the corridor margin [~~"Normal~~  
6 ~~retirement age" means the earlier of:~~

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

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

11 (13-b) "Municipality" means a municipality in this  
12 state having a population of more than 2 million.

13 (13-c) "Municipal contribution rate" means a percent  
14 of pensionable payroll that is the sum of the employer normal cost  
15 rate and the amortization rate for liability layers, excluding the  
16 legacy liability, except as determined otherwise under the express  
17 provisions of Sections 13E and 13F of this article.

18 (13-d) "Normal cost rate" means the salary weighted  
19 average of the individual normal cost rates determined for the  
20 current active population plus an allowance for projected  
21 administrative expenses. The allowance for projected  
22 administrative expenses equals the administrative expenses divided  
23 by the pensionable payroll for the previous fiscal year, provided  
24 the administrative allowance may not exceed 1.25 percent of the  
25 pensionable payroll for the current fiscal year unless agreed to by  
26 the municipality.

27 (13-e) "Normal retirement age" means:

1           (A) for a member, including a member who was  
2 hired before the year 2017 effective date and who involuntarily  
3 separated from service but has been retroactively reinstated in  
4 accordance with an arbitration, civil service, or court ruling,  
5 hired before the year 2017 effective date, the age at which the  
6 member attains 20 years of service; or

7           (B) except as provided by Paragraph (A) of this  
8 subdivision, for a member hired or rehired on or after the year 2017  
9 effective date, the age at which the sum of the member's age, in  
10 years, and the member's years of participation in the fund equals at  
11 least 70.

12           (15-a) "Payoff year" means the year a liability layer  
13 is fully amortized under the amortization period. A payoff year may  
14 not be extended or accelerated for a period that is less than one  
15 month. [~~"PROP" means the post-retirement option plan under Section~~  
16 5A of this article.]

17           (15-b) "Pensionable payroll" means the aggregate  
18 salary of all the firefighters on active service in an applicable  
19 fiscal year [~~"PROP account" means the notional account established~~  
20 to reflect the credits and contributions of a member or surviving  
21 spouse who has made a PROP election in accordance with Section 5A of  
22 this article].

23           (15-c) "Price inflation assumption" means:

24           (A) the most recent headline consumer price index  
25 10-year forecast published in the Federal Reserve Bank of  
26 Philadelphia Survey of Professional Forecasters; or

27           (B) if the forecast described by Paragraph (A) of

1 this subdivision is not available, another standard as determined  
2 by mutual agreement between the municipality and the board.

3 (15-d) "Projected pensionable payroll" means the  
4 estimated pensionable payroll for the fiscal year beginning 12  
5 months after the date of the risk sharing valuation study prepared  
6 under Section 13B of this article at the time of calculation by:

7 (A) projecting the prior fiscal year's  
8 pensionable payroll forward two years using the current payroll  
9 growth rate assumptions; and

10 (B) adjusting, if necessary, for changes in  
11 population or other known factors, provided those factors would  
12 have a material impact on the calculation, as determined by the  
13 board.

14 (15-e) "PROP" means the post-retirement option plan  
15 under Section 5A of this article.

16 (15-f) "PROP account" means the notional account  
17 established to reflect the credits and contributions of a member or  
18 surviving spouse who made a PROP election in accordance with  
19 Section 5A of this article before the year 2017 effective date.

20 (16) "Salary" means wages as defined by Section  
21 3401(a) of the code, [~~the amounts includable in gross income of a~~  
22 ~~member~~] plus any amount not includable in gross income under  
23 Section 104(a)(1), Section 125, Section 132(f), Section 402(g)(2)  
24 [~~402(e)(3) or (h)~~], Section 457 [~~403(b)~~], or Section 414(h)(2)  
25 [~~414(h)~~] of the code, except that with respect to amounts earned on  
26 or after the year 2017 effective date, salary excludes overtime pay  
27 received by a member or the amount by which the salary earned by a



1 member on the basis of the member's appointed position exceeds the  
2 salary of the member's highest tested rank.

3 (16-a) "Third quarter line rate" means the corridor  
4 midpoint plus 2.5 percentage points.

5 (16-b) "Ultimate entry age normal" means an actuarial  
6 cost method under which a calculation is made to determine the  
7 average uniform and constant percentage rate of contributions that,  
8 if applied to the compensation of each member during the entire  
9 period of the member's anticipated covered service, would be  
10 required to meet the cost of all benefits payable on the member's  
11 behalf based on the benefits provisions for newly hired employees.  
12 For purposes of this definition, the actuarial accrued liability  
13 for each member is the difference between the member's present  
14 value of future benefits based on the tier of benefits that apply to  
15 the member and the member's present value of future normal costs  
16 determined using the normal cost rate.

17 (16-c) "Unfunded actuarial accrued liability" means  
18 the difference between the actuarial accrued liability and the  
19 actuarial value of assets. For purposes of this definition:

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

25 (B) "actuarial value of assets" means the value  
26 of fund investments as calculated using the asset smoothing method  
27 used in the risk sharing valuation study prepared under Section 13B

1 or 13C of this article, as applicable.

2 (16-d) "Unanticipated change" means, with respect to  
3 the unfunded actuarial accrued liability in each subsequent risk  
4 sharing valuation study prepared under Section 13B of this article,  
5 the difference between:

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

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

11 (16-e) "Year 2017 effective date" means the date on  
12 which H.B. No. 43, Acts of the 85th Legislature, Regular Session,  
13 2017, took effect.

14 SECTION 1.02. Article 6243e.2(1), Revised Statutes, is  
15 amended by adding Sections 1A, 1B, and 1C to read as follows:

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

19 (1) relieve the municipality, the board, or the fund  
20 of their respective obligations under Sections 13A through 13F of  
21 this article;

22 (2) reduce or modify the rights of the municipality,  
23 the board, or the fund, including any officer or employee of the  
24 municipality, board, or fund, to enforce obligations described by  
25 Subdivision (1) of this section;

26 (3) relieve the municipality, including any official  
27 or employee of the municipality, from:

1           (A) paying or directing to pay required  
2 contributions to the fund under Section 13 or 13A of this article or  
3 carrying out the provisions of Sections 13A through 13F of this  
4 article; or

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

8           (4) relieve the board or fund, including any officer  
9 or employee of the board or fund, from any obligation to implement a  
10 benefit change or carry out the provisions of Sections 13A through  
11 13F of this article; or

12           (5) reduce or modify the rights of the municipality  
13 and any officer or employee of the municipality to enforce an  
14 obligation described by Subdivision (4) of this section.

15           Sec. 1B. FISCAL YEAR. If either the fund or the  
16 municipality changes its respective fiscal year, the fund and the  
17 municipality may enter into a written agreement to change the  
18 fiscal year for purposes of this article. If the fund and  
19 municipality enter into an agreement described by this section, the  
20 parties shall, in the agreement, adjust the provisions of Sections  
21 13A through 13F of this article to reflect that change.

22           Sec. 1C. CONFLICT OF LAW. To the extent of a conflict  
23 between this article and any other law, this article prevails.

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

27           (b) The board of trustees of the fund shall be known as the

1 "(name of municipality) Firefighters' Relief and Retirement Fund  
2 Board of Trustees" and the fund shall be known as the "(name of  
3 municipality) Firefighters' Relief and Retirement Fund." The board  
4 consists of 10 trustees, including:

5 (1) the mayor or an appointed representative of the  
6 mayor;

7 (2) the director of finance or the director of  
8 finance's designee [~~treasurer~~] of the municipality or, if there is  
9 not a director of finance [~~treasurer~~], the highest ranking employee  
10 of the municipality, excluding elected officials, with  
11 predominately financial responsibilities, as determined by the  
12 mayor, or that employee's designee [~~secretary, clerk, or other~~  
13 ~~person who by law, charter provision, or ordinance performs the~~  
14 ~~duty of treasurer of the municipality~~];

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

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

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

22 (t) The officers and employees of the municipality are fully  
23 protected and free of liability for any action taken or omission  
24 made or any action or omission suffered by them in good faith,  
25 objectively determined, in the performance of their duties related  
26 to the fund. The protection from liability provided by this  
27 subsection is cumulative of and in addition to any other

1 constitutional, statutory, or common law official or governmental  
2 immunity, defense, and civil or procedural protection provided to  
3 the municipality as a governmental entity and to a municipal  
4 official or employee as an official or employee of a governmental  
5 entity. Except for a waiver expressly provided by this article,  
6 this article does not grant an implied waiver of any immunity.

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

9 Sec. 2A. QUALIFICATIONS OF MUNICIPAL ACTUARY. (a) An  
10 actuary hired by the municipality for purposes of this article must  
11 be an actuary from a professional service firm who:

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

18 (2) has a minimum of 10 years of professional  
19 actuarial experience; and

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

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

27 Sec. 2B. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT

1 CONSULTANT. At least once every three years, the board shall hire  
2 an independent investment consultant to conduct a review of fund  
3 investments and submit a report to the board and the municipality  
4 concerning the review or demonstrate in the fund's annual financial  
5 report that the review was conducted. The independent investment  
6 consultant shall review and report on at least the following:

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

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

13 (3) the fund's portfolio structure, including the  
14 fund's need for liquidity, cash income, real return, and inflation  
15 protection and the active, passive, or index approaches for  
16 different portions of the portfolio;

17 (4) investment manager performance reviews and an  
18 evaluation of the processes used to retain and evaluate managers;

19 (5) benchmarks used for each asset class and  
20 individual manager;

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

22 (7) an evaluation of any leverage, foreign exchange,  
23 or other hedging transaction; and

24 (8) an evaluation of investment-related disclosures  
25 in the fund's annual reports.

26 SECTION 1.05. Section 3(d), Article 6243e.2(1), Revised  
27 Statutes, is amended to read as follows:

1 (d) The board may have an actuarial valuation performed each  
2 year, and for determining the municipality's contribution rate as  
3 provided by Section 13A [~~13(d)~~] of this article, the board may adopt  
4 a new actuarial valuation each year[, ~~except that an actuarial~~  
5 ~~valuation that will result in an increased municipal contribution~~  
6 ~~rate that is above the statutory minimum may be adopted only once~~  
7 ~~every three years, unless the governing body of the municipality~~  
8 ~~consents to a more frequent increase].~~

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

11 Sec. 3A. CERTAIN ALTERATIONS BY LOCAL AGREEMENT. (a)  
12 Except as provided by Subsection (b) of this section, the board is  
13 authorized, on behalf of the members or beneficiaries of the fund,  
14 to alter benefit types or amounts, the means of determining  
15 contribution rates, or the contribution rates provided under this  
16 article if the alteration is included in a written agreement  
17 between the board and the municipality. An agreement entered into  
18 under this section:

19 (1) must:

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

24 (B) operate prospectively only; and

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

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

3           (1) fundamentally alter Sections 13A through 13F of  
4 this article;

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

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

11           (4) allow a municipal contribution rate in any year  
12 that is less than or greater than the municipal contribution rate  
13 required under Section 13E or 13F of this article, as applicable.

14       (c) If the board is directed or authorized in Sections 13A  
15 through 13F of this article to effect an increase or decrease to  
16 benefits or contributions, this article delegates the authority to  
17 alter provisions concerning benefits and contributions otherwise  
18 stated in this article in accordance with the direction or  
19 authorization only to the extent the alteration is set forth in an  
20 order or other written instrument and is consistent with this  
21 section, the code, and other applicable federal law and  
22 regulations. The order or other written instrument must be  
23 included in each applicable risk sharing valuation study under  
24 Section 13B or 13C of this article, as applicable, adopted by the  
25 board, and published in a manner that makes the order or other  
26 written instrument accessible to the members.

27       SECTION 1.07. Section 4, Article 6243e.2(1), Revised



1 Statutes, is amended by amending Subsections (a), (b), and (d) and  
2 adding Subsections (b-1) and (b-2) to read as follows:

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

7 (1) hired as a firefighter before the year 2017  
8 effective date, including a member who was hired before the year  
9 2017 effective date and who involuntarily separated from service  
10 but has been retroactively reinstated in accordance with an  
11 arbitration, civil service, or court ruling, at the age at which the  
12 member attains 20 years of service; and

13 (2) except as provided by Subdivision (1) of this  
14 subsection and subject to Subsection (b-2) of this section, hired  
15 or rehired as a firefighter on or after the year 2017 effective  
16 date, when the sum of the member's age in years and the member's  
17 years of participation in the fund equals at least 70.

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

20 (1) Subsection (a)(1) of this section is equal to the  
21 sum of:

22 (A) the member's accrued monthly service pension  
23 based on the member's years of participation before the year 2017  
24 effective date, determined under the law in effect on the date  
25 immediately preceding the year 2017 effective date;

26 (B) 2.75 percent of the member's average monthly  
27 salary multiplied by the member's years of participation on or

1 after the year 2017 effective date, for each year or partial year of  
2 participation of the member's first 20 years of participation; and

3 (C) two percent of the member's average monthly  
4 salary multiplied by the member's years of participation on or  
5 after the year 2017 effective date, for each year or partial year of  
6 participation on or after the year 2017 effective date that  
7 occurred after the 20 years of participation described by Paragraph  
8 (B) of this subdivision; and

9 (2) Subsection (a)(2) of this section is equal to the  
10 sum of:

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

14 (B) two percent of the member's average monthly  
15 salary multiplied by the member's years or partial years of  
16 participation for all years of participation that occurred after  
17 the 20 years of participation described by Paragraph (A) of this  
18 subdivision.

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

22 (b-2) A member's monthly service pension under Subsection  
23 (a)(2) of this section may not exceed 80 percent of the member's  
24 average monthly salary [~~A member who terminates active service on~~  
25 ~~or after November 1, 1997, and who has completed at least 20 years~~  
26 ~~of participation in the fund on the effective date of termination of~~  
27 ~~service is entitled to a monthly service pension, beginning after~~

1 ~~the effective date of termination of active service, in an amount~~  
2 ~~equal to 50 percent of the member's average monthly salary, plus~~  
3 ~~three percent of the member's average monthly salary for each year~~  
4 ~~of participation in excess of 20 years, but not in excess of 30~~  
5 ~~years of participation, for a maximum total benefit of 80 percent of~~  
6 ~~the member's average monthly salary].~~

7 (d) The total monthly benefit payable to a retired or  
8 disabled member, other than a deferred retiree or active member who  
9 has elected the DROP under Section 5(b) of this article, or payable  
10 to an eligible survivor of a deceased member as provided by Section  
11 7(a) or 7(b) of this article, shall be increased by the following  
12 amounts: by \$100, beginning with the monthly payment made for July  
13 1999; by \$25, beginning with the monthly payment made for July,  
14 2000; and by \$25, beginning with the monthly payment made for July  
15 2001. These additional benefits may not be increased under Section  
16 11(c), (c-1), or (c-2) of this article.

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

21 (a) A member who is eligible to receive a service pension  
22 under Section 4(a)(1) [4] of this article and who remains in active  
23 service may elect to participate in the deferred retirement option  
24 plan provided by this section. A member who is eligible to receive  
25 a service pension under Section 4(a)(2) of this article may not  
26 elect to participate in the deferred retirement option plan  
27 provided by this section. On subsequently terminating active

1 service, a member who elected the DROP may apply for a monthly  
2 service pension under Section 4 of this article, except that the  
3 effective date of the member's election to participate in the DROP  
4 will be considered the member's retirement date for determining the  
5 amount of the member's monthly service pension. The member may  
6 also apply for any DROP benefit provided under this section on  
7 terminating active service. An election to participate in the  
8 DROP, once approved by the board, is irrevocable.

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

26 (b) A member may elect to participate in the DROP by  
27 complying with the election process established by the board. The

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

16 (b-1) On or after the year 2017 effective date, an active  
17 [A] member may not participate in the DROP for more than 13 [10]  
18 years. If a DROP participant remains in active service after the  
19 13th [10th] anniversary of the effective date of the member's DROP  
20 election:

21 (1) [7] subsequent deductions from the member's salary  
22 under Section 13(c) of this article may not be credited to the  
23 member's DROP account; and

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

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

11           (d) A member's DROP account shall be credited with earnings  
 12 at an annual rate equal to 65 percent of the compounded average  
 13 annual return earned by the fund over the five years preceding, but  
 14 not including, the year during which the credit is given.  
 15 Notwithstanding the preceding, however, the credit to the member's  
 16 DROP account shall be at an annual rate of not less than 2.5 [~~five~~]  
 17 percent [~~nor greater than 10 percent~~], irrespective of actual  
 18 earnings.

19           (d-1) Earnings credited to a member's DROP account under  
 20 Subsection (d) of this section [~~These earnings~~] shall be computed  
 21 and credited at a time and in a manner determined by the board,  
 22 except that earnings shall be credited not less frequently than  
 23 once in each 13-month period and shall take into account partial  
 24 years of participation in the DROP [~~. If the member has not~~  
 25 ~~terminated active service, the member's DROP account may not be~~  
 26 ~~credited with earnings after the 10th anniversary of the effective~~  
 27 ~~date of the member's DROP election~~].

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

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

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

21       SECTION 1.09. Section 5A, Article 6243e.2(1), Revised  
22 Statutes, is amended by adding Subsection (o) to read as follows:

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

25       (1) a PROP participant may not have any additional  
26 amounts that the participant would otherwise receive as a monthly  
27 service pension or other benefits under this article credited to

1 the participant's PROP account; and

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

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

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

18 (b) In lieu of the deferred pension benefit provided under  
19 Subsection (a) of this section, a member who terminates active  
20 service for any reason other than death with at least 10 years of  
21 participation, but less than 20 years of participation, may elect  
22 to receive a lump-sum refund of the member's contributions to the  
23 fund with interest computed at five percent, not compounded, for  
24 the member's contributions to the fund made before the year 2017  
25 effective date and without interest for the member's contributions  
26 to the fund made on or after the year 2017 effective date. A  
27 member's election to receive a refund of contributions must be made



1 on a form approved by the board. The member's refund shall be paid  
2 as soon as administratively practicable after the member's election  
3 is received.

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

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

17 (c) Subject to Subsection (c-3) of this section and except  
18 as provided by Subsection (c-4) of this section, beginning with the  
19 fiscal year ending June 30, 2021, the [The] benefits, including  
20 survivor benefits, payable based on the service of a member who has  
21 terminated active service and who is or would have been at least 55  
22 [48] years old, received or is receiving an on-duty disability  
23 pension under Section 6(c) of this article, or died under the  
24 conditions described by Section 7(c) of this article, shall be  
25 increased [by three percent] in October of each year by a percentage  
26 rate equal to the most recent five fiscal years' smoothed return, as  
27 determined by the fund actuary, minus 500 basis points [and, if the

1 ~~benefit had not previously been subject to that adjustment, in the~~  
2 ~~month of the member's 48th birthday].~~

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

15 (c-2) Subject to Subsection (c-3) of this section and except  
16 as provided by Subsection (c-4) of this section, for the fund's  
17 fiscal year ending June 30, 2020, members described by Subsection  
18 (c-1) of this section shall receive the increase provided under  
19 Subsection (c) of this section.

20 (c-3) The percentage rate prescribed by Subsections (c),  
21 (c-1), and (c-2) of this section may not be less than zero percent  
22 or more than four percent, irrespective of the return rate of the  
23 fund's investment portfolio.

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

1 member participates in the DROP.

2 SECTION 1.12. The heading to Section 13, Article  
3 6243e.2(1), Revised Statutes, is amended to read as follows:

4 Sec. 13. MEMBERSHIP AND MEMBER CONTRIBUTIONS.

5 SECTION 1.13. Section 13(c), Article 6243e.2(1), Revised  
6 Statutes, is amended to read as follows:

7 (c) Subject to adjustments authorized by Section 13E or 13F  
8 of this article, each [~~Each~~] member in active service shall make  
9 contributions to the fund in an amount equal to 10.5 [~~8.35~~] percent  
10 of the member's salary at the time of the contribution[~~, and as of~~  
11 ~~July 1, 2004, in an amount equal to nine percent of the member's~~  
12 ~~salary at the time of the contribution~~]. The governing body of the  
13 municipality shall deduct the contributions from the member's  
14 salary and shall forward the contributions to the fund as soon as  
15 practicable.

16 SECTION 1.14. Article 6243e.2(1), Revised Statutes, is  
17 amended by adding Sections 13A, 13B, 13C, 13D, 13E, 13F, and 13G to  
18 read as follows:

19 Sec. 13A. MUNICIPAL CONTRIBUTIONS. (a) Beginning with the  
20 year 2017 effective date, the municipality shall make contributions  
21 to the fund as provided by this section and Section 13B, 13C, 13E,  
22 or 13F of this article, as applicable. The municipality shall  
23 contribute:

24 (1) beginning with the year 2017 effective date and  
25 ending with the fiscal year ending June 30, 2018, an amount equal to  
26 the municipal contribution rate, as determined in the initial risk  
27 sharing valuation study conducted under Section 13C of this article

1 and adjusted under Section 13E or 13F of this article, as  
2 applicable, multiplied by the pensionable payroll for the fiscal  
3 year; and

4 (2) for each fiscal year after the fiscal year ending  
5 June 30, 2018, an amount equal to the municipal contribution rate,  
6 as determined in a subsequent risk sharing valuation study  
7 conducted under Section 13B of this article and adjusted under  
8 Section 13E or 13F of this article, as applicable, multiplied by the  
9 pensionable payroll for the applicable fiscal year.

10 (b) Except by written agreement between the municipality  
11 and the board providing for an earlier contribution date, at least  
12 biweekly, the municipality shall make the contributions required by  
13 Subsection (a) of this section by depositing with the fund an amount  
14 equal to the municipal contribution rate multiplied by the  
15 pensionable payroll for the applicable biweekly period.

16 (c) With respect to each fiscal year:

17 (1) the first contribution by the municipality under  
18 this section for the fiscal year shall be made not later than the  
19 date payment is made to firefighters for their first full biweekly  
20 pay period beginning on or after the first day of the fiscal year;  
21 and

22 (2) the final contribution by the municipality under  
23 this section for the fiscal year shall be made not later than the  
24 date payment is made to firefighters for the final biweekly pay  
25 period of the fiscal year.

26 (d) In addition to the amounts required under this section,  
27 the municipality may at any time contribute additional amounts for

1 deposit in the fund by entering into a written agreement with the  
2 board.

3 Sec. 13B. RISK SHARING VALUATION STUDIES. (a) The fund and  
4 the municipality shall separately cause their respective actuaries  
5 to prepare a risk sharing valuation study in accordance with this  
6 section and actuarial standards of practice. A risk sharing  
7 valuation study must:

8 (1) be dated as of the first day of the fiscal year in  
9 which the study is required to be prepared;

10 (2) be included in the fund's standard valuation study  
11 prepared annually for the fund;

12 (3) calculate the unfunded actuarial accrued  
13 liability of the fund;

14 (4) be based on actuarial data provided by the fund  
15 actuary or, if actuarial data is not provided, on estimates of  
16 actuarial data;

17 (5) estimate the municipal contribution rate, taking  
18 into account any adjustments required under Section 13E or 13F of  
19 this article for all applicable prior fiscal years;

20 (6) subject to Subsection (g) of this section, be  
21 based on the following assumptions and methods that are consistent  
22 with actuarial standards of practice:

23 (A) an ultimate entry age normal actuarial  
24 method;

25 (B) for purposes of determining the actuarial  
26 value of assets:

27 (i) except as provided by Subparagraph (ii)

1 of this paragraph and Section 13E(c)(1) or 13F(c)(2) of this  
2 article, an asset smoothing method recognizing actuarial losses and  
3 gains over a five-year period applied prospectively beginning on  
4 the year 2017 effective date; and

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

8 (C) closed layered amortization of liability  
9 layers to ensure that the amortization period for each layer begins  
10 12 months after the date of the risk sharing valuation study in  
11 which the liability layer is first recognized;

12 (D) each liability layer is assigned an  
13 amortization period;

14 (E) each liability loss layer amortized over a  
15 period of 30 years from the first day of the fiscal year beginning  
16 12 months after the date of the risk sharing valuation study in  
17 which the liability loss layer is first recognized, except that the  
18 legacy liability must be amortized from July 1, 2016, for a 30-year  
19 period beginning July 1, 2017;

20 (F) the amortization period for each liability  
21 gain layer being:

22 (i) equal to the remaining amortization  
23 period on the largest remaining liability loss layer and the two  
24 layers must be treated as one layer such that if the payoff year of  
25 the liability loss layer is accelerated or extended, the payoff  
26 year of the liability gain layer is also accelerated or extended; or

27 (ii) if there is no liability loss layer, 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 gain layer is first recognized;

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

6 (H) the assumed rate of return, subject to  
7 adjustment under Section 13E(c)(2) of this article or, if Section  
8 13C(g) of this article applies, adjustment in accordance with a  
9 written agreement, except the assumed rate of return may not exceed  
10 seven percent per annum;

11 (I) the price inflation assumption as of the most  
12 recent actuarial experience study, which may be reset by the board  
13 by plus or minus 50 basis points based on that actuarial experience  
14 study;

15 (J) projected salary increases and payroll  
16 growth rate set in consultation with the municipality's finance  
17 director; and

18 (K) payroll for purposes of determining the  
19 corridor midpoint and municipal contribution rate must be projected  
20 using the annual payroll growth rate assumption; and

21 (7) be revised and restated, if appropriate, not later  
22 than:

23 (A) the date required by a written agreement  
24 entered into between the municipality and the board; or

25 (B) the 30th day after the date required action  
26 is taken by the board under Section 13E or 13F of this article to  
27 reflect any changes required by either section.

1       (b) As soon as practicable after the end of a fiscal year,  
2 the fund actuary at the direction of the fund and the municipal  
3 actuary at the direction of the municipality shall separately  
4 prepare a proposed risk sharing valuation study based on the fiscal  
5 year that just ended.

6       (c) Not later than September 30 following the end of the  
7 fiscal year, the fund shall provide to the municipal actuary, under  
8 a confidentiality agreement in which the municipal actuary agrees  
9 to comply with the confidentiality provisions of Section 17 of this  
10 article, the actuarial data described by Subsection (a)(4) of this  
11 section.

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

14             (1) the fund actuary, at the direction of the fund,  
15 shall provide the proposed risk sharing valuation study prepared by  
16 the fund actuary under Subsection (b) of this section to the  
17 municipal actuary; and

18             (2) the municipal actuary, at the direction of the  
19 municipality, shall provide the proposed risk sharing valuation  
20 study prepared by the municipal actuary under Subsection (b) of  
21 this section to the fund actuary.

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

25       (f) If, after exchanging proposed risk sharing valuation  
26 studies under Subsection (d) of this section, it is found that the  
27 difference between the estimated municipal contribution rate



1 recommended in the proposed risk sharing valuation study prepared  
2 by the fund actuary and the estimated municipal contribution rate  
3 recommended in the proposed risk sharing valuation study prepared  
4 by the municipal actuary for the corresponding fiscal year is:

5           (1) less than or equal to two percentage points, the  
6 estimated municipal contribution rate recommended by the fund  
7 actuary will be the estimated municipal contribution rate for  
8 purposes of Subsection (a)(5) of this section, and the proposed  
9 risk sharing valuation study prepared for the fund is considered to  
10 be the final risk sharing valuation study for the fiscal year for  
11 the purposes of this article; or

12           (2) greater than two percentage points, the municipal  
13 actuary and the fund actuary shall have 20 business days to  
14 reconcile the difference, provided that, without the mutual  
15 agreement of both actuaries, the difference in the estimated  
16 municipal contribution rate recommended by the municipal actuary  
17 and the estimated municipal contribution rate recommended by the  
18 fund actuary may not 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) subject to any adjustments under  
23 Section 13E or 13F of this article, as applicable, the estimated  
24 municipal contribution rate proposed under the reconciliation by  
25 the fund actuary will be the estimated municipal contribution rate  
26 for purposes of Subsection (a)(5) of this section; and

27                           (ii) the fund's risk sharing valuation

1 study is considered to be the final risk sharing valuation study for  
2 the fiscal year for the purposes of this article; or

3 (B) if, after 20 business days, the fund actuary  
4 and the municipal actuary are not able to reach a reconciliation  
5 that reduces the difference to an amount less than or equal to two  
6 percentage points, subject to any adjustments under Section 13E or  
7 13F of this article, as applicable:

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

14 (ii) not later than the 90th day before the  
15 first day of the next fiscal year, the finance director and the  
16 executive director shall execute a joint addendum to the final risk  
17 sharing valuation study received under Subparagraph (i) of this  
18 paragraph that is a part of the final risk sharing valuation study  
19 for the fiscal year for all purposes and reflects the arithmetic  
20 average of the estimated municipal contribution rates for the  
21 fiscal year stated by the municipal actuary and the fund actuary in  
22 the final risk sharing valuation study for purposes of Subsection  
23 (a)(5) of this section.

24 (g) The assumptions and methods used and the types of  
25 actuarial data and financial information used to prepare the  
26 initial risk sharing valuation study under Section 13C of this  
27 article shall be used to prepare each subsequent risk sharing

1 valuation study under this section, unless changed based on the  
2 actuarial experience study conducted under Section 13D of this  
3 article.

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

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

12 (1) except as otherwise provided by this section, be  
13 prepared in accordance with Section 13B of this article and, for  
14 purposes of Section 13B(a)(4) of this article, be based on  
15 actuarial data as of June 30, 2016, or, if actuarial data is not  
16 provided, on estimates of actuarial data; and

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

19 (b) If the initial risk sharing valuation study has not been  
20 prepared consistent with this section before the year 2017  
21 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 necessary actuarial data  
25 used by the fund actuary to prepare the proposed initial risk  
26 sharing valuation study; and

27 (2) not later than the 30th day after the date the

1 municipal actuary receives the actuarial data:

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

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

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

16 (1) less than or equal to two percentage points, the  
17 estimated municipal contribution rate for that fiscal year  
18 recommended by the fund actuary will be the estimated municipal  
19 contribution rate for purposes of Section 13B(a)(5) of this  
20 article; or

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

24 (A) if, as a result of reconciliation efforts  
25 under this subdivision, the difference in any fiscal year is  
26 reduced to less than or equal to two percentage points, the  
27 estimated municipal contribution rate recommended by the fund

1 actuary for that fiscal year will be the estimated municipal  
2 contribution rate for purposes of Section 13B(a)(5) of this  
3 article; or

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

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

14 (ii) the finance director and the executive  
15 director shall execute a joint addendum to the final initial risk  
16 sharing valuation study that is a part of each final initial risk  
17 sharing valuation study for all purposes and that reflects the  
18 arithmetic average of the estimated municipal contribution rate for  
19 each fiscal year in which the difference was greater than two  
20 percentage points for purposes of Section 13B(a)(5) of this  
21 article.

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

24 (1) adjust the actuarial value of assets to be equal to  
25 the market value of assets as of July 1, 2016; and

26 (2) assume benefit and contribution changes under this  
27 article as of the year 2017 effective date.

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

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

18       (g) The municipality and the board may agree on a written  
19 transition plan for resetting the corridor midpoint:

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

22               (2) for any fiscal year after the payoff year of the  
23 legacy liability.

24       (h) If the municipality and the board have not entered into  
25 an agreement described by Subsection (g) of this section in a given  
26 fiscal year, the corridor midpoint will be the corridor midpoint  
27 determined for the 31st fiscal year in the initial risk sharing

1 valuation study prepared in accordance with this section.

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

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

16 (b) Except as otherwise expressly provided by Sections  
17 13B(a)(6)(A)-(I) of this article, actuarial assumptions and  
18 methods used in the preparation of a risk sharing valuation study,  
19 other than the initial risk sharing valuation study, shall be based  
20 on the results of the most recent actuarial experience study.

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

26 (1) all assumptions and methods recommended by the  
27 fund actuary; and

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

3           (d) Not later than the 60th day after the date the  
4 municipality receives the final draft of the fund's actuarial  
5 experience study under Subsection (c) of this section, the  
6 municipal actuary and fund actuary shall confer and cooperate on  
7 reconciling and producing a final actuarial experience study.  
8 During the period prescribed by this subsection, the fund actuary  
9 may modify the recommended assumptions in the draft actuarial  
10 experience study to reflect any changes to assumptions and methods  
11 to which the fund actuary and the municipal actuary agree.

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

18           (f) The municipal actuary at the direction of the  
19 municipality shall provide in writing to the fund actuary and the  
20 fund:

21           (1) any assumptions and methods recommended by the  
22 municipal actuary that differ from the assumptions and methods  
23 recommended by the fund actuary; and

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

27           (g) Not later than the 30th day after the date the fund



1 actuary receives the municipal actuary's written recommended  
2 assumptions and methods and rationale under Subsection (f) of this  
3 section, the fund shall provide a written response to the  
4 municipality identifying any assumption or method recommended by  
5 the municipal actuary that the fund does not accept. If any  
6 assumption or method is not accepted, the fund shall recommend to  
7 the municipality the names of three independent actuaries for  
8 purposes of this section.

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

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

18 (2) is a member of the American Academy of Actuaries;  
19 and

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

23 (i) Not later than the 20th day after the date the  
24 municipality receives the list of three independent actuaries under  
25 Subsection (g) of this section, the municipality shall identify and  
26 the fund shall hire one of the listed independent actuaries on terms  
27 acceptable to the municipality and the fund to perform a scope of

1 work acceptable to the municipality and the fund. The municipality  
2 and the fund each shall pay 50 percent of the cost of the  
3 independent actuary engaged under this subsection. The  
4 municipality shall be provided the opportunity to participate in  
5 any communications between the independent actuary and the fund  
6 concerning the engagement, engagement terms, or performance of the  
7 terms of the engagement.

8 (j) The independent actuary engaged under Subsection (i) of  
9 this section shall receive on request from the municipality or the  
10 fund:

11 (1) the fund's draft actuarial experience study,  
12 including all assumptions and methods recommended by the fund  
13 actuary;

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

16 (3) the municipal actuary's specific recommended  
17 assumptions and methods together with the municipal actuary's  
18 written rationale for each recommendation;

19 (4) the fund actuary's written rationale for its  
20 recommendations; and

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

25 (k) Not later than the 30th day after the date the  
26 independent actuary receives all the requested information under  
27 Subsection (j) of this section, the independent actuary shall

1 advise the fund and the municipality whether it agrees with the  
2 assumption or method recommended by the municipal actuary or the  
3 corresponding method or assumption recommended by the fund actuary,  
4 together with the independent actuary's rationale for making the  
5 determination. During the period prescribed by this subsection,  
6 the independent actuary may discuss recommendations in  
7 simultaneous consultation with the fund actuary and the municipal  
8 actuary.

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

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

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

1       Sec. 13E. MUNICIPAL CONTRIBUTION RATE WHEN ESTIMATED  
2 MUNICIPAL CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT;  
3 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs  
4 the determination of the municipal contribution rate applicable in  
5 a fiscal year if the estimated municipal contribution rate is lower  
6 than the corridor midpoint.

7       (b) If the funded ratio is:

8           (1) less than 90 percent, the municipal contribution  
9 rate for the fiscal 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 (e) of this  
16 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 90 percent;  
5 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 90 percent.

16 (f) If any member contribution reduction or benefit  
17 increase under Subsection (e) of this section has occurred within  
18 the previous three fiscal years, the board may not make additional  
19 adjustments to benefits, and the municipal contribution rate must  
20 be set to equal the minimum 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 is equal  
26 to or greater than the corridor midpoint.

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

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

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

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

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

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

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

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

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

6           (e) If an agreement under Subsection (d)(2) of this section  
7 is not reached on or before April 30 before the first day of the next  
8 fiscal year, before the start of the next fiscal year to which the  
9 municipal contribution rate would apply, the board, to the extent  
10 necessary to set the municipal contribution rate equal to the third  
11 quarter line rate, shall:

12                   (1) increase member contributions and decrease  
13 cost-of-living adjustments;

14                   (2) increase the normal retirement age; or

15                   (3) take any combination of actions authorized under  
16 Subdivisions (1) and (2) of this subsection.

17           (f) If the municipal contribution rate remains greater than  
18 the corridor midpoint in the third fiscal year after adjustments  
19 are made in accordance with Subsection (d)(2) of this section, in  
20 that fiscal year the municipal contribution rate equals the  
21 corridor midpoint achieved in accordance with Subsection (g) of  
22 this section.

23           (g) The municipal contribution rate must be set at the  
24 corridor midpoint under Subsection (f) of this section by:

25                   (1) in the risk sharing valuation study for the third  
26 fiscal year described by Subsection (f) of this section, adjusting  
27 the actuarial value of assets to equal the current market value of



1 assets, if making the adjustment causes the municipal contribution  
2 rate to decrease; and

3 (2) under a written agreement entered into between the  
4 municipality and the board:

5 (A) increasing member contributions; and

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

8 (h) If an agreement under Subsection (g)(2) of this section  
9 is not reached on or before April 30 before the first day of the next  
10 fiscal year, before the start of the next fiscal year, the board, to  
11 the extent necessary to set the municipal contribution rate equal  
12 to the corridor midpoint, shall:

13 (1) increase member contributions and decrease  
14 cost-of-living adjustments;

15 (2) increase the normal retirement age; or

16 (3) take any combination of actions authorized under  
17 Subdivisions (1) and (2) of this subsection.

18 Sec. 13G. INTERPRETATION OF CERTAIN RISK SHARING  
19 PROVISIONS; UNILATERAL DECISIONS AND ACTIONS PROHIBITED. (a)  
20 Nothing in this article, including Section 2(p) or (p-1) of this  
21 article and any authority of the board to construe and interpret  
22 this article, to determine any fact, to take any action, or to  
23 interpret any terms used in Sections 13A through 13F of this  
24 article, may alter or change Sections 13A through 13F of this  
25 article.

26 (b) No unilateral decision or action by the board is binding  
27 on the municipality and no unilateral decision or action by the

1 municipality is binding on the fund with respect to the application  
2 of Sections 13A through 13F of this article unless expressly  
3 provided by a provision of those sections. Nothing in this  
4 subsection is intended to limit the powers or authority of the  
5 board.

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

10 SECTION 1.15. Section 17, Article 6243e.2(1), Revised  
11 Statutes, is amended by adding Subsections (f), (g), (h), (i), and  
12 (j) to read as follows:

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

23 (g) A risk sharing valuation study prepared by either the  
24 municipal actuary or the fund actuary under Sections 13A through  
25 13F of this article may not:

26 (1) include information described by Subsection (a) of  
27 this section; or

1           (2) provide confidential or private information  
2 regarding specific individuals or be grouped in a manner that  
3 allows confidential or private information regarding a specific  
4 individual to be discerned.

5           (h) The information, data, and document exchanges under  
6 Sections 13A through 13F of this article have all the protections  
7 afforded by applicable law and are expressly exempt from the  
8 disclosure requirements under Chapter 552, Government Code, except  
9 as may be agreed to by the municipality and fund in a written  
10 agreement.

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

14           (j) Before a union contract is approved by the municipality,  
15 the mayor of the municipality shall cause the municipal actuaries  
16 to deliver to the mayor a report estimating the impact of the  
17 proposed union contract on fund costs.

18           SECTION 1.16. Sections 13(d) and (e), Article 6243e.2(1),  
19 Revised Statutes, are repealed.

20           SECTION 1.17. The firefighters' relief and retirement fund  
21 established under Article 6243e.2(1), Revised Statutes, shall  
22 require the fund actuary to prepare the first actuarial experience  
23 study required under Section 13D, Article 6243e.2(1), Revised  
24 Statutes, as added by this Act, not later than September 30, 2020.

25           ARTICLE 2. POLICE OFFICERS' PENSION SYSTEM

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

1           Sec. 1. PURPOSE. The purpose of this article is to restate  
2 and amend the provisions of former law creating and governing a  
3 police officers pension system in each city in this state having a  
4 population of two [~~1.5~~] million or more, according to the most  
5 recent federal decennial census, and to reflect changes agreed to  
6 by the city and the board of trustees of the pension system under  
7 Section 27 of this article. The pension system shall continue to  
8 operate regardless of whether the city's population falls below two  
9 [~~1.5~~] million.

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

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

14                   (1) relieve the city, the board, or the pension system  
15 of their respective obligations under Sections 9 through 9E of this  
16 article;

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

21                   (3) relieve the city, including any official or  
22 employee of the city, from:

23                           (A) paying or directing to pay required  
24 contributions to the pension system under Section 8 or 9 of this  
25 article or carrying out the provisions of Sections 9 through 9E of  
26 this article; or

27                           (B) reducing or modifying the rights of the board

1 and any officer or employee of the board or pension system to  
2 enforce obligations described by Subdivision (1) of this section;

3 (4) relieve the pension system or board, including any  
4 officer or employee of the pension system or board, from any  
5 obligation to implement a benefit change or carry out the  
6 provisions of Sections 9 through 9E of this article; or

7 (5) reduce or modify the rights of the city and any  
8 officer or employee of the city to enforce an obligation described  
9 by Subdivision (4) of this section.

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

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

1 provided by Section [~~15(j) or~~] 18 of this article.

2 (1-a) "Actuarial data" includes:

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

8 (B) other data that is reasonably necessary to  
9 implement Sections 9 through 9E of this article, as agreed to by the  
10 city and the board.

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

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

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

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

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

27 (3) "Assumed rate of return" means the assumed market

1 rate of return on pension system assets, which is seven percent per  
2 annum unless adjusted as provided by this article [~~"Base salary"~~  
3 ~~means the monthly base pay provided for the classified position in~~  
4 ~~the police department held by the member~~].

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

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

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

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

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

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

23 (4-b) "City" means a city subject to this article.

24 (4-c) "City contribution rate" means a percent of  
25 pensionable payroll that is the sum of the employer normal cost rate  
26 and the amortization rate for liability layers, excluding the  
27 legacy liability, except as determined otherwise under the express

1 provisions of Sections 9D and 9E of this article.

2 (4-d) "Classified" means any person classified by the  
3 city as a police officer.

4 (5-a) "Corridor" means the range of city contribution  
5 rates that are:

6 (A) equal to or greater than the minimum  
7 contribution rate; and

8 (B) equal to or less than the maximum  
9 contribution rate.

10 (5-b) "Corridor margin" means five percentage points.

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

16 (10-a) "Employer normal cost rate" means the normal  
17 cost rate minus the member contribution rate.

18 (10-b) "Estimated city contribution rate" means the  
19 city contribution rate estimated in a final risk sharing valuation  
20 study under Section 9A or 9B of this article, as applicable, as  
21 required by Section 9A(a)(5) of this article.

22 (10-c) "Fiscal year," except as provided by Section 2A  
23 of this article, means a fiscal year beginning July 1 and ending  
24 June 30.

25 (10-d) "Final average pay" means the pay received by a  
26 member over the last 78 biweekly pay periods ending before the  
27 earlier of:



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

3           (B) the date the member began participation in  
4 DROP, divided by 36.

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

9           (12-a) "Funded ratio" means the ratio of the pension  
10 system's actuarial value of assets divided by the pension system's  
11 actuarial accrued liability.

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

17           (13-a) "Legacy liability" means the unfunded  
18 actuarial accrued liability as of June 30, 2016, as reduced to  
19 reflect:

20                   (A) changes to benefits and contributions under  
21 this article that took effect on the year 2017 effective date;

22                   (B) the deposit of pension obligation bond  
23 proceeds on December 31, 2017;

24                   (C) payments by the city and earnings at the  
25 assumed rate of return allocated to the legacy liability from July  
26 1, 2016, to July 1, 2017, excluding July 1, 2017; and

27                   (D) for each subsequent fiscal year,

1 contributions for that year allocated to the amortization of the  
2 legacy liability and adjusted by the assumed rate of return.

3 (13-b) "Level percent of payroll method" means the  
4 amortization method that defines the amount of the liability layer  
5 recognized each fiscal year as a level percent of pensionable  
6 payroll until the amount of the liability layer remaining is  
7 reduced to zero.

8 (13-c) "Liability gain layer" means a liability layer  
9 that decreases the unfunded actuarial accrued liability.

10 (13-d) "Liability layer" means the legacy liability  
11 established in the initial risk sharing valuation study under  
12 Section 9B of this article and the unanticipated change as  
13 established in each subsequent risk sharing valuation study  
14 prepared under Section 9A of this article.

15 (13-e) "Liability loss layer" means a liability layer  
16 that increases the unfunded actuarial accrued liability. For  
17 purposes of this article, the legacy liability is a liability loss  
18 layer.

19 (13-f) "Maximum contribution rate" means the rate  
20 equal to the corridor midpoint plus the corridor margin.

21 (14-a) "Minimum contribution rate" means the rate  
22 equal to the corridor midpoint minus the corridor margin.

23 (14-b) "Normal cost rate" means the salary weighted  
24 average of the individual normal cost rates determined for the  
25 current active population plus an allowance for projected  
26 administrative expenses. The allowance for projected  
27 administrative expenses equals the administrative expenses divided

1 by the pensionable payroll for the previous fiscal year, provided  
2 the administrative allowance may not exceed one percent of  
3 pensionable payroll for the current fiscal year unless agreed to by  
4 the city.

5 (14-c) "Normal retirement age" means:

6 (A) for a member hired before October 9, 2004,  
7 including a member hired before October 9, 2004, who involuntarily  
8 separated from service but was retroactively reinstated under an  
9 arbitration, civil service, or court ruling after October 9, 2004,  
10 the earlier of:

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

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

16 (B) except as provided by Paragraph (A) of this  
17 subdivision, for a member hired or rehired on or after October 9,  
18 2004, the age at which the sum of the member's age in years and years  
19 of service equals at least 70.

20 (15-a) "Pay," unless the context requires otherwise,  
21 means wages as defined by Section 3401(a) of the code, plus any  
22 amounts that are not included in gross income by reason of Section  
23 104(a)(1), 125, 132(f), 402(g)(2), 457, or 414(h)(2) of the code,  
24 less any pay received for overtime work, exempt time pay, strategic  
25 officer staffing program pay, motorcycle allowance, clothing  
26 allowance, or mentor pay. The definition of "pay" for purposes of  
27 this article may only be amended by written agreement of the board

1 and the city under Section 27 of this article.

2 (15-b) "Payoff year" means the year a liability layer  
3 is fully amortized under the amortization period. A payoff year may  
4 not be extended or accelerated for a period that is less than one  
5 month.

6 (16-a) "Pension obligation bond" means a bond issued  
7 in accordance with Chapter 107, Local Government Code.

8 (16-b) "Pensionable payroll" means the combined  
9 salaries paid to active members during an applicable fiscal year.

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

13 (17-a) "Police department" means one or more law  
14 enforcement agencies designated as a police department by a city.

15 (17-b) "Price inflation assumption" means:

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

19 (B) if the forecast described by Paragraph (A) of  
20 this subdivision is not available, another standard as determined  
21 by mutual agreement between the city and the board entered into  
22 under Section 27 of this article.

23 (17-c) "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 9A of this article, as applicable, at the time of  
27 calculation by:

1           (A) projecting the prior fiscal year's  
2 pensionable payroll projected forward two years by using the  
3 current payroll 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           (17-d) "Retired member" means a member who has  
9 separated from service and who is eligible to receive an immediate  
10 service or disability pension under this article.

11           (17-e) "Salary" means pay provided for the classified  
12 position in the police department held by the member.

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

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

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

22           (26) "Ultimate entry age normal" means an actuarial  
23 cost method under which a calculation is made to determine the  
24 average uniform and constant percentage rate of contributions that,  
25 if applied to the compensation of each member during the entire  
26 period of the member's anticipated covered service, would be  
27 required to meet the cost of all benefits payable on the member's

1 behalf based on the benefits provisions for newly hired employees.  
2 For purposes of this definition, the actuarial accrued liability  
3 for each member is the difference between the member's present  
4 value of future benefits based on the tier of benefits that apply to  
5 the member and the member's present value of future normal costs  
6 determined using the normal cost rate.

7 (27) "Unfunded actuarial accrued liability" means the  
8 difference between the actuarial accrued liability and the  
9 actuarial value of assets. For purposes of this definition:

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

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

19 (28) "Unanticipated change" means, with respect to the  
20 unfunded actuarial accrued liability in each subsequent risk  
21 sharing valuation study prepared under Section 9A of this article,  
22 the difference between:

23 (A) the remaining balance of all then-existing  
24 liability layers as of the date of the risk sharing valuation study;  
25 and

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

1           (29) "Year 2017 effective date" means the date on  
2 which H.B. No. 43, Acts of the 85th Legislature, Regular Session,  
3 2017, took effect.

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

6           Sec. 2A. FISCAL YEAR. If either the pension system or the  
7 city changes its respective fiscal year, the pension system and the  
8 city shall enter into a written agreement under Section 27 of this  
9 article to adjust the provisions of Sections 9 through 9E of this  
10 article to reflect that change for purposes of this article.

11           Sec. 2B. CONFLICT OF LAW. To the extent of a conflict  
12 between this article and any other law, this article prevails.

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

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

16                   (1) the administrative head of the city or the  
17 administrative head's authorized representative;

18                   (2) three employees of the police department having  
19 membership in the pension system, elected by the active, inactive,  
20 and retired members of the pension system;

21                   (3) two retired members who are receiving pensions  
22 from the system and are not officers or employees of the city,  
23 elected by the active, inactive, and retired members of the pension  
24 system; and

25                   (4) the director of finance [~~treasurer~~] of the city or  
26 the person discharging the duties of the director of finance, or the  
27 director's designee [~~city treasurer~~].

1 SECTION 2.06. Section 3, Article 6243g-4, Revised Statutes,  
2 is amended by amending Subsection (b) and adding Subsections (i)  
3 and (j) 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, who are elected by the active, inactive, and  
12 retired members of the pension system, and who are not:

13 (A) officers or employees of the city; or

14 (B) current or former employees of any other fund  
15 or pension system authorized under:

16 (i) Article 6243e.2(1), Revised Statutes;

17 or

18 (ii) Chapter 88 (H.B. 1573), Acts of the  
19 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's  
20 Texas Civil Statutes) [~~, elected by the active, inactive, and~~  
21 ~~retired members of the pension system]~~; and

22 (4) the treasurer of the city or the person  
23 discharging the duties of the city treasurer.

24 (i) If a candidate for either an active or retired board  
25 member position does not receive a majority vote for that position,  
26 a runoff election for that position shall be held. The board shall  
27 establish a policy for general and runoff elections for purposes of



1 this subsection.

2 (j) Beginning with the year 2017 effective date:

3 (1) the term of office for a board member in the  
4 phase-down program A or B shall be one year; and

5 (2) a board member who subsequently enters phase-down  
6 program A or B and has served at least one year of the member's  
7 current term shall vacate the member's seat and may run for  
8 reelection.

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

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

24 (b) [~~If the city employing an elected board member would~~  
25 ~~withhold any portion of the salary of the member who is attending to~~  
26 ~~official business of the pension system, the pension system may~~  
27 ~~elect to adequately compensate the city for the loss of service of~~

1 ~~the member. If the board, by an affirmative vote of at least four~~  
2 ~~board members, makes this election, the amounts shall be remitted~~  
3 ~~from the fund to the city, and the city shall pay the board member's~~  
4 ~~salary as if no loss of service had occurred.~~

5 [(e)] The board, by an affirmative vote of at least four board  
6 members, may elect to reimburse board members who are not employees  
7 of the city for their time while attending to official business of  
8 the pension system. The amount of any reimbursement may not exceed  
9 \$750 [~~\$350~~] a month for each affected board member.

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

12 Sec. 5A. 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  
20 system or other fund or pension system, as applicable;

21 (2) has a minimum of 10 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 must at least meet the qualifications required by the

1 board for the pension system actuary. The city actuary is not  
2 required to have greater qualifications than those of the pension  
3 system actuary.

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

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

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

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

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

- 1           (1) administer the pension system;
- 2           (2) [~~7~~~~to~~] construe and interpret this article and any  
3 summary plan descriptions or benefits procedures;
- 4           (3) subject to Section 9F of this article, correct any  
5 defect, supply any omission, and reconcile any inconsistency that  
6 appears in this article; [~~7~~] and
- 7           (4) take [~~to do~~] all other acts necessary to carry out  
8 the purpose of this article in a manner and to the extent that the  
9 board considers expedient to administer this article for the  
10 greatest benefit of all members.
- 11           (f-1) Except as provided by Section 9F of this article, all  
12 [~~All~~] decisions of the board under Subsection (f) of this section  
13 are final and binding on all affected parties.
- 14           (g) The board, if reasonably necessary in the course of  
15 performing a board function, may issue process or subpoena a  
16 witness or the production of a book, record, or other document as to  
17 any matter affecting retirement, disability, or death benefits  
18 under any pension plan provided by the pension system. The  
19 presiding officer of the board may issue, in the name of the board,  
20 a subpoena only if a majority of the board approves. The presiding  
21 officer of the board, or the presiding officer's designee, shall  
22 administer an oath to each witness. A peace officer shall serve a  
23 subpoena issued by the board. If the person to whom a subpoena is  
24 directed fails to comply, the board may bring suit to enforce the  
25 subpoena in a district court of the county in which the person  
26 resides or in the county in which the book, record, or other  
27 document is located. If the district court finds that good cause

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

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

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

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

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

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

1 discharge of the pension system's liability and obligation to the  
2 person on behalf of whom payment is made.

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

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

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

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

22 (1) beginning with the year 2017 effective date and  
23 ending with the fiscal year ending June 30, 2018, an amount equal to  
24 the city contribution rate, as determined in the initial risk  
25 sharing valuation study conducted under Section 9B of this article  
26 and adjusted under Section 9D or 9E of this article, as applicable,  
27 multiplied by the pensionable payroll for the fiscal year; and

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

7           (b) Except by written agreement between the city and the  
8 board under Section 27 of this article providing for an earlier  
9 contribution date, at least biweekly, the city shall make the  
10 contributions required by Subsection (a) of this section by  
11 depositing with the pension system an amount equal to the city  
12 contribution rate multiplied by the pensionable payroll for the  
13 biweekly period.

14           (c) With respect to each fiscal year:

15           (1) the first contribution by the city under this  
16 section for the fiscal year shall be made not later than the date  
17 payment is made to employees for their first full biweekly pay  
18 period beginning on or after the first day of the fiscal year; and

19           (2) the final contribution by the city under this  
20 section for the fiscal year shall be made not later than the date  
21 payment is made to employees for the final biweekly pay period of  
22 the fiscal year.

23           (d) In addition to the amounts required under this section,  
24 the city may at any time contribute additional amounts to the  
25 pension system for deposit in the pension fund by entering into a  
26 written agreement with the board in accordance with Section 27 of  
27 this article [~~The city shall make substantially equal contributions~~

1 ~~to the fund as soon as administratively feasible after each payroll~~  
 2 ~~period. For each fiscal year ending after June 30, 2005, the city's~~  
 3 ~~minimum contribution shall be the greater of 16 percent of the~~  
 4 ~~members' total direct pay or the level percentage of salary payment~~  
 5 ~~required to amortize the unfunded actuarial liability over a~~  
 6 ~~constant period of 30 years computed on the basis of an acceptable~~  
 7 ~~actuarial reserve funding method approved by the board. However,~~  
 8 ~~for the fiscal year ending June 30, 2002, the city's contribution~~  
 9 ~~shall be \$32,645,000, for the fiscal year ending June 30, 2003, the~~  
 10 ~~city's contribution shall be \$34,645,000, for the fiscal year~~  
 11 ~~ending June 30, 2004, the city's contribution shall be \$36,645,000,~~  
 12 ~~and for the fiscal year ending June 30, 2005, the city's~~  
 13 ~~contribution shall be 16 percent of the members' total direct pay].~~

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



1 member.

2 (f) Only amounts paid by the city to the pension system  
3 shall be credited against any amortization schedule of payments due  
4 to the pension system under this article.

5 (g) Subsection (f) of this section does not affect changes  
6 to an amortization schedule of a liability layer under Section  
7 9A(a)(6)(F), 9B(i), or 9D(c)(4) of this article.

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

10 Sec. 9A. RISK SHARING VALUATION STUDIES. (a) The pension  
11 system and the city shall separately cause their respective  
12 actuaries to prepare a risk sharing valuation study in accordance  
13 with this section and actuarial standards of practice. A risk  
14 sharing valuation study must:

15 (1) be dated as of the first day of the fiscal year in  
16 which the study is required to be prepared;

17 (2) be included in the pension system's standard  
18 valuation study prepared annually for the pension system;

19 (3) calculate the unfunded actuarial accrued  
20 liability of the pension system;

21 (4) be based on actuarial data provided by the pension  
22 system actuary or, if actuarial data is not provided, on estimates  
23 of actuarial data;

24 (5) estimate the city contribution rate, taking into  
25 account any adjustments required under Section 9D or 9E of this  
26 article for all applicable prior fiscal years;

27 (6) subject to Subsection (g) of this section, be

1 based on the following assumptions and methods that are consistent  
2 with actuarial standards of practice:

3 (A) an ultimate entry age normal actuarial  
4 method;

5 (B) for purposes of determining the actuarial  
6 value of assets:

7 (i) except as provided by Subparagraph (ii)  
8 of this paragraph and Section 9D(c)(1) or 9E(c)(2) of this article,  
9 an asset smoothing method recognizing actuarial losses and gains  
10 over a five-year period applied prospectively beginning on the year  
11 2017 effective date; and

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

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

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

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

27 (F) the amortization period for each liability

1 gain layer being:

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

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

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

13 (H) the assumed rate of return, subject to  
14 adjustment under Section 9D(c)(2) of this article or, if Section  
15 9B(g) of this article applies, adjustment in accordance with a  
16 written agreement entered into under Section 27 of this article,  
17 except the assumed rate of return may not exceed seven percent per  
18 annum;

19 (I) the price inflation assumption as of the most  
20 recent actuarial experience study, which may be reset by the board  
21 by plus or minus 50 basis points based on that actuarial experience  
22 study;

23 (J) projected salary increases and payroll  
24 growth rate set in consultation with the city's finance director;  
25 and

26 (K) payroll for purposes of determining the  
27 corridor midpoint and city contribution rate must be projected

1 using the annual payroll growth rate assumption; and

2 (7) be revised and restated, if appropriate, not later  
3 than:

4 (A) the date required by a written agreement  
5 entered into between the city and the board; or

6 (B) the 30th day after the date required action  
7 is taken by the board under Section 9D or 9E of this article to  
8 reflect any changes required by either section.

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

14 (c) Not later than September 30 following the end of the  
15 fiscal year, the pension system shall provide to the city actuary,  
16 under a confidentiality agreement with the board in which the city  
17 actuary agrees to comply with the confidentiality provisions of  
18 Section 29 of this article, the actuarial data described by  
19 Subsection (a)(4) of this section.

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

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

26 (2) the city actuary, at the direction of the city,  
27 shall provide the proposed risk sharing valuation study prepared by

1 the city actuary under Subsection (b) of this section to the pension  
2 system actuary.

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

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

13 (1) less than or equal to two percentage points, the  
14 estimated city contribution rate recommended by the pension system  
15 actuary will be the estimated city contribution rate for purposes  
16 of Subsection (a)(5) of this section, and the proposed risk sharing  
17 valuation study prepared for the pension system is considered to be  
18 the final risk sharing valuation study for the fiscal year for the  
19 purposes of this article; or

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

27 (A) if, as a result of reconciliation efforts

1 under this subdivision, the difference is reduced to less than or  
2 equal to two percentage points:

3 (i) the estimated city contribution rate  
4 proposed under the reconciliation by the pension system actuary  
5 will be the estimated city contribution rate for purposes of  
6 Subsection (a)(5) of this section; and

7 (ii) the pension system's risk sharing  
8 valuation study is considered to be the final risk sharing  
9 valuation study for the fiscal year for the purposes of this  
10 article; or

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

15 (i) the city actuary at the direction of the  
16 city and the pension system actuary at the direction of the pension  
17 system each shall deliver to the finance director of the city and  
18 the executive director of the pension system a final risk sharing  
19 valuation study with any agreed-to changes, marked as the final  
20 risk sharing valuation study for each actuary; and

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

1 fiscal year stated by the city actuary and the pension system  
2 actuary in the final risk sharing valuation study for purposes of  
3 Subsection (a)(5) of this section, and for reporting purposes the  
4 pension system may treat the pension system actuary's risk sharing  
5 valuation study with the addendum as the final risk sharing  
6 valuation study.

7 (g) The assumptions and methods used and the types of  
8 actuarial data and financial information used to prepare the  
9 initial risk sharing valuation study under Section 9B of this  
10 article shall be used to prepare each subsequent risk sharing  
11 valuation study under this section, unless changed based on the  
12 actuarial experience study conducted under Section 9C of this  
13 article.

14 (h) The actuarial data provided under Subsection (a)(2) of  
15 this section may not include the identifying information of  
16 individual members.

17 Sec. 9B. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR  
18 MIDPOINT. (a) The pension system and the city shall separately  
19 cause their respective actuaries to prepare an initial risk sharing  
20 valuation study that is dated as of July 1, 2016, in accordance with  
21 this section. An initial risk sharing valuation study must:

22 (1) except as otherwise provided by this section, be  
23 prepared in accordance with Section 9A of this article and, for  
24 purposes of Section 9A(a)(4) of this article, be based on actuarial  
25 data as of June 30, 2016; and

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

1       (b) If the initial risk sharing valuation study has not been  
2 prepared consistent with this section before the year 2017  
3 effective date, as soon as practicable after the year 2017  
4 effective date:

5           (1) the pension system shall provide to the city  
6 actuary, under a confidentiality agreement, the necessary  
7 actuarial data used by the pension system actuary to prepare the  
8 proposed initial risk sharing valuation study; and

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

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

14           (B) the pension system actuary, at the direction  
15 of the pension system, shall provide a proposed initial risk  
16 sharing valuation study to the city actuary.

17       (c) If, after exchanging proposed initial risk sharing  
18 valuation studies under Subsection (b)(2) of this section, it is  
19 determined that the difference between the estimated city  
20 contribution rate for any fiscal year recommended in the proposed  
21 initial risk sharing valuation study prepared by the pension system  
22 actuary and in the proposed initial risk sharing valuation study  
23 prepared by the city actuary is:

24           (1) less than or equal to two percentage points, the  
25 estimated city contribution rate for that fiscal year recommended  
26 by the pension system actuary will be the estimated city  
27 contribution rate for purposes of Section 9A(a)(5) of this article;



1 or

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

5 (A) if, as a result of reconciliation efforts  
6 under this subdivision, the difference in any fiscal year is  
7 reduced to less than or equal to two percentage points, the  
8 estimated city contribution rate recommended by the pension system  
9 actuary for that fiscal year will be the estimated city  
10 contribution rate for purposes of Section 9A(a)(5) of this article;

11 or

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

16 (i) the city actuary at the direction of the  
17 city and the pension system actuary at the direction of the pension  
18 system each shall deliver to the finance director of the city and  
19 the executive director of the pension system a final initial risk  
20 sharing valuation study with any agreed-to changes, marked as the  
21 final initial risk sharing valuation study for each actuary; and

22 (ii) the finance director and the executive  
23 director shall execute a joint addendum to the final initial risk  
24 sharing valuation study that is a part of each final initial risk  
25 sharing valuation study for all purposes and that reflects the  
26 arithmetic average of the estimated city contribution rate for each  
27 fiscal year in which the difference was greater than two percentage

1 points for purposes of Section 9A(a)(5) of this article, and for  
2 reporting purposes the pension system may treat the pension system  
3 actuary's initial risk sharing valuation study with the addendum as  
4 the final initial risk sharing valuation study.

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

7 (1) adjust the actuarial value of assets to be equal to  
8 the market value of assets as of July 1, 2016;

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

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

13 (e) If the city actuary does not prepare an initial risk  
14 sharing valuation study for purposes of this section, the pension  
15 system actuary's initial risk sharing valuation study will be used  
16 as the final risk sharing valuation study for purposes of this  
17 article unless the city did not prepare a proposed initial risk  
18 sharing valuation study because the pension system actuary did not  
19 provide the necessary actuarial data in a timely manner. If the  
20 city did not prepare a proposed initial risk sharing valuation  
21 study because the pension system actuary did not provide the  
22 necessary actuarial data in a timely manner, the city actuary shall  
23 have 60 days to prepare the proposed initial risk sharing valuation  
24 study on receipt of the necessary information.

25 (f) If the pension system actuary does not prepare a  
26 proposed initial risk sharing valuation study for purposes of this  
27 section, the proposed initial risk sharing valuation study prepared

1 by the city actuary will be the final risk sharing valuation study  
2 for purposes of this article.

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

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

7 (2) for any fiscal year after the payoff year of the  
8 legacy liability.

9 (h) If the city and the board have not entered into an  
10 agreement described by Subsection (g) of this section in a given  
11 fiscal year, the corridor midpoint will be the corridor midpoint  
12 determined for the 31st fiscal year in the initial risk sharing  
13 valuation study prepared in accordance with this section.

14 (i) If the city makes a contribution to the pension system  
15 of at least \$5 million more than the amount that would be required  
16 by Section 9(a) of this article, a liability gain layer with the  
17 same remaining amortization period as the legacy liability is  
18 created and the corridor midpoint shall be decreased by the  
19 amortized amount in each fiscal year covered by the liability gain  
20 layer produced divided by the projected pensionable payroll.

21 (j) Notwithstanding any other provision of this article,  
22 including Section 9F of this article:

23 (1) if the city fails to deliver the proceeds of  
24 pension obligation bonds totaling \$750 million on or before January  
25 2, 2018, the board shall have 30 days from January 2, 2018, to  
26 rescind, prospectively, any or all benefit changes made effective  
27 under H.B. No. 43, Acts of the 85th Legislature, Regular Session,

1 2017, as of the year 2017 effective date, or to reestablish the  
2 deadline for the delivery of pension obligation bond proceeds,  
3 reserving the right to rescind the benefit changes authorized by  
4 this subdivision if the bond proceeds are not delivered by the  
5 reestablished deadline; and

6 (2) subject to Subsection (k) of this section, if the  
7 board rescinds benefit changes under Subdivision (1) of this  
8 subsection or pension obligation bond proceeds are not delivered on  
9 or before the deadline or reestablished deadline prescribed by  
10 Subdivision (1) of this subsection, the initial risk sharing  
11 valuation study shall be prepared again and restated without  
12 assuming the delivery of the pension obligation bond proceeds, the  
13 extended time for delivery of pension obligation bond proceeds, or  
14 the rescinded benefit changes, as applicable, and the resulting  
15 city contribution rate will become effective in the fiscal year  
16 following the completion of the restated initial risk sharing  
17 valuation study.

18 (k) The restated initial risk sharing valuation study  
19 required under Subsection (j)(2) of this section must be completed  
20 at least 30 days before the start of the fiscal year:

21 (1) ending June 30, 2019, if the board does not  
22 reestablish the deadline under Subsection (j)(1) of this section;  
23 or

24 (2) immediately following the reestablished deadline,  
25 if the board reestablishes the deadline under Subsection (j)(1) of  
26 this section and the city fails to deliver the pension obligation  
27 bond proceeds described by Subsection (j)(1) of this section by the

1 reestablished deadline.

2 Sec. 9C. ACTUARIAL EXPERIENCE STUDIES. (a) At least once  
3 every four years, the pension system actuary at the direction of the  
4 pension system shall conduct an actuarial experience study in  
5 accordance with actuarial standards of practice. The actuarial  
6 experience study required by this subsection must be completed not  
7 later than September 30 of the year in which the study is required  
8 to be conducted.

9 (b) Except as otherwise expressly provided by Sections  
10 9A(a)(6)(A)-(I) of this article, actuarial assumptions and methods  
11 used in the preparation of a risk sharing valuation study, other  
12 than the initial risk sharing valuation study, shall be based on the  
13 results of the most recent actuarial experience study.

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

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

21 (2) summaries of the reconciled actuarial data used in  
22 creation of the actuarial experience study.

23 (d) Not later than the 60th day after the date the city  
24 receives the final draft of the pension system's actuarial  
25 experience study under Subsection (c) of this section, the city  
26 actuary and pension system actuary shall confer and cooperate on  
27 reconciling and producing a final actuarial experience study.

1 During the period prescribed by this subsection, the pension system  
2 actuary may modify the recommended assumptions in the draft  
3 actuarial experience study to reflect any changes to assumptions  
4 and methods to which the pension system actuary and the city actuary  
5 agree.

6 (e) At the city actuary's written request, the pension  
7 system shall provide additional actuarial data used by the pension  
8 system actuary to prepare the draft actuarial experience study,  
9 provided that confidential data may only be provided subject to a  
10 confidentiality agreement in which the city actuary agrees to  
11 comply with the confidentiality provisions of Section 29 of this  
12 article.

13 (f) The city actuary at the direction of the city shall  
14 provide in writing to the pension system actuary and the pension  
15 system:

16 (1) any assumptions and methods recommended by the  
17 city actuary that differ from the assumptions and methods  
18 recommended by the pension system actuary; and

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

22 (g) Not later than the 30th day after the date the pension  
23 system actuary receives the city actuary's written recommended  
24 assumptions and methods and rationale under Subsection (f) of this  
25 section, the pension system shall provide a written response to the  
26 city identifying any assumption or method recommended by the city  
27 actuary that the pension system does not accept. If any assumption

1 or method is not accepted, the pension system shall recommend to the  
2 city the names of three independent actuaries for purposes of this  
3 section.

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

7 (1) is not already engaged by the city, the pension  
8 system, or any other fund or pension system authorized under  
9 Article 6243e.2(1), Revised Statutes, or Chapter 88 (H.B. 1573),  
10 Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h,  
11 Vernon's Texas Civil Statutes), to provide actuarial services to  
12 the city, the pension system, or another fund or pension system  
13 referenced in this subdivision;

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

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

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

1 between the independent actuary and the pension system concerning  
2 the engagement, engagement terms, or performance of the terms of  
3 the engagement.

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

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

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

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

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

17 (5) if requested by the independent actuary and  
18 subject to a confidentiality agreement in which the independent  
19 actuary agrees to comply with the confidentiality provisions of  
20 this article, additional confidential 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 either  
25 the 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 board does not adopt an assumption or method  
18 recommended by the city actuary or pension system actuary,  
19 including an assumption or method to which the independent actuary  
20 agrees, the city actuary is authorized to use that recommended  
21 assumption or method in connection with preparation of a subsequent  
22 risk sharing valuation study under Section 9A of this article until  
23 the next actuarial experience study is conducted.

24 Sec. 9D. 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 is lower than the corridor  
2 midpoint.

3 (b) If the funded ratio is:

4 (1) less than 90 percent, the city contribution rate  
5 for the fiscal year equals the corridor midpoint; or

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

8 (A) equal to or greater than the minimum  
9 contribution rate, the estimated city contribution rate is the city  
10 contribution rate for the fiscal year; or

11 (B) except as provided by Subsection (e) of this  
12 section, less than the minimum contribution rate for the  
13 corresponding fiscal year, the city contribution rate for the  
14 fiscal year equals the minimum contribution rate achieved in  
15 accordance with Subsection (c) of this section.

16 (c) For purposes of Subsection (b)(2)(B) of this section,  
17 the following adjustments shall be applied sequentially to the  
18 extent required to increase the estimated city contribution rate to  
19 equal the minimum contribution rate:

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

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

27 (3) third, under a written agreement between the city

1 and the board entered into under Section 27 of this article no later  
2 than April 30 before the first day of the next fiscal year,  
3 prospectively restore all or part of any benefit reductions or  
4 reduce increased employee contributions, in each case made after  
5 the year 2017 effective date; and

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

13 (d) If the funded ratio is:

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

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

17 (B) the applicable fiscal year is the payoff year  
18 for the legacy liability; and

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

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

27 (A) the funded ratio is not less than 90 percent;

1 and

2 (B) the city contribution rate is not more than  
3 the minimum contribution rate.

4 (e) Except as provided by Subsection (f) of this section, if  
5 an agreement under Subsection (d) of this section is not reached on  
6 or before April 30 before the first day of the next fiscal year,  
7 before the first day of the next fiscal year the board shall reduce  
8 member contributions and implement or increase cost of living  
9 adjustments, but only to the extent that the city contribution rate  
10 is set at or below the minimum contribution rate and the funded  
11 ratio is not less than 90 percent.

12 (f) If any member contribution reduction or benefit  
13 increase under Subsection (e) of this section has occurred within  
14 the previous three fiscal years, the board may not make additional  
15 adjustments to benefits, and the city contribution rate must be set  
16 to equal the minimum contribution rate.

17 Sec. 9E. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY  
18 CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR MIDPOINT;  
19 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs  
20 the determination of the city contribution rate in a fiscal year  
21 when the estimated city contribution rate is equal to or greater  
22 than the corridor midpoint.

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

24 (1) less than or equal to the maximum contribution  
25 rate for the corresponding fiscal year, the estimated city  
26 contribution rate is the city contribution rate; or

27 (2) except as provided by Subsection (d) or (e) of this

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

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

9 (1) first, if the payoff year of the legacy liability  
10 was accelerated under Section 9D(c) of this article, extend the  
11 payoff year of existing liability loss layers, by extending the  
12 most recent loss layers first, to a payoff year not later than 30  
13 years from the first day of the fiscal year beginning 12 months  
14 after the date of the risk sharing valuation study in which the  
15 liability loss layer is first recognized; and

16 (2) second, adjust the actuarial value of assets to  
17 the current market value of assets, if making the adjustment causes  
18 the city contribution rate to decrease.

19 (d) If the city contribution rate after adjustment under  
20 Subsection (c) of this section is greater than the third quarter  
21 line rate:

22 (1) the city contribution rate equals the third  
23 quarter line rate; and

24 (2) to the extent necessary to comply with Subdivision  
25 (1) of this subsection, the city and the board shall enter into a  
26 written agreement under Section 27 of this article to increase  
27 member contributions and make other benefits or plan changes not

1 otherwise prohibited by applicable federal law or regulations.

2 (e) If an agreement under Subsection (d)(2) of this section  
3 is not reached on or before April 30 before the first day of the next  
4 fiscal year, before the start of the next fiscal year to which the  
5 city contribution rate would apply, the board, to the extent  
6 necessary to set the city contribution rate equal to the third  
7 quarter line rate, shall:

8 (1) increase member contributions and decrease  
9 cost-of-living adjustments;

10 (2) increase the normal retirement age; or

11 (3) take any combination of the actions authorized  
12 under Subdivisions (1) and (2) of this subsection.

13 (f) If the city contribution rate remains greater than the  
14 corridor midpoint in the third fiscal year after adjustments are  
15 made in accordance with an agreement under Subsection (d)(2) of  
16 this section, in that fiscal year the city contribution rate equals  
17 the corridor midpoint achieved in accordance with Subsection (g) of  
18 this section.

19 (g) The city contribution rate must be set at the corridor  
20 midpoint under Subsection (f) of this section by:

21 (1) in the risk sharing valuation study for the third  
22 fiscal year described by Subsection (f) of this section, adjusting  
23 the actuarial value of assets to equal the current market value of  
24 assets, if making the adjustment causes the city contribution rate  
25 to decrease; and

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

1           (A) increasing member contributions; and

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

4           (h) If an agreement under Subsection (g)(2) of this section  
5 is not reached on or before April 30 before the first day of the next  
6 fiscal year, before the start of the next fiscal year, the board, to  
7 the extent necessary to set the city contribution rate equal to the  
8 corridor midpoint, shall:

9           (1) increase member contributions and decrease  
10 cost-of-living adjustments;

11           (2) increase the normal retirement age; or

12           (3) take any combination of the actions authorized  
13 under Subdivisions (1) and (2) of this subsection.

14           Sec. 9F. UNILATERAL DECISIONS AND ACTIONS PROHIBITED. (a)  
15 Notwithstanding Section 6(f) or 5B of this article, the board may  
16 not change, terminate, or modify Sections 9 through 9E of this  
17 article.

18           (b) No unilateral decision or action by the board is binding  
19 on the city and no unilateral decision or action by the city is  
20 binding on the pension system with respect to the application of  
21 Sections 9 through 9E of this article unless expressly provided by a  
22 provision of those sections. Nothing in this subsection is  
23 intended to limit the powers or authority of the board.

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

26           Sec. 10A. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT  
27 CONSULTANT. (a) At least once every three years, the board shall

1 hire an independent investment consultant, including an  
2 independent investment consulting firm, to conduct a review of  
3 pension system investments and submit a report to the board and the  
4 city concerning that review. The independent investment  
5 consultant shall review and report on at least the following:

6 (1) the pension system's compliance with its  
7 investment policy statement, ethics policies, including policies  
8 concerning the acceptance of gifts, and policies concerning insider  
9 trading;

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

13 (3) the pension system's portfolio structure,  
14 including the system's need for liquidity, cash income, real  
15 return, and inflation protection and the active, passive, or index  
16 approaches for different portions of the portfolio;

17 (4) investment manager performance reviews and an  
18 evaluation of the processes used to retain and evaluate managers;

19 (5) benchmarks used for each asset class and  
20 individual manager;

21 (6) evaluation of fees and trading costs;

22 (7) evaluation of any leverage, foreign exchange, or  
23 other hedging transaction; and

24 (8) an evaluation of investment-related disclosures  
25 in the pension system's annual reports.

26 (b) When the board retains an independent investment  
27 consultant under this section, the pension system may require the



1 consultant to agree in writing to maintain the confidentiality of:

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

4 (2) any nonpublic information provided for the pension  
5 system for the review.

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

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

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

13 (c) A member may not have any service credited for unused  
14 sick leave, vacation pay, [~~or~~] accumulated overtime, or equivalent  
15 types of pay until the date the member retires, at which time the  
16 member may apply some or all of the service to satisfy the  
17 requirements for retirement, although the member otherwise could  
18 not meet the service requirement without the credit.

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

23 (a) A member who separates from service after attaining  
24 normal retirement age [~~earning 20 or more years of service~~] is  
25 eligible to receive a monthly service pension, beginning in the  
26 month of separation from service. A member who separates from  
27 service as a classified police officer with the city after November

1 23, 1998, after earning 10 or more but less than 20 years of service  
2 in [~~any of~~] the [~~city's~~] pension system [~~systems~~] and who complies  
3 with all applicable requirements of Section 19 of this article is  
4 eligible to receive a monthly service pension, beginning in the  
5 month the individual attains normal retirement [~~60 years of~~] age.  
6 An individual may not receive a pension under this article while  
7 still an active member [~~, except as provided by Subsection (f) of~~  
8 ~~this section~~]. All service pensions end with the month in which the  
9 retired member dies. The city shall supply all personnel,  
10 financial, and payroll records necessary to establish the member's  
11 eligibility for a benefit, the member's credited service, and the  
12 amount of the benefit. The city must provide those records in the  
13 format specified by the pension system.

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

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

22 (A) 2.75 percent of the member's final average  
23 [~~total direct~~] pay multiplied by the member's years or partial  
24 years of service [~~or, if the member retired before November 24,~~  
25 ~~1998, 2.75 percent of the member's base salary,~~] for [~~each of~~] the  
26 member's first 20 years of service; and

27 (B) [~~, plus an additional~~] two percent of the

1 member's final average [~~total direct~~] pay multiplied by the  
2 member's years or partial years of service for the member's years of  
3 service in excess of the 20 years of service described by Paragraph  
4 (A) of this subdivision; or

5 (2) except as provided by Subdivision (1) of this  
6 subsection and subject to Subsection (b-3) of this section, is  
7 hired or rehired as an active member on or after October 9, 2004, is  
8 equal to the sum of:

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

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

17 (b-1) A member who [~~separates from service after November~~  
18 ~~23, 1998, including a member who was a DROP participant, and]~~ begins  
19 to receive a monthly service pension under Subsection (b)(1) of  
20 this section shall also receive a one-time lump-sum payment of  
21 \$5,000 at the same time the first monthly pension payment is made.  
22 The lump-sum payment under this subsection is not available to a  
23 member who has previously received a \$5,000 payment under this  
24 section or Section 16 of this article. A member described by  
25 Subsection (b)(2) of this section may not receive the lump-sum  
26 payment described by this subsection.

27 (b-2) For purposes of Subsections (b) and (b-1) of this

1 section, partial years shall be computed to the nearest one-twelfth  
2 of a year.

3 (b-3) A member's monthly service pension determined under  
4 Subsection (b)(2) of this section may not exceed 80 percent of the  
5 member's final average pay.

6 (c) Subject to Subsection (c-2) of this section, beginning  
7 with the fiscal year ending June 30, 2021, the [The] pension payable  
8 to a [each] retired member or survivor who is 55 years of age or  
9 older as of April 1 of the applicable fiscal year, a member or  
10 survivor who received benefits or survivor benefits before June 8,  
11 1995, or a survivor of an active member who dies from a cause  
12 connected with the performance of the member's duties [of the  
13 pension system] shall be adjusted annually, effective April 1 of  
14 each year, upward at a rate equal to the most recent five fiscal  
15 years' smoothed return, as determined by the pension system  
16 actuary, minus 500 basis points [two-thirds of any percentage  
17 increase in the Consumer Price Index for All Urban Consumers for the  
18 preceding year. The amount of the annual adjustment may not be less  
19 than three percent or more than eight percent of the pension being  
20 paid immediately before the adjustment, notwithstanding a greater  
21 or lesser increase in the consumer price index].

22 (c-1) Subject to Subsection (c-2) of this section, for the  
23 pension system's fiscal years ending June 30, 2018, June 30, 2019,  
24 and June 30, 2020, the pension payable to each retired member or  
25 survivor who is 70 years of age or older shall be adjusted annually,  
26 effective April 1 of each year, upward at a rate equal to the most  
27 recent five fiscal years' smoothed return, as determined by the

1 pension system actuary, minus 500 basis points.

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

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

15 (e) At the end of each calendar year beginning after 1998,  
16 and subject to the conditions provided by this subsection, the  
17 pension system shall make a 13th benefit payment to each member or  
18 survivor who is hired or rehired before October 9, 2004, including a  
19 member hired or rehired before October 9, 2004, who was reinstated  
20 under arbitration, civil service, or a court ruling after that  
21 date, and [~~person~~] who is receiving a service pension. The amount  
22 of the 13th payment shall be the same as the last monthly payment  
23 received by the retiree or survivor before issuance of the payment,  
24 except the payment received by any person who has been in pay status  
25 for less than 12 months shall be for a prorated amount determined by  
26 dividing the amount of the last payment received by 12 and  
27 multiplying this amount by the number of months the person has been

1 in pay status. The 13th payment may be made only for those calendar  
2 years in which the pension system's funded ratio is 120 percent or  
3 greater[+]

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

6 ~~[(2) the rate of return on the fund's assets exceeded~~  
7 ~~9.25 percent for the last fiscal year ending before the payment; and~~

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

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

17 (1) immediately preceding the date the member began  
18 phase-down participation; or

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

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

27 (j) A member participating in the phase-down program,

1 defined in the 2011 labor agreement between the city and the police  
2 officers' union, who has separated from service is eligible to  
3 receive a monthly service pension as if the member had attained  
4 normal retirement age. Notwithstanding any other law, a member  
5 participating in option A or B of the phase-down program whose  
6 effective date of entry into DROP is on or before the year 2017  
7 effective date is, on exiting the phase-down program and separating  
8 from service, eligible to receive a monthly service pension equal  
9 to the amount credited to the member's DROP account under Section  
10 14(d) of this article immediately before the member separated from  
11 service.

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

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

26 (m) For a member who is promoted or appointed to a position  
27 above the rank of captain on or after the year 2017 effective date,

1 the member's monthly service pension and member contributions shall  
2 be based on, as determined by the board:

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

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

9 SECTION 2.16. Section 14, Article 6243g-4, Revised  
10 Statutes, is amended by amending Subsections (b), (c), (d), (e),  
11 (f-1), (h), (i), (k), and (l) and adding Subsections (c-1) and (c-2)  
12 to read as follows:

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

25 (c) The monthly service pension or [~~and~~] death benefits of  
26 an active member who is a DROP participant that were accrued under  
27 this article as it existed immediately before the year 2017



1 effective date remain accrued.

2 (c-1) The monthly service pension or death benefits of an  
3 active member who becomes a DROP participant on or after the year  
4 2017 effective date will be determined as if the [~~active~~] member had  
5 separated from service and begun receiving a pension on the  
6 effective date of the member's DROP election and the [~~. The active~~]  
7 member does not retire but does not accrue additional service  
8 credit beginning on the effective date of the member's entry into  
9 DROP.

10 (c-2) For a member who exits DROP on or after the year 2017  
11 effective date:

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

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

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

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

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

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

26 (h) Instead of beginning to receive a service pension on  
27 separation from service in accordance with Section 12 of this

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

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

1 ~~credits stop and the monthly service pension resume at any time.~~  
 2 ~~However, a retired member who stops the credits at any time after~~  
 3 ~~September 1, 1999, may not later resume the credits].~~

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

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

1 this subsection [~~The DROP account of each DROP participant who was~~  
2 ~~an active member on May 1, 2001, shall be recomputed and adjusted,~~  
3 ~~effective on that date, to reflect the amount that would have been~~  
4 ~~credited to the account if the member's pension had been computed~~  
5 ~~based on 2.75 percent of the member's average total direct pay, or~~  
6 ~~base pay if applicable, for each of the member's first 20 years of~~  
7 ~~service. The DROP account adjustment shall also include the~~  
8 ~~assumed earnings that would have been credited to the account if the~~  
9 ~~2.75 percent multiplier for the first 20 years of service had been~~  
10 ~~in effect from the time the member became a DROP participant].~~

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

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

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

25 (2) for members hired or rehired on or after October 9,  
26 2004, the greater of 45 percent of the member's:

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

1 or

2 (B) accrued service pension.

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

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

25 (1) for members hired before October 9, 2004,  
26 including a member who involuntarily separated from service but has  
27 been retroactively reinstated under arbitration, civil service, or

1 a court ruling, 27.5 percent of the member's final average [~~total~~  
2 ~~direct~~] pay; or

3 (2) except as provided by Subdivision (1) of this  
4 subsection, for members hired or rehired on or after October 9,  
5 2004, 22.5 percent of the member's final average pay.

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

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

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

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

24 (d) A person may not receive a disability pension unless the  
25 person files with the board an application for a disability pension  
26 not later than 180 days after the date of separation from service,  
27 at which time the board shall have the person examined, not later

1 than the 90th day after the date the member files the application,  
2 by a physician or physicians chosen and compensated by the board.  
3 The physician shall make a report and recommendations to the board  
4 regarding the extent of any disability and whether any disability  
5 that is diagnosed is a duty-connected disability. Except as  
6 provided by Subsection (j) of this section, a person may not receive  
7 a disability pension for an injury received or illness incurred  
8 after separation from service. In accordance with Section 6(g) of  
9 this article, the board may, through its presiding officer, issue  
10 process, administer oaths, examine witnesses, and compel witnesses  
11 to testify as to any matter affecting retirement, disability, or  
12 death benefits under any pension plan within the pension system.

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



1 benefit payments are stopped by the board under this subsection.

2 (i) Effective for payments that become due after April 30,  
3 2000, and instead of the disability benefit provided by Subsection  
4 (a) or~~[,]~~ (b)~~[, or (h)]~~ of this section, a member who suffers a  
5 catastrophic injury shall receive a monthly benefit equal to 100  
6 percent of the member's final average ~~[total direct]~~ pay determined  
7 as of the date of retirement, and the member's DROP balance, if any.

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

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

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

15 (B) other substance abuse; or

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

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

22 (n) A person who fraudulently applies for or receives a  
23 disability pension may be subject to criminal and civil  
24 prosecution.

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

27 Sec. 16. RIGHTS OF SURVIVORS. (a) For purposes of this

1 article, a marriage is considered to exist only if the couple is  
 2 lawfully married under the laws of a state, the District of  
 3 Columbia, a United States territory, or a foreign jurisdiction and  
 4 the marriage would be recognized as a marriage under the laws of at  
 5 least one state, possession, or territory of the United States,  
 6 regardless of domicile [~~marriage is recorded in the records of the~~  
 7 ~~recorder's office in the county in which the marriage ceremony was~~  
 8 ~~performed~~]. In the case of a common-law marriage, a marriage  
 9 declaration must be signed by the member and the member's  
 10 common-law spouse before a notary public or similar official and  
 11 recorded in the records of the applicable jurisdiction [~~county~~  
 12 ~~clerk's office in the county~~] in which the couple resides at the  
 13 commencement of the marriage. In addition, a marriage that is  
 14 evidenced by a declaration of common-law marriage signed before a  
 15 notary public or similar official after December 31, 1999, may not  
 16 be treated as effective earlier than the date on which it was signed  
 17 before the notary public or similar official.

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

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

24 (2) to the guardian of any dependent child under 18  
 25 years of age or a child with a disability as long as the dependent  
 26 child complies with the definition of dependent child under Section  
 27 2(7) of this article [~~children~~], on behalf of the dependent child

1 ~~[children]~~, or directly to a dependent child described by Section  
2 2(7)(B) of this article, and if there is no spouse eligible for  
3 ~~[entitled to]~~ an allowance, the sum a surviving spouse would have  
4 received, to be divided equally among all ~~[the]~~ dependent children  
5 if there is more than one dependent child; or

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

10 (c) If an active ~~[a]~~ member of the pension system who has not  
11 completed 20 ~~[10]~~ years of service in the police department is  
12 killed or dies from any cause growing out of or in consequence of  
13 any act clearly not in the actual performance of the member's  
14 official duty, the member's surviving spouse, dependent child or  
15 children, or dependent parent or parents are eligible ~~[entitled]~~ to  
16 receive an immediate benefit. The benefit is computed in the same  
17 manner as a service retirement pension but is based on the deceased  
18 member's service and final average ~~[total direct]~~ pay at the time of  
19 death. The monthly benefit may not be less than:

20 (1) 27.5 percent of the member's final average ~~[total~~  
21 ~~direct]~~ pay for members hired before October 9, 2004, including a  
22 member who involuntarily separated from service but has been  
23 retroactively reinstated under arbitration, civil service, or a  
24 court ruling; or

25 (2) 22.5 percent of the member's final average pay for  
26 members hired or rehired on or after October 9, 2004.

27 (e) If any active member is killed or dies from any cause

1 growing out of or in consequence of the performance of the member's  
2 duty, the member's surviving spouse, dependent child or children,  
3 or dependent parent or parents are eligible ~~[entitled]~~ to receive  
4 immediate benefits computed in accordance with Subsection (b) of  
5 this section, except that the benefit ~~[payable to the spouse, or to  
6 the guardian of the dependent child or children if there is no  
7 surviving spouse, or the dependent parent or parents if there is no  
8 surviving spouse or dependent child,~~ is equal to 100 percent of the  
9 member's final average ~~[total direct]~~ pay, computed as of the date  
10 of death.

11 (f) A surviving spouse who receives a survivor's benefit  
12 under this article is eligible ~~[entitled]~~ to receive an additional  
13 amount each month equal to \$150, beginning with the later of the  
14 date the first payment of the survivor's benefit is due or the date  
15 the first monthly payment becomes due after June 18, 2001, and  
16 continuing until the end of the month in which the surviving spouse  
17 dies.

18 (g) A surviving spouse or dependent who becomes eligible to  
19 receive benefits with respect to an active member who was hired or  
20 rehired before October 9, 2004, who dies in active service after  
21 November 23, 1998, is eligible ~~[entitled]~~ to receive a one-time  
22 lump-sum payment of \$5,000 at the time the first monthly pension  
23 benefit is paid, if the member has not already received a \$5,000  
24 lump-sum payment under Section 12 or 15(c) of this article. If more  
25 than one dependent is eligible to receive a payment under this  
26 subsection, the \$5,000 shall be divided equally among the eligible  
27 dependents. This payment has no effect on the amount of the

1 surviving spouse's or dependents' monthly pension and may not be  
2 paid more than once.

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

14 (i) If a member or individual receiving a survivor's pension  
15 dies before monthly payments have been made for at least five years,  
16 leaving no person otherwise eligible [~~entitled~~] to receive further  
17 monthly payments with respect to the member, the monthly payments  
18 shall continue to be made [~~to the designated beneficiary of the~~  
19 ~~member or survivor, or to the estate of the member or survivor if a~~  
20 ~~beneficiary was not designated,~~] in the same amount as the last  
21 monthly payment made to the member or [~~]~~ survivor [~~, or estate,~~]  
22 until payments have been made for five years with respect to the  
23 member. The payments shall be made to the spouse of the member, if  
24 living, and if no spouse is living, to the natural or adopted  
25 children of the member, to be divided equally among the children if  
26 the member has more than one child. If the member has no spouse or  
27 children who are living, the benefit may not be paid. If the member

1 dies after becoming eligible to receive benefits [~~vested~~] but  
2 before payments begin, leaving no survivors eligible for benefits,  
3 the amount of each monthly payment over the five-year period shall  
4 be the same as the monthly payment the member would have received if  
5 the member had taken disability retirement on the date of the  
6 member's death and shall be paid to the member's spouse or children  
7 in the manner provided by this subsection. If the member has no  
8 spouse or children who are living, then the benefit may not be paid  
9 ~~[A member may designate a beneficiary in lieu of the member's estate~~  
10 ~~to receive the remaining payments in the event the member and all~~  
11 ~~survivors die before payments have been received for five years].~~  
12 The member's estate or a beneficiary who is not a survivor or  
13 dependent is not eligible [~~entitled~~] to receive the payment  
14 described by Subsection (g) of this section.

15 (j) A benefit payment made in accordance with this section  
16 on behalf of a minor or other person under a legal disability fully  
17 discharges the pension system's obligation to that person.

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

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

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

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

- 16           (1) to the member's spouse;
- 17           (2) if the member does not have a spouse, to each  
18 natural or adopted child of the member, or to the guardian of the  
19 child if the child is a minor or has a disability, in equal shares;
- 20           (3) if the member does not have a spouse or any  
21 children, to each surviving parent of the member in equal shares; or
- 22           (4) if the member has no beneficiaries described by  
23 Subdivisions (1), (2), and (3) of this subsection, to the estate of  
24 the member.

25           (b) If a member names a spouse as a beneficiary and is  
26 subsequently divorced from that spouse, the divorce voids the  
27 designation of the divorced spouse as the member's beneficiary. A

1 designation of a divorced spouse will cause the board to pay any  
2 balance remaining in the member's DROP account in the order  
3 prescribed by Subsection (a) of this section.

4 (c) The surviving spouse may designate a beneficiary on a  
5 form prescribed by the pension system to receive the balance of the  
6 DROP account owed but not received before the surviving spouse's  
7 death.

8 (d) Payment of the balance of the member's DROP account made  
9 in accordance with this section on behalf of a minor or other person  
10 under a legal disability fully discharges the pension system's  
11 obligation to that person.

12 SECTION 2.20. Section 17, Article 6243g-4, Revised  
13 Statutes, is amended by amending Subsections (b), (d), and (e) and  
14 adding Subsection (i) to read as follows:

15 (b) A member of the pension system who has not completed 20  
16 years of service at the time of separation from service with the  
17 police department is eligible for ~~[entitled to]~~ a refund of the  
18 total of the contributions the member made to the pension system,  
19 plus any amount that was contributed for the member by the city and  
20 not applied in accordance with this section to provide the member  
21 with 10 years of service. The refund does not include interest, and  
22 neither the city nor the member is eligible for ~~[entitled to]~~  
23 refund of the contributions the city made on the member's behalf,  
24 except as expressly provided by this subsection. By receiving the  
25 refund, the member forfeits any service earned before separation  
26 from service, even if it is otherwise nonforfeitable.

27 (d) A member must apply to the board for a refund within one



1 year after the date of separation from service. Failure to apply  
2 for the refund within the one-year period results in a forfeiture of  
3 the right to the refund except for an inactive member who is  
4 eligible for a pension [~~whose right to a pension is~~  
5 ~~nonforfeitable~~]. However, the board may reinstate any amount  
6 forfeited and allow the refund on application by the former member.

7 (e) Heirs, executors, administrators, personal  
8 representatives, or assignees are not eligible [~~entitled~~]  
9 for and receive the refund authorized by this section [~~except as~~  
10 ~~provided by Section 16(c) of this article~~].

11 (i) Former members reemployed on or after October 9, 2004,  
12 or current members who left service after October 9, 2004, if  
13 reemployed by the city, may purchase prior service credit at a rate  
14 of interest equal to 2.25 percent per year. Active members hired  
15 before October 9, 2004, who have not yet purchased prior service  
16 credit or members hired before October 9, 2004, who involuntarily  
17 separated from service but have been retroactively reinstated under  
18 arbitration, civil service, or a court ruling may purchase prior  
19 service credit at a rate of interest equal to 2.75 percent per year.  
20 The board may adopt rules necessary to implement this section.

21 SECTION 2.21. Section 18(a), Article 6243g-4, Revised  
22 Statutes, is amended to read as follows:

23 (a) Except as provided by this section:

24 (1) credit may not be allowed to any person for service  
25 with any department in the city other than the police department;  
26 [~~and~~]

27 (2) a person's service will be computed from the date

1 of entry into the service of the police department as a classified  
2 police officer until the date of separation from service with the  
3 police department; and

4 (3) a member who received service credit for service  
5 with any department in the city other than the police department and  
6 who is receiving a monthly pension benefit or who began  
7 participation in DROP before the year 2017 effective date shall  
8 continue to have the service credit apply.

9 SECTION 2.22. Sections 19(b) and (d), Article 6243g-4,  
10 Revised Statutes, are amended to read as follows:

11 (b) A person who rejoins the pension system under this  
12 section is eligible [~~entitled~~] to receive service credit for each  
13 day of service and work performed by the person in a classified  
14 position in the police department, except for any period during  
15 which the person is a DROP participant. The board shall add service  
16 earned after the transfer to the prior service the active member  
17 accrued in a classified position in the police department.  
18 However, the active member may not receive service credit under  
19 this article, except to the extent provided by Section 18, for  
20 service performed for the city other than in a classified position  
21 in the police department.

22 (d) When a member who has transferred as described by this  
23 section subsequently retires, the retired member is eligible for  
24 [~~entitled to~~] a pension computed on the basis of the combined  
25 service described by Subsection (b) of this section, after  
26 deducting any period in which the member was suspended from duty  
27 without pay, on leave of absence without pay, separated from

1 service, or employed by the city in a capacity other than in a  
2 classified position in the police department.

3 SECTION 2.23. Section 21, Article 6243g-4, Revised  
4 Statutes, is amended to read as follows:

5 Sec. 21. DETERMINATION OF BENEFITS; PROVISION OF  
6 INFORMATION. (a) The board may require any member, survivor, or  
7 other person or entity to furnish information the board requires  
8 for the determination of benefits under this article. If a person  
9 or entity does not cooperate in the furnishing or obtaining of  
10 information required as provided by this section, the board may  
11 withhold payment of the pension or other benefits dependent on the  
12 information.

13 (b) The city, not later than the 14th day after the date the  
14 city receives a request by or on behalf of the board, shall, unless  
15 otherwise prohibited by law, supply the pension system with  
16 personnel, payroll, and financial records in the city's possession  
17 that the pension system determines necessary to provide pension  
18 administrative and fiduciary services under this section, to  
19 establish beneficiaries' eligibility for any benefit, or to  
20 determine a member's credited service or the amount of any  
21 benefits, including disability benefits, and such other  
22 information the pension system may need, including:

23 (1) information needed to verify service, including  
24 the following information:

- 25 (A) the date a person is sworn in to a position;  
26 (B) the days a person is under suspension;  
27 (C) the days a person is absent without pay,

1 including the days a person is on maternity leave;

2 (D) the date of a person's termination from  
3 employment; and

4 (E) the date of a person's reemployment with the  
5 city;

6 (2) medical records;

7 (3) workers' compensation records and pay information;

8 (4) payroll information;

9 (5) information needed to verify whether a member is  
10 on military leave; and

11 (6) information regarding phase-down participants,  
12 including information related to entry date and phase-down plan.

13 (c) The city shall provide any information that may be  
14 reasonably necessary to enable the pension system to comply with  
15 administrative services the pension system performs for the city as  
16 reasonably necessary to obtain any ruling or determination letter  
17 from the Internal Revenue Service.

18 (d) The information provided by the city shall be  
19 transmitted to the pension system electronically in a format  
20 specified by the pension system, to the extent available to the  
21 city, or in writing if so requested on behalf of the pension system.

22 (e) The pension system shall determine each member's  
23 credited service and pension benefits on the basis of the personnel  
24 and financial records of the city and the records of the pension  
25 system.

26 SECTION 2.24. Section 23, Article 6243g-4, Revised  
27 Statutes, is amended to read as follows:

1           Sec. 23. MEMBERS IN MILITARY SERVICE. (a) A member of the  
2 pension system engaged in active service in a uniformed service may  
3 not be required to make the monthly payments into the fund and may  
4 not lose any previous years' service with the city because of the  
5 uniformed service. The uniformed service shall count as continuous  
6 service in the police department if the member returns to the city  
7 police department after discharge from the uniformed service as an  
8 employee within the period required by the Uniformed Services  
9 Employment and Reemployment Rights Act of 1994 (38 U.S.C. Section  
10 4301 et seq.), as amended, and the uniformed service does not exceed  
11 the period for which a person is eligible [~~entitled~~] to have service  
12 counted pursuant to that Act. Notwithstanding any other provision  
13 of this article, contributions and benefits shall be paid and  
14 qualified service for military service shall be determined in  
15 compliance with Section 414(u) of the code.

16           (b) The city is required to make its payments into the fund  
17 on behalf of each member while the member is engaged in a uniformed  
18 service. If a member who has less than 10 years of service in the  
19 pension system dies directly or indirectly as a result of the  
20 uniformed service, and without returning to active service, the  
21 spouse, dependent children, dependent parent, or estate of the  
22 member is eligible [~~entitled~~] to receive a benefit in the same  
23 manner as described by Section 16(c) of this article.

24           SECTION 2.25. Section 24(b), Article 6243g-4, Revised  
25 Statutes, is amended to read as follows:

26           (b) Payments due on behalf of a dependent child shall be  
27 paid to the dependent child's guardian, if any, or if none to the

1 person with whom the dependent child is living, except that the  
2 board may make payments directly to a dependent child in an  
3 appropriate case and withhold payments otherwise due on behalf of  
4 any person if the board has reason to believe the payments are not  
5 being applied on behalf of the person eligible [~~entitled~~] to  
6 receive them. The board may request a court of competent  
7 jurisdiction to appoint a person to receive and administer the  
8 payments due to any dependent child or person under a disability.

9 SECTION 2.26. Section 25, Article 6243g-4, Revised  
10 Statutes, is amended by amending Subsections (b), (c), (d), (g),  
11 and (h) and adding Subsections (c-1) and (h-1) through (h-13) to  
12 read as follows:

13 (b) A member or survivor of a member of the pension system  
14 may not accrue a retirement pension, disability retirement  
15 allowance, death benefit allowance, DROP benefit, or any other  
16 benefit under this article in excess of the benefit limits  
17 applicable to the fund under Section 415 of the code. The board  
18 shall reduce the amount of any benefit that exceeds those limits by  
19 the amount of the excess. If total benefits under this fund and the  
20 benefits and contributions to which any member is eligible  
21 [~~entitled~~] under any other qualified plans maintained by the city  
22 that employs the member would otherwise exceed the applicable  
23 limits under Section 415 of the code, the benefits the member would  
24 otherwise receive from the fund shall be reduced to the extent  
25 necessary to enable the benefits to comply with Section 415.

26 (c) Subject to Subsection (c-1) of this section, any [~~Any~~]  
27 distributee [~~member or survivor~~] who receives [~~any distribution~~

1 ~~that is~~] an eligible rollover distribution [~~as defined by Section~~  
2 ~~402(c)(4) of the code~~] is eligible [~~entitled~~] to have that  
3 distribution transferred directly to another eligible retirement  
4 plan of the distributee's [~~member's or survivor's~~] choice on  
5 providing direction to the pension system regarding that transfer  
6 in accordance with procedures established by the board.

7 (c-1) For purposes of Subsection (c) of this section:

8 (1) "Direct rollover" means a payment by the plan to  
9 the eligible retirement plan specified by the distributee.

10 (2) "Distributee" means a member or a member's  
11 surviving spouse or non-spouse designated beneficiary or a member's  
12 spouse or former spouse who is the alternate payee under a qualified  
13 domestic relations order with regard to the interest of the spouse  
14 or former spouse.

15 (3) "Eligible retirement plan" means:

16 (A) an individual retirement account as defined  
17 by Section 408(a) of the code;

18 (B) an individual retirement annuity as defined  
19 by Section 408(b) of the code;

20 (C) an annuity plan as described by Section  
21 403(a) of the code;

22 (D) an eligible deferred compensation plan as  
23 defined by Section 457(b) of the code that is maintained by an  
24 eligible employer as described by Section 457(e)(1)(A) of the code;

25 (E) an annuity contract as described by Section  
26 403(b) of the code;

27 (F) a qualified trust as described by Section

1 401(a) of the code that accepts the distributee's eligible rollover  
2 distribution; and

3 (G) in the case of an eligible rollover  
4 distribution, for a designated beneficiary that is not the  
5 surviving spouse, a spouse, or a former spouse who is an alternate  
6 payee under a qualified domestic relations order, an eligible  
7 retirement plan means only an individual retirement account or  
8 individual retirement annuity that is established for the purpose  
9 of receiving the distribution on behalf of the beneficiary.

10 (4) "Eligible rollover distribution" means any  
11 distribution of all or any portion of the balance to the credit of  
12 the distributee, except that an eligible rollover distribution does  
13 not include:

14 (A) any distribution that is one of a series of  
15 substantially equal periodic payments, not less frequently than  
16 annually, made for life or life expectancy of the distributee or the  
17 joint lives or joint life expectancies of the distributee and the  
18 distributee's designated beneficiary or for a specified period of  
19 10 years or more;

20 (B) any distribution to the extent the  
21 distribution is required under Section 401(a)(9) of the code; or

22 (C) any distribution that is made on hardship of  
23 the employee.

24 (d) The annual compensation for each member [~~total salary~~]  
25 taken into account for any purpose under this article [~~for any~~  
26 ~~member of the pension system~~] may not exceed \$200,000 for any year  
27 for an eligible participant, or for years beginning after 2001 for



1 an ineligible participant, or \$150,000 a year before 2001 for an  
2 ineligible participant. These dollar limits shall be adjusted from  
3 time to time in accordance with guidelines provided by the United  
4 States secretary of the treasury and must comply with Section  
5 401(a)(17) of the code. For purposes of this subsection, an  
6 eligible participant is a person who first became an active member  
7 before 1996, and an ineligible participant is a member who is not an  
8 eligible participant.

9 (g) Distribution of benefits must begin not later than April  
10 1 of the year following the calendar year during which the member  
11 eligible for ~~[entitled to]~~ the benefits becomes 70-1/2 years of age  
12 or terminates employment with the employer, whichever is later, and  
13 must otherwise conform to Section 401(a)(9) of the code.

14 (h) For purposes of adjusting any benefit due to the  
15 limitations prescribed by Section 415 of the code, the following  
16 provisions shall apply:

17 (1) the 415(b) limitation with respect to any member  
18 who at any time has been a member in any other defined benefit plan  
19 as defined in Section 414(j) of the code maintained by the city  
20 shall apply as if the total benefits payable under all the defined  
21 benefit plans in which the member has been a member were payable  
22 from one plan; and

23 (2) the 415(c) limitation with respect to any member  
24 who at any time has been a member in any other defined contribution  
25 plan as defined in Section 414(i) of the code maintained by the city  
26 shall apply as if the total annual additions under all such defined  
27 contribution plans in which the member has been a member were

1 payable from one plan.

2 (h-1) For purposes of adjusting any benefit due to the  
3 limitations prescribed by Section 415(b) of the code, the following  
4 provisions shall apply:

5 (1) before January 1, 1995, a member may not receive an  
6 annual benefit that exceeds the limits specified in Section 415(b)  
7 of the code, subject to the applicable adjustments in that section;

8 (2) on and after January 1, 1995, a member may not  
9 receive an annual benefit that exceeds the dollar amount specified  
10 in Section 415(b)(1)(A) of the code, subject to the applicable  
11 adjustments in Section 415(b) of the code and subject to any  
12 additional limits that may be specified in the pension system;

13 (3) in no event may a member's annual benefit payable  
14 under the pension system, including any DROP benefits, in any  
15 limitation year be greater than the limit applicable at the annuity  
16 starting date, as increased in subsequent years pursuant to Section  
17 415(d) of the code, including regulations adopted under that  
18 section; and

19 (4) the "annual benefit" means a benefit payable  
20 annually in the form of a straight life annuity, with no ancillary  
21 benefits, without regard to the benefit attributable to any  
22 after-tax employee contributions, unless attributable under  
23 Section 415(n) of the code, and to rollover contributions as  
24 defined in Section 415(b)(2)(A) of the code. For purposes of this  
25 subdivision, the "benefit attributable" shall be determined in  
26 accordance with applicable federal regulations.

27 (h-2) For purposes of adjustments to the basic limitation

1 under Section 415(b) of the code in the form of benefits, the  
2 following provisions apply:

3 (1) if the benefit under the pension system is other  
4 than the form specified in Subsections (h-1)(1)-(3) of this  
5 section, including DROP benefits, the benefit shall be adjusted so  
6 that it is the equivalent of the annual benefit, using factors  
7 prescribed in applicable federal regulations; and

8 (2) if the form of benefit without regard to the  
9 automatic benefit increase feature is not a straight life annuity  
10 or a qualified joint and survivor annuity, Subdivision (1) of this  
11 subsection is applied by either reducing the limit under Section  
12 415(b) of the code applicable at the annuity starting date or  
13 adjusting the form of benefit to an actuarially equivalent amount  
14 determined by using the assumptions specified in Treasury  
15 Regulation Section 1.415(b)-1(c)(2)(ii) that takes into account  
16 the additional benefits under the form of benefit as follows:

17 (A) for a benefit paid in a form to which Section  
18 417(e)(3) of the code does not apply, the actuarially equivalent  
19 straight life annuity benefit that is the greater of:

20 (i) the annual amount of the straight life  
21 annuity, if any, payable to the member under the pension system  
22 commencing at the same annuity starting date as the form of benefit  
23 to the member or the annual amount of the straight life annuity  
24 commencing at the same annuity starting date that has the same  
25 actuarial present value as the form of benefit payable to the  
26 member, computed using a five percent interest assumption or the  
27 applicable statutory interest assumption; and

1                   (ii) for years prior to January 1, 2009, the  
2 applicable mortality tables described in Treasury Regulation  
3 Section 1.417(e)-1(d)(2), and for years after December 31, 2008,  
4 the applicable mortality tables described in Section 417(e)(3)(B)  
5 of the code; or

6                   (B) for a benefit paid in a form to which Section  
7 417(e)(3) of the code applies, the actuarially equivalent straight  
8 life annuity benefit that is the greatest of:

9                   (i) the annual amount of the straight life  
10 annuity commencing at the annuity starting date that has the same  
11 actuarial present value as the particular form of benefit payable,  
12 computed using the interest rate and mortality table, or tabular  
13 factor, specified in the plan for actuarial experience;

14                   (ii) the annual amount of the straight life  
15 annuity commencing at the annuity starting date that has the same  
16 actuarial present value as the particular form of benefit payable,  
17 computed using a 5.5 percent interest assumption or the applicable  
18 statutory interest assumption, and for years prior to January 1,  
19 2009, the applicable mortality tables for the distribution under  
20 Treasury Regulation Section 1.417(e)-1(d)(2), and for years after  
21 December 31, 2008, the applicable mortality tables described in  
22 Section 417(e)(3)(B) of the code; or

23                   (iii) the annual amount of the straight  
24 life annuity commencing at the annuity starting date that has the  
25 same actuarial present value as the particular form of benefit  
26 payable computed using the applicable interest rate for the  
27 distribution under Treasury Regulation Section 1.417(e)-1(d)(3)

1 using the rate in effect for the month prior to retirement before  
2 January 1, 2017, and using the rate in effect for the first day of  
3 the plan year with a one-year stabilization period on and after  
4 January 1, 2017, and for years prior to January 1, 2009, the  
5 applicable mortality tables for the distribution under Treasury  
6 Regulation Section 1.417(e)-1(d)(2), and for years after December  
7 31, 2008, the applicable mortality tables described in Section  
8 417(e)(3)(B) of the code, divided by 1.05.

9 (h-3) The pension system actuary may adjust the limitation  
10 under Section 415(b) of the code at the annuity starting date in  
11 accordance with Subsections (h-1) and (h-2) of this section.

12 (h-4) The following are benefits for which no adjustment of  
13 the limitation in Section 415(b) of the code is required:

14 (1) any ancillary benefit that is not directly related  
15 to retirement income benefits;

16 (2) the portion of any joint and survivor annuity that  
17 constitutes a qualified joint and survivor annuity; and

18 (3) any other benefit not required under Section  
19 415(b)(2) of the code and regulations adopted under that section to  
20 be taken into account for purposes of the limitation of Section  
21 415(b)(1) of the code.

22 (h-5) The following provisions apply to other adjustments  
23 of the limitation under Section 415(b) of the code:

24 (1) in the event the member's pension benefits become  
25 payable before the member attains 62 years of age, the limit  
26 prescribed by this section shall be reduced in accordance with  
27 federal regulations adopted under Section 415(b) of the code, so

1 that that limit, as reduced, equals an annual straight life annuity  
2 benefit when the retirement income benefit begins, that is  
3 equivalent to a \$160,000, as adjusted, annual benefit beginning at  
4 62 years of age;

5 (2) in the event the member's benefit is based on at  
6 least 15 years of service as a full-time employee of any police or  
7 fire department or on 15 years of military service, in accordance  
8 with Sections 415(b)(2)(G) and (H) of the code, the adjustments  
9 provided for in Subdivision (1) of this section may not apply; and

10 (3) in accordance with Section 415(b)(2)(I) of the  
11 code, the reductions provided for in Subdivision (1) of this  
12 section may not be applicable to preretirement disability benefits  
13 or preretirement death benefits.

14 (h-6) The following provisions of this subsection govern  
15 adjustment of the defined benefit dollar limitation for benefits  
16 commenced after 65 years of age:

17 (1) if the annuity starting date for the member's  
18 benefit is after 65 years of age and the pension system does not  
19 have an immediately commencing straight life annuity payable at  
20 both 65 years of age and the age of benefit commencement, the  
21 defined benefit dollar limitation at the member's annuity starting  
22 date is the annual amount of a benefit payable in the form of a  
23 straight life annuity commencing at the member's annuity starting  
24 date that is the actuarial equivalent of the defined benefit dollar  
25 limitation, with actuarial equivalence computed using a five  
26 percent interest rate assumption and the applicable mortality table  
27 for that annuity starting date as defined in Section 417(e)(3)(B)

1 of the code, expressing the member's age based on completed  
2 calendar months as of the annuity starting date;

3 (2) if the annuity starting date for the member's  
4 benefit is after age 65, and the pension system has an immediately  
5 commencing straight life annuity payable at both 65 years of age and  
6 the age of benefit commencement, the defined benefit dollar  
7 limitation at the member's annuity starting date is the lesser of  
8 the limitation determined under Subdivision (1) of this section and  
9 the defined benefit dollar limitation multiplied by the ratio of  
10 the annual amount of the adjusted immediately commencing straight  
11 life annuity under the pension system at the member's annuity  
12 starting date to the annual amount of the adjusted immediately  
13 commencing straight life annuity under the pension system at 65  
14 years of age, both determined without applying the limitations of  
15 this subsection; and

16 (3) notwithstanding the other requirements of this  
17 section:

18 (A) no adjustment shall be made to reflect the  
19 probability of a member's death between the annuity starting date  
20 and 62 years of age, or between 65 years of age and the annuity  
21 starting date, as applicable, if benefits are not forfeited on the  
22 death of the member prior to the annuity starting date; and

23 (B) to the extent benefits are forfeited on death  
24 before the annuity starting date, the adjustment shall be made, and  
25 for this purpose no forfeiture shall be treated as occurring on the  
26 member's death if the pension system does not charge members for  
27 providing a qualified preretirement survivor annuity, as defined in

1 Section 417(c) of the code, on the member's death.

2 (h-7) For the purpose of Subsection (h-6)(2) of this  
3 section, the adjusted immediately commencing straight life annuity  
4 under the pension system at the member's annuity starting date is  
5 the annual amount of such annuity payable to the member, computed  
6 disregarding the member's accruals after 65 years of age but  
7 including actuarial adjustments even if those actuarial  
8 adjustments are used to offset accruals, and the adjusted  
9 immediately commencing straight life annuity under the pension  
10 system at 65 years of age is the annual amount of the annuity that  
11 would be payable under the pension system to a hypothetical member  
12 who is 65 years of age and has the same accrued benefit as the  
13 member.

14 (h-8) The maximum pension benefits payable to any member who  
15 has completed less than 10 years of participation shall be the  
16 amount determined under Subsection (h-1) of this section, as  
17 adjusted under Subsection (h-2) or (h-5) of this section,  
18 multiplied by a fraction, the numerator of which is the number of  
19 the member's years of participation and the denominator of which is  
20 10. The limit under Subsection (h-9) of this section concerning the  
21 \$10,000 limit shall be similarly reduced for any member who has  
22 accrued less than 10 years of service, except the fraction shall be  
23 determined with respect to years of service instead of years of  
24 participation. The reduction provided by this subsection cannot  
25 reduce the maximum benefit below 10 percent of the limit determined  
26 without regard to this subsection. The reduction provided for in  
27 this subsection may not be applicable to preretirement disability



1 benefits or preretirement death benefits.

2 (h-9) Notwithstanding Subsection (h-8) of this section, the  
3 pension benefit payable with respect to a member shall be deemed not  
4 to exceed the limit provided by Section 415 of the code if the  
5 benefits payable, with respect to such member under this pension  
6 system and under all other qualified defined benefit pension plans  
7 to which the city contributes, do not exceed \$10,000 for the  
8 applicable limitation year and for any prior limitation year and  
9 the city has not at any time maintained a qualified defined  
10 contribution plan in which the member participated.

11 (h-10) On and after January 1, 1995, for purposes of  
12 applying the limits under Section 415(b) of the code to a member's  
13 benefit paid in a form to which Section 417(e)(3) of the code does  
14 not apply, the following provisions apply:

15 (1) a member's applicable limit shall be applied to the  
16 member's annual benefit in the member's first limitation year  
17 without regard to any cost-of-living adjustments under Section 12  
18 of this article;

19 (2) to the extent that the member's annual benefit  
20 equals or exceeds the limit, the member shall no longer be eligible  
21 for cost-of-living increases until such time as the benefit plus  
22 the accumulated increases are less than the limit; and

23 (3) after the time prescribed by Subdivision (2) of  
24 this subsection, in any subsequent limitation year, a member's  
25 annual benefit, including any cost-of-living increases under  
26 Section 12 of this article, shall be tested under the applicable  
27 benefit limit, including any adjustment under Section 415(d) of the

1 code to the dollar limit under Section 415(b)(1)(A) of the code, and  
2 the regulations under those sections.

3 (h-11) Any repayment of contributions, including interest  
4 on contributions, to the plan with respect to an amount previously  
5 refunded on a forfeiture of service credit under the plan or another  
6 governmental plan maintained by the pension system may not be taken  
7 into account for purposes of Section 415 of the code, in accordance  
8 with applicable federal regulations.

9 (h-12) Reduction of benefits or contributions to all plans,  
10 where required, shall be accomplished by:

11 (1) first, reducing the member's benefit under any  
12 defined benefit plans in which the member participated, with the  
13 reduction to be made first with respect to the plan in which the  
14 member most recently accrued benefits and then in the priority  
15 determined by the pension system and the plan administrator of such  
16 other plans; and

17 (2) next, reducing or allocating excess forfeitures  
18 for defined contribution plans in which the member participated,  
19 with the reduction to be made first with respect to the plan in  
20 which the member most recently accrued benefits and then in the  
21 priority determined by the pension system and the plan  
22 administrator for such other plans.

23 (h-13) Notwithstanding Subsection (h-12) of this section,  
24 reductions may be made in a different manner and priority pursuant  
25 to the agreement of the pension system and the plan administrator of  
26 all other plans covering such member. ~~[If the amount of any benefit~~  
27 ~~is to be determined on the basis of actuarial assumptions that are~~

1 ~~not otherwise specifically set forth for that purpose in this~~  
2 ~~article, the actuarial assumptions to be used are those earnings~~  
3 ~~and mortality assumptions being used on the date of the~~  
4 ~~determination by the pension system's actuary and approved by the~~  
5 ~~board. The actuarial assumptions being used at any particular time~~  
6 ~~shall be attached as an addendum to a copy of this article and~~  
7 ~~treated for all purposes as a part of this article. The actuarial~~  
8 ~~assumptions may be changed by the pension system's actuary at any~~  
9 ~~time if approved by the board, but a change in actuarial assumptions~~  
10 ~~may not result in any decrease in benefits accrued as of the~~  
11 ~~effective date of the change.]~~

12 SECTION 2.27. Section 26(b)(3), Article 6243g-4, Revised  
13 Statutes, is amended to read as follows:

14 (3) "Maximum benefit" means the retirement benefit a  
15 retired member and the spouse, dependent child, or dependent parent  
16 of a retired member or deceased member or retiree are eligible  
17 ~~[entitled]~~ to receive from all qualified plans in any month after  
18 giving effect to Section 25(b) of this article and any similar  
19 provisions of any other qualified plans designed to conform to  
20 Section 415 of the code.

21 SECTION 2.28. Sections 26(c), (d), and (e), Article  
22 6243g-4, Revised Statutes, are amended to read as follows:

23 (c) An excess benefit participant who is receiving benefits  
24 from the pension system is eligible for ~~[entitled to]~~ a monthly  
25 benefit under this excess benefit plan in an amount equal to the  
26 lesser of:

27 (1) the member's unrestricted benefit less the maximum

1 benefit; or

2 (2) the amount by which the member's monthly benefit  
3 from the fund has been reduced because of the limitations of Section  
4 415 of the code.

5 (d) If a spouse, dependent child, or dependent parent is  
6 eligible for [~~entitled to~~] preretirement or postretirement death  
7 benefits under a qualified plan after the death of an excess benefit  
8 participant, the surviving spouse, dependent child, or dependent  
9 parent is eligible for [~~entitled to~~] a monthly benefit under the  
10 excess benefit plan equal to the benefit determined in accordance  
11 with this article without regard to the limitations under Section  
12 25(b) of this article or Section 415 of the code, less the maximum  
13 benefit.

14 (e) Any benefit to which a person is eligible [~~entitled~~]  
15 under this section shall be paid at the same time and in the same  
16 manner as the benefit would have been paid from the pension system  
17 if payment of the benefit from the pension system had not been  
18 precluded by Section 25(b) of this article. An excess benefit  
19 participant or any beneficiary may not, under any circumstances,  
20 elect to defer the receipt of all or any part of a payment due under  
21 this section.

22 SECTION 2.29. The heading to Section 27, Article 6243g-4,  
23 Revised Statutes, is amended to read as follows:

24 Sec. 27. CERTAIN WRITTEN AGREEMENTS BETWEEN PENSION SYSTEM  
25 AND CITY AUTHORIZED [~~AGREEMENT TO CHANGE BENEFITS~~].

26 SECTION 2.30. Section 27, Article 6243g-4, Revised  
27 Statutes, is amended by amending Subsection (b) and adding

1 Subsection (c) to read as follows:

2 (b) A pension benefit or allowance provided by this article  
3 may be increased if the increase:

4 (1) is first approved by a qualified actuary selected  
5 by the board;

6 (2) is approved by the board and the city in a written  
7 agreement as authorized by this section; and

8 (3) does not deprive a member, without the member's  
9 written consent, of a right to receive benefits when [~~that have~~  
10 ~~become fully vested and matured in~~] the member is fully eligible.

11 (c) In a written agreement entered into between the city and  
12 the board under this section, the parties may not fundamentally:

13 (1) alter Sections 9 through 9E of this article;

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 or greater than the city contribution rate required under  
22 Section 9D or 9E of this article, as applicable.

23 SECTION 2.31. Section 29, Article 6243g-4, Revised  
24 Statutes, is amended by adding Subsections (c), (d), (e), (f), and  
25 (g) to read as follows:

26 (c) To carry out the provisions of Sections 9 through 9E of  
27 this article, the board and the pension system shall provide the

1 city actuary under a confidentiality agreement the actuarial data  
2 used by the pension system actuary for the pension system's  
3 actuarial valuations or valuation studies and other data as agreed  
4 to between the city and the pension system that the city actuary  
5 determines is reasonably necessary for the city actuary to perform  
6 the studies required by Sections 9A through 9E of this article.  
7 Actuarial data described by this subsection does not include  
8 information described by Subsection (a) of this section.

9 (d) A risk sharing valuation study prepared by either the  
10 city actuary or the pension system actuary under Sections 9A  
11 through 9E of this article may not:

12 (1) include information described by Subsection (a) of  
13 this section; or

14 (2) provide confidential or private information  
15 regarding specific individuals or be grouped in a manner that  
16 allows confidential or private information regarding a specific  
17 individual to be discerned.

18 (e) The information, data, and document exchanges under  
19 Sections 9 through 9E of this article have all the protections  
20 afforded by applicable law and are expressly exempt from the  
21 disclosure requirements under Chapter 552, Government Code, except  
22 as may be agreed to by the city and pension system in a written  
23 agreement under Section 27 of this article.

24 (f) Subsection (e) of this section does not apply to final  
25 risk sharing valuation studies prepared under Section 9A or 9B of  
26 this article.

27 (g) Before a union contract is approved by the city, the

1 mayor of the city must cause the city actuaries to deliver to the  
2 mayor a report estimating the impact of the proposed union contract  
3 on fund costs.

4 SECTION 2.32. Article 6243g-4, Revised Statutes, is amended  
5 by adding Section 30 to read as follows:

6 Sec. 30. FORFEITURE OF BENEFITS. (a) Notwithstanding any  
7 other law, a member who is convicted, after exhausting all appeals,  
8 of an offense punishable as a felony of the first degree in relation  
9 to, arising out of, or in connection with the member's service as a  
10 classified police officer may not receive any benefits under this  
11 article.

12 (b) After the member described by Subsection (a) of this  
13 section is finally convicted, the member's spouse may apply for  
14 benefits if the member, but for application of Subsection (a) of  
15 this section, would have been eligible for a pension benefit or a  
16 delayed payment of benefits. If the member would not have been  
17 eligible for a pension benefit or a delayed payment of benefits, the  
18 member's spouse may apply for a refund of the member's  
19 contributions. A refund under this subsection does not include  
20 interest and does not include contributions the city made on the  
21 member's behalf. The city may not receive a refund of any  
22 contributions the city made on the member's behalf.

23 SECTION 2.33. Sections 2(19) and (23), 8(b), 12(f), 14(f)  
24 and (m), 15(h) and (j), and 18(b) and (c), Article 6243g-4, Revised  
25 Statutes, are repealed.

26 SECTION 2.34. A city and board that have entered into one or  
27 more agreements under Section 27, Article 6243g-4, Revised

1 Statutes, shall agree in writing that any provisions in the  
2 agreements that specifically conflict with this Act are no longer  
3 in effect, as of the year 2017 effective date, and any  
4 nonconflicting provisions of the agreements remain in full force  
5 and effect.

6 SECTION 2.35. Notwithstanding any other Act of the 85th  
7 Legislature, Regular Session, 2017, the issuance of pension  
8 obligation bonds under Chapter 107, Local Government Code, in an  
9 amount sufficient to deliver pension obligation bond proceeds to  
10 the pension system established under Article 6243g-4, Revised  
11 Statutes, as amended by this Act, in the amount and manner  
12 prescribed by Section 9B(j), Article 6243g-4, Revised Statutes, as  
13 added by this Act, may not require the approval of the qualified  
14 voters of a city voting at an election held for that purpose.

15 SECTION 2.36. The pension system established under Article  
16 6243g-4, Revised Statutes, shall require the pension system actuary  
17 to prepare the first actuarial experience study required under  
18 Section 9C, Article 6243g-4, Revised Statutes, as added by this  
19 Act, not later than September 30, 2022.

20 ARTICLE 3. MUNICIPAL EMPLOYEES PENSION SYSTEM

21 SECTION 3.01. Section 1, Chapter 88 (H.B. 1573), Acts of the  
22 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's  
23 Texas Civil Statutes), is amended by amending Subdivisions (1),  
24 (4), (5), (7), (14), (18), and (26) and adding Subdivisions (1-a),  
25 (1-b), (1-c), (1-d), (1-e), (1-f), (4-a), (4-b), (4-c), (4-d),  
26 (4-e), (4-f), (11-a), (11-b), (11-c), (11-d), (11-e), (11-f),  
27 (11-g), (11-h), (11-i), (11-j), (11-k), (12-a), (12-b), (14-a),



1 (14-b), (17-a), (18-a), (18-b), (20-a), (21-a), (26-a), (26-b),  
2 (28), (29), (30), and (31) to read as follows:

3 (1) "Actuarial data" includes:

4 (A) the census data, assumption tables,  
5 disclosure of methods, and financial information that are routinely  
6 used by the pension system actuary for the pension system's studies  
7 or an actuarial experience study under Section 8D of this Act; and

8 (B) other data that is reasonably necessary to  
9 implement Sections 8A through 8F of this Act, as agreed to by the  
10 city and pension board.

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

13 (1-b) "Adjustment factor" means the assumed rate of  
14 return less two percentage points.

15 (1-c) "Amortization period" means the time period  
16 necessary to fully pay a liability layer.

17 (1-d) "Amortization rate" means the sum of the  
18 scheduled amortization payments less the city contribution amount  
19 for a given fiscal year for the liability layers divided by the  
20 projected pensionable payroll for the same fiscal year.

21 (1-e) "Assumed rate of return" means the assumed  
22 market rate of return on pension system assets, which is seven  
23 percent per annum unless adjusted as provided by this Act.

24 (1-f) "Authorized absence" means:

25 (A) each day an employee is absent due to an  
26 approved holiday, vacation, accident, or sickness, if the employee  
27 is continued on the employment rolls of the city or the pension

1 system, receives the employee's regular salary from the city or the  
2 pension system for each day of absence, and remains eligible to work  
3 on recovery or return; or

4 (B) any period that a person is on military leave  
5 of absence under Section 18(a) of this Act, provided the person  
6 complies with the requirements of that section.

7 (4) "City" means a municipality having a population of  
8 more than two [~~1.5~~] million.

9 (4-a) "City contribution amount" means, for each  
10 fiscal year, a predetermined payment amount expressed in dollars in  
11 accordance with a payment schedule amortizing the legacy liability,  
12 using the level percent of payroll method and the amortization  
13 period and payoff year, that is included in the initial risk sharing  
14 valuation study under Section 8C(a)(3) of this Act, as may be  
15 restated from time to time in:

16 (A) a subsequent risk sharing valuation study to  
17 reflect adjustments to the amortization schedule authorized by  
18 Section 8E or 8F of this Act; or

19 (B) a restated initial risk sharing valuation  
20 study or a subsequent risk sharing valuation study to reflect  
21 adjustments authorized by Section 8C(i) or (j) of this Act.

22 (4-b) "City contribution rate" means a percent of  
23 pensionable payroll that is the sum of the employer normal cost rate  
24 and the amortization rate for liability layers, excluding the  
25 legacy liability, except as determined otherwise under the express  
26 provisions of Sections 8E and 8F of this Act.

27 (4-c) "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 (4-d) "Corridor margin" means five percentage points.

7 (4-e) "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 8C of this Act,  
10 and as may be adjusted under Section 8E or 8F of this Act, and in  
11 each case rounded to the nearest hundredths decimal place.

12 (4-f) "Cost-of-living adjustment percentage" means a  
13 percentage that:

14 (A) except as provided by Paragraph (B), is equal  
15 to the pension system's five-year investment return, based on a  
16 rolling five-year basis and net of investment expenses, minus the  
17 adjustment factor, and multiplied by 50 percent; and

18 (B) may not be less than zero or more than two  
19 percent.

20 (5) "Credited service" means each day of service and  
21 prior service of a member for which:

22 (A) the city ~~has~~ and ~~[, for service in group A,]~~  
23 the member have ~~has~~ made required contributions to the pension  
24 fund that were not subsequently withdrawn;

25 (B) the member has purchased service credit or  
26 converted service credit from group B to group A by paying into the  
27 pension fund required amounts that were not subsequently withdrawn;

1 (C) the member has reinstated service under  
2 Section 7(g) of this Act; and

3 (D) the member has previously made payments to  
4 the pension fund that, under then existing provisions of law, make  
5 the member eligible for credit for the service and that were not  
6 subsequently withdrawn.

7 (7) "Dependent child" means an unmarried natural or  
8 legally adopted child of a member, deferred participant, or retiree  
9 who:

10 (A) was supported by the member, deferred  
11 participant, or retiree before the termination of employment of the  
12 member, deferred participant, or retiree; and

13 (B) is under 21 years of age or is totally and  
14 permanently disabled from performing any full-time employment  
15 because of an injury, illness, serious mental illness, intellectual  
16 disability, or pervasive development disorder [~~or retardation~~]  
17 that began before the child became 18 years of age and before the  
18 termination of employment [~~death~~] of the member, deferred  
19 participant, or retiree.

20 (11-a) "Employer normal cost rate" means the normal  
21 cost rate minus the applicable member contribution rate for newly  
22 hired employees, initially set as three percent for group D members  
23 on the year 2017 effective date. The present value of additional  
24 member contributions different from the group D rate taken into  
25 account for purposes of determining the employer normal cost rate  
26 must be applied toward the actuarial accrued liability.

27 (11-b) "Estimated city contribution amount" means the

1 city contribution amount estimated in a final risk sharing  
2 valuation study under Section 8B or 8C of this Act, as applicable,  
3 as required by Section 8B(a)(5) of this Act.

4 (11-c) "Estimated city contribution rate" means the  
5 city contribution rate estimated in a final risk sharing valuation  
6 study under Section 8B or 8C of this Act, as applicable, as required  
7 by Section 8B(a)(5) of this Act.

8 (11-d) "Estimated total city contribution" means the  
9 total city contribution estimated by the pension system actuary or  
10 the city actuary, as applicable, by using the estimated city  
11 contribution rates and the estimated city contribution amounts  
12 recommended by each actuary for purposes of preparing the initial  
13 risk sharing valuation study under Section 8C of this Act.

14 (11-e) "Fiscal year," except as provided by Section 1B  
15 of this Act, means a fiscal year beginning on July 1 and ending on  
16 June 30.

17 (11-f) "Funded ratio" means the ratio of the pension  
18 system's actuarial value of assets divided by the pension system's  
19 actuarial accrued liability.

20 (11-g) "Legacy liability" means the unfunded  
21 actuarial accrued liability:

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

24 (i) changes to benefits and contributions  
25 under this Act that took effect on the year 2017 effective date;

26 (ii) the deposit of pension obligation bond  
27 proceeds on December 31, 2017; and

1           (iii) payments by the city and earnings at  
2 the assumed rate of return allocated to the legacy liability from  
3 July 1, 2016, to July 1, 2017, excluding July 1, 2017; and

4           (B) for each subsequent fiscal year:

5           (i) reduced by the city contribution amount  
6 for that year allocated to the amortization of the legacy  
7 liability; and

8           (ii) adjusted by the assumed rate of  
9 return.

10          (11-h) "Level percent of payroll method" means the  
11 amortization method that defines the amount of the liability layer  
12 recognized each fiscal year as a level percent of pensionable  
13 payroll until the amount of the liability layer remaining is  
14 reduced to zero.

15          (11-i) "Liability gain layer" means a liability layer  
16 that decreases the unfunded actuarial accrued liability.

17          (11-j) "Liability layer" means the legacy liability  
18 established in the initial risk sharing valuation study under  
19 Section 8C of this Act and the unanticipated change as established  
20 in each subsequent risk sharing valuation study prepared under  
21 Section 8B of this Act.

22          (11-k) "Liability loss layer" means a liability layer  
23 that increases the unfunded actuarial accrued liability. For  
24 purposes of this Act, the legacy liability is a liability loss  
25 layer.

26          (12-a) "Maximum contribution rate" means the rate  
27 equal to the corridor midpoint plus the corridor margin.

1           (12-b) "Minimum contribution rate" means the rate  
2 equal to the corridor midpoint minus the corridor margin.

3           (14) "Military service" means active service in the  
4 armed forces of the United States or wartime service in the armed  
5 forces of the United States or in the allied forces, if credit for  
6 military service has not been granted under any federal or other  
7 state system or used in any other retirement system, except as  
8 expressly required under federal law.

9           (14-a) "Normal cost rate" means the salary weighted  
10 average of the individual normal cost rates determined for the  
11 current active population, plus the assumed administrative  
12 expenses determined in the most recent actuarial experience study  
13 conducted under Section 8D of this Act, expressed as a rate,  
14 provided the assumed administrative expenses may not exceed 1.25  
15 percent of pensionable payroll for the current fiscal year unless  
16 agreed to by the city.

17           (14-b) "Payoff year" means the year a liability layer  
18 is fully amortized under the amortization period. A payoff year may  
19 not be extended or accelerated for a period that is less than one  
20 month.

21           (17-a) "Pension obligation bond" means a bond issued  
22 in accordance with Chapter 107, Local Government Code.

23           (18) "Pension system," unless the context otherwise  
24 requires, means the retirement, disability, and survivor benefit  
25 plans for municipal employees of a city under this Act and employees  
26 under Section 3(d) of this Act.

27           (18-a) "Pension system actuary" means the actuary

1 engaged by the pension system under Section 2B of this Act.

2 (18-b) "Pensionable payroll" means the combined  
3 salaries paid to all members in a fiscal year.

4 (20-a) "Price inflation assumption" means:

5 (A) the most recent headline consumer price index  
6 10-year forecast published in the Federal Reserve Bank of  
7 Philadelphia Survey of Professional Forecasters; or

8 (B) if the forecast described by Paragraph (A) of  
9 this subdivision is not available, another standard as determined  
10 by mutual agreement between the city and the pension board entered  
11 into under Section 3(n) of this Act.

12 (21-a) "Projected pensionable payroll" means the  
13 estimated pensionable payroll for the fiscal year beginning 12  
14 months after the date of the risk sharing valuation study prepared  
15 under Section 8B of this Act, at the time of calculation by:

16 (A) projecting the prior fiscal year's  
17 pensionable payroll forward two years using the current payroll  
18 growth rate assumptions; and

19 (B) adjusting, if necessary, for changes in  
20 population or other known factors, provided those factors would  
21 have a material impact on the calculation, as determined by the  
22 pension board.

23 (26) "Surviving spouse" means a spouse by marriage of  
24 ~~[person who was married to]~~ a member, deferred participant, or  
25 retiree at the time of death of the member, deferred participant, or  
26 retiree and as of the date of ~~[before]~~ separation from service by  
27 the member, deferred participant, or retiree.



1           (26-a) "Third quarter line rate" means the corridor  
2 midpoint plus 2.5 percentage points.

3           (26-b) "Total city contribution" means, for a fiscal  
4 year, an amount equal to the sum of:

5                   (A) the city contribution rate multiplied by the  
6 pensionable payroll for the fiscal year; and

7                   (B) the city contribution amount for the fiscal  
8 year.

9           (28) "Ultimate entry age normal" means an actuarial  
10 cost method under which a calculation is made to determine the  
11 average uniform and constant percentage rate of contributions that,  
12 if applied to the compensation of each member during the entire  
13 period of the member's anticipated covered service, would be  
14 required to meet the cost of all benefits payable on the member's  
15 behalf based on the benefits provisions for newly hired employees.  
16 For purposes of this definition, the actuarial accrued liability  
17 for each member is the difference between the member's present  
18 value of future benefits based on the tier of benefits that apply to  
19 the member and the member's present value of future normal costs  
20 determined using the normal cost rate.

21           (29) "Unfunded actuarial accrued liability" means the  
22 difference between the actuarial accrued liability and the  
23 actuarial value of assets. For purposes of this definition:

24                   (A) "actuarial accrued liability" means the  
25 portion of the actuarial present value of projected benefits  
26 attributed to past periods of member service based on the cost  
27 method used in the risk sharing valuation study prepared under

1 Section 8B or 8C of this Act, as applicable; and

2 (B) "actuarial value of assets" means the value  
3 of pension plan investments as calculated using the asset smoothing  
4 method used in the risk sharing valuation study prepared under  
5 Section 8B or 8C of this Act, as applicable.

6 (30) "Unanticipated change" means, with respect to the  
7 unfunded actuarial accrued liability in each subsequent risk  
8 sharing valuation study prepared under Section 8B of this Act, the  
9 difference between:

10 (A) the remaining balance of all then-existing  
11 liability layers as of the date of the risk sharing valuation study;  
12 and

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

15 (31) "Year 2017 effective date" means the date on  
16 which H.B. No. 43, Acts of the 85th Legislature, Regular Session,  
17 2017, took effect.

18 SECTION 3.02. Chapter 88 (H.B. 1573), Acts of the 77th  
19 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas  
20 Civil Statutes), is amended by adding Sections 1A, 1B, and 1C to  
21 read as follows:

22 Sec. 1A. INTERPRETATION OF ACT. This Act does not and may  
23 not be interpreted to:

24 (1) relieve the city, the pension board, or the  
25 pension system of their respective obligations under Sections 8A  
26 through 8F 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 carrying out the provisions of Sections 8A through 8F of  
9 this Act; or

10 (B) reducing or modifying the rights of the  
11 pension board and any officer or employee of the pension board or  
12 pension system to enforce obligations described by Subdivision (1)  
13 of this section;

14 (4) relieve the pension board or pension system,  
15 including any officer or employee of the pension board or pension  
16 system, from any obligation to implement a benefit change or carry  
17 out the provisions of Sections 8A through 8F of this Act; or

18 (5) reduce or modify the rights of the city and any  
19 officer or employee of the city to enforce an obligation described  
20 by Subdivision (4) of this section.

21 Sec. 1B. FISCAL YEAR. If either the pension system or the  
22 city changes its respective fiscal year, the pension system and the  
23 city shall enter into a written agreement under Section 3(n) of this  
24 Act to adjust the provisions of Sections 8A through 8F of this Act  
25 to reflect that change for purposes of this Act.

26 Sec. 1C. CONFLICT OF LAW. To the extent of a conflict  
27 between this Act and any other law, this Act prevails.

1 SECTION 3.03. Section 2, Chapter 88 (H.B. 1573), Acts of the  
2 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's  
3 Texas Civil Statutes), is amended by amending Subsections (c), (d),  
4 (g), (j), (l), and (n) and adding Subsections (c-1), (c-2), (c-3),  
5 (c-4), (j-1), (j-2), (ee), (ff), (gg), (hh), (ii), and (jj) to read  
6 as follows:

7 (c) The pension board consists of 11 [~~nine~~] trustees as  
8 follows:

9 (1) one person appointed by the mayor of the city [~~or~~  
10 ~~the director of the civil service commission as the mayor's~~  
11 ~~representative~~];

12 (2) one person appointed by the controller of the city  
13 [~~treasurer or a person performing the duties of treasurer~~];

14 (3) four municipal employees of the city who are  
15 members of the pension system;

16 (4) two retirees, each of whom:

17 (A) has at least five years of credited service  
18 in the pension system;

19 (B) receives a retirement pension from the  
20 pension system; and

21 (C) is not an officer or employee of the city;  
22 [~~and~~]

23 (5) one person appointed by the elected trustees who  
24 [~~+~~

25 [~~(A)~~] has been a resident of this state for the  
26 three years preceding the date of initial appointment; and

27 (6) two persons appointed by the governing body of the

1 city [~~(B) is not a city officer or employee~~].

2 (c-1) To serve as a trustee under Subsection (c)(1), (2), or  
3 (6) of this section, a person may not be a participant in or  
4 beneficiary of the pension system.

5 (c-2) A trustee appointed under Subsection (c)(1), (2),  
6 (5), or (6) of this section must have expertise in at least one of  
7 the following areas: accounting, finance, pensions, investments,  
8 or actuarial science. Of the trustees appointed under Subsections  
9 (c)(1), (2), and (6) of this section, not more than two trustees may  
10 have expertise in the same area.

11 (c-3) A trustee appointed under Subsection (c)(1) of this  
12 section shall serve a three-year term expiring in July of the  
13 applicable year. The appointed trustee may be removed at any time  
14 by the mayor. The mayor shall fill a vacancy caused by the  
15 trustee's death, resignation, or removal and the person appointed  
16 to fill the vacancy shall serve the remainder of the unexpired term  
17 of the replaced trustee and may not serve beyond the expiration of  
18 the unexpired term unless appointed by the mayor.

19 (c-4) A trustee appointed under Subsection (c)(2) of this  
20 section shall serve a three-year term expiring in July of the  
21 applicable year. The appointed trustee may be removed at any time  
22 by the controller. The controller shall fill a vacancy caused by  
23 the trustee's death, resignation, or removal and the person  
24 appointed to fill the vacancy shall serve the remainder of the  
25 unexpired term of the replaced trustee and may not serve beyond the  
26 expiration of the unexpired term unless appointed by the  
27 controller.

1 (d) To serve as a trustee under Subsection (c)(3) of this  
2 section, a person must be a member with at least five years of  
3 credited service and be elected by the active members of the pension  
4 system voting at an election called by the pension board. No more  
5 than two of the employee trustees may be employees of the same  
6 department.

7 (g) To serve as a trustee under Subsection (c)(4) of this  
8 section, a person must be elected by a majority of the retirees  
9 voting [~~retired members of the pension system~~] at an election  
10 called by the pension board.

11 (j) To serve as a trustee under Subsection (c)(5) of this  
12 section, the person must be appointed by a vote of a majority of the  
13 elected trustees of the pension board. The trustee appointed under  
14 Subsection (c)(5) of this section shall serve [~~serves~~] a three-year  
15 [~~two-year~~] term. The appointment or reappointment of the appointed  
16 trustee shall take place in July [~~January~~] of the [~~each~~  
17 ~~even-numbered~~] year in which the term ends. The appointed trustee  
18 may be removed at any time by a vote of a majority of the elected  
19 trustees of the pension board. A vacancy caused by the appointed  
20 trustee's death, resignation, or removal shall be filled by the  
21 elected trustees of the pension board. The appointee serves for the  
22 remainder of the unexpired term of the replaced trustee. An  
23 appointed trustee may not serve beyond the expiration of the  
24 three-year [~~two-year~~] term unless a majority of [~~other than by~~  
25 ~~appointment for a new term by~~] the elected trustees of the pension  
26 board reappoint the trustee for a new term.

27 (j-1) To serve as a trustee under Subsection (c)(6) of this

1 section, a person must be appointed by a vote of a majority of the  
2 members of the governing body of the city. Each trustee appointed  
3 under Subsection (c)(6) of this section shall serve three-year  
4 terms expiring in July of the applicable year. A trustee appointed  
5 under Subsection (c)(6) of this section may be removed at any time  
6 by a vote of a majority of the members of the governing body of the  
7 city. A vacancy caused by the appointed trustee's death,  
8 resignation, or removal shall be filled by a vote of a majority of  
9 the members of the governing body of the city. A person appointed  
10 to fill the vacancy shall serve the remainder of the unexpired term  
11 of the replaced trustee, and may not serve beyond the expiration of  
12 the unexpired term unless appointed by the governing body of the  
13 city.

14 (j-2) If a majority of the pension board determines that a  
15 trustee appointed under Subsection (c)(1), (2), or (6) of this  
16 section has acted or is acting in a manner that conflicts with the  
17 interests of the pension system or is in violation of this Act or  
18 any agreement between the pension board and the city entered into  
19 under Section 3(n) of this Act, the pension board may recommend to  
20 the mayor, controller, or governing body, as appropriate, that the  
21 appointed trustee be removed from the pension board. If the  
22 appointed trustee was appointed by the governing body of the city,  
23 an action item concerning the pension board's recommendation shall  
24 be placed on the governing body's agenda for consideration and  
25 action. The governing body shall make a determination on the  
26 recommendation and communicate the determination to the pension  
27 system not later than the 45th day after the date of the

1 recommendation.

2 (1) To serve on the pension board, each [~~Each~~] trustee  
3 shall, on or before [~~at~~] the first pension board meeting following  
4 the trustee's most recent election or appointment, take an oath of  
5 office that the trustee:

6 (1) will diligently and honestly administer the  
7 pension system; and

8 (2) will not knowingly violate this Act or willingly  
9 allow a violation of this Act to occur.

10 (n) The person serving as a trustee under Subsection (c)(2)  
11 of this section serves as the treasurer of the pension fund [~~under~~  
12 ~~penalty of that person's official bond and oath of office~~]. The  
13 treasurer shall file an [~~That person's~~] official bond payable to  
14 the [~~city shall cover the person's position as treasurer of the~~]  
15 pension system. The treasurer is [~~fund, and that person's sureties~~  
16 ~~are~~] liable on [~~for~~] the treasurer's official bond for the faithful  
17 performance of the treasurer's duties under this Act in connection  
18 with [~~actions pertaining to~~] the pension fund [~~to the same extent as~~  
19 ~~the sureties are liable under the terms of the bond for other~~  
20 ~~actions and conduct of the treasurer~~].

21 (ee) A trustee appointed under Subsection (c)(1), (2), (5),  
22 or (6) of this section who fails to attend at least 50 percent of all  
23 regular pension board meetings, as determined annually each July 1,  
24 may be removed from the pension board by the appointing entity. A  
25 trustee removed under this subsection may not be appointed as a  
26 trustee for one year following removal.

27 (ff) All trustees appointed under Subsection (c) of this



1 section shall complete minimum educational training requirements  
2 established by the State Pension Review Board. The appointing  
3 entity may remove an appointed trustee who does not complete  
4 minimum educational training requirements during the period  
5 prescribed by the State Pension Review Board.

6 (gg) The pension board shall adopt an ethics policy  
7 governing, among other matters, conflicts of interest that each  
8 trustee must comply with during the trustee's term on the pension  
9 board.

10 (hh) During a trustee's term on the pension board and for  
11 one year after leaving the pension board, a trustee may not  
12 represent any other person or organization in any formal or  
13 informal appearance before the pension board or pension system  
14 staff concerning a matter for which the person has or had  
15 responsibility as a trustee.

16 (ii) The pension board may establish standing or temporary  
17 committees as necessary to assist the board in carrying out its  
18 business, including committees responsible for risk management or  
19 governance, investments, administration and compensation,  
20 financial and actuarial matters, audits, disability  
21 determinations, and agreements under Section 3(n) of this Act. The  
22 pension board shall establish a committee responsible for  
23 agreements under Section 3(n) of this Act that must be composed of  
24 the elected trustees and the trustee appointed by the elected  
25 trustees. Except for a committee responsible for agreements under  
26 Section 3(n) of this Act and any committee responsible for  
27 personnel issues:

1           (1) each committee must include at least one elected  
2 trustee and one trustee appointed by the mayor, controller, or  
3 governing body of the city;

4           (2) committee meetings are open to all trustees; and

5           (3) a committee may not make final decisions and may  
6 only make recommendations to the pension board.

7           (jj) Subsections (x)(1) through (4), (y), and (cc) of this  
8 section do not grant the pension board authority to modify or  
9 terminate Sections 8A through 8F of this Act.

10           SECTION 3.04. Chapter 88 (H.B. 1573), Acts of the 77th  
11 Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's Texas  
12 Civil Statutes), is amended by adding Sections 2A, 2B, 2C, and 2D to  
13 read as follows:

14           Sec. 2A. CONFLICTS OF INTEREST. (a) The existence or  
15 appearance of a conflict of interest on the part of any trustee is  
16 detrimental to the proper functioning of the pension system if not  
17 properly addressed. An appointed trustee may not deliberate or  
18 vote on an action relating to the investment of pension system  
19 assets if:

20           (1) the trustee or an entity with which the trustee is  
21 affiliated:

22                   (A) is a competitor or an affiliate of the person  
23 or firm that is the subject of or otherwise under consideration in  
24 the action; or

25                   (B) likely would be subject to a due diligence  
26 review by the person or firm that is under consideration in the  
27 investment-related action; or

1           (2) the pension board otherwise determines that the  
2 proposed action would create a direct or indirect benefit for the  
3 appointed trustee or a firm with which the appointed trustee is  
4 affiliated.

5           (b) The city attorney shall:

6           (1) provide annual training to trustees appointed by  
7 the city regarding conflicts of interest; and

8           (2) to the extent authorized by city ordinances, at  
9 the request of the external affairs committee of the pension board,  
10 review and take appropriate action on a complaint alleging a  
11 conflict of interest on the part of a city-appointed trustee.

12           Sec. 2B. PENSION SYSTEM ACTUARY; ACTUARIAL VALUATIONS. (a)  
13 The pension board shall retain an actuary or actuarial firm for  
14 purposes of this Act.

15           (b) At least annually, the pension system actuary shall make  
16 a valuation of the assets and liabilities of the pension fund. The  
17 valuation must include the risk sharing valuation study conducted  
18 under Section 8B or 8C of this Act, as applicable.

19           (c) The pension system shall provide a report of the  
20 valuation to the city.

21           Sec. 2C. QUALIFICATIONS OF CITY ACTUARY. (a) An actuary  
22 hired by the city for purposes of this Act must be an actuary from a  
23 professional service firm who:

24           (1) is not already engaged by the pension system or any  
25 other pension system or fund authorized under Article 6243e.2(1) or  
26 6243g-4, Revised Statutes, to provide actuarial services to the  
27 pension system or fund, as applicable;

1           (2) has a minimum of 10 years of professional  
2 actuarial experience; and

3           (3) is a fellow of the Society of Actuaries or a member  
4 of the American Academy of Actuaries and who, in carrying out duties  
5 for the city, has met the applicable requirements to issue  
6 statements of actuarial opinion.

7           (b) Notwithstanding Subsection (a) of this section, the  
8 city actuary must at least meet the qualifications required by the  
9 board for the pension system actuary. The city actuary is not  
10 required to have greater qualifications than those of the pension  
11 system actuary.

12           Sec. 2D. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT  
13 CONSULTANT. (a) At least once every three years, the board shall  
14 hire an independent investment consultant, including an  
15 independent investment consulting firm, to conduct a review of  
16 pension system investments and submit a report to the board and the  
17 city concerning the review or demonstrate in the pension system's  
18 annual financial report that the review was conducted. The  
19 independent investment consultant shall review and report on at  
20 least the following:

21           (1) the pension system's compliance with its  
22 investment policy statement, ethics policies, including policies  
23 concerning the acceptance of gifts, and policies concerning insider  
24 trading;

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

1           (3) the pension system's portfolio structure,  
2 including the pension system's need for liquidity, cash income,  
3 real return, and inflation protection and the active, passive, or  
4 index approaches for different portions of the portfolio;

5           (4) investment manager performance reviews and an  
6 evaluation of the processes used to retain and evaluate managers;

7           (5) benchmarks used for each asset class and  
8 individual manager;

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

10           (7) an evaluation of any leverage, foreign exchange,  
11 or other hedging transaction; and

12           (8) an evaluation of investment-related disclosures  
13 in the pension system's annual reports.

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

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

19           (2) any nonpublic information provided for the pension  
20 system for the review.

21           (c) The costs for the investment report required by this  
22 section shall be paid from the pension fund.

23           SECTION 3.05. Section 3, Chapter 88 (H.B. 1573), Acts of the  
24 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's  
25 Texas Civil Statutes), is amended by amending Subsections (f) and  
26 (n) and adding Subsections (o), (p), (q), (r), and (s) to read as  
27 follows:

1 (f) The pension board shall compensate from the pension fund  
2 the persons performing services under Subsections (d) and (e) of  
3 this section and may provide other employee benefits that the  
4 pension board considers proper. Any person employed by the pension  
5 board under Subsection (d) or (e) of this section who has service  
6 credits with the pension system at the time of the person's  
7 employment by the pension board retains the person's status in the  
8 pension system. Any person employed by the pension system on or  
9 after January 1, 2008, who does not have service credits with the  
10 pension system at the time of employment is a group D [~~A~~] member in  
11 accordance with Section 5 of this Act. The pension board shall  
12 adopt a detailed annual budget detailing its proposed  
13 administrative expenditures under this subsection for the next  
14 fiscal year.

15 (n) Notwithstanding any other law and except as  
16 specifically limited by Subsection (o) of this section, the pension  
17 board may enter into a written agreement with the city regarding  
18 pension issues and benefits. The agreement must be approved by the  
19 pension board and the governing body of the city and signed by the  
20 mayor and by the pension board or the pension board's designee. The  
21 agreement is enforceable against and binding on the pension board,  
22 the city, and the pension system, including the pension system's  
23 members, retirees, deferred participants, beneficiaries, eligible  
24 survivors, and alternate payees. Any reference in this Act to an  
25 agreement between the city and the pension board or pension system  
26 is a reference to an agreement entered under this subsection.

27 (o) In any written agreement entered into between the city

1 and the pension board under Subsection (n) of this section, the  
2 parties may not:

3 (1) fundamentally alter Sections 8A through 8F of this  
4 Act;

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

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

11 (4) allow a total city contribution in any fiscal year  
12 that is less than the total city contribution required under  
13 Section 8E or 8F, as applicable, of this Act.

14 (p) Annually on or before the end of the fiscal year, the  
15 pension board shall make a report to the mayor and the governing  
16 body of the city, each of which shall provide a reasonable  
17 opportunity for the pension board to prepare and present the  
18 report.

19 (q) The pension board shall provide quarterly investment  
20 reports to the mayor.

21 (r) At the mayor's request, the pension board shall meet,  
22 discuss, and analyze with the mayor or the mayor's representatives  
23 any city proposed policy changes and ordinances that may have a  
24 financial effect on the pension system.

25 (s) The pension board shall work to reduce administrative  
26 expenses, including by working with any other pension fund to which  
27 the city contributes.

1 SECTION 3.06. Section 5, Chapter 88 (H.B. 1573), Acts of the  
2 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's  
3 Texas Civil Statutes), is amended by amending Subsections (b), (e),  
4 (f), and (g) and adding Subsections (j) and (k) to read as follows:

5 (b) Except as provided by Subsection (c), (j), or (k) of  
6 this section and Sections 4 and 6 of this Act, an employee is a group  
7 A member of the pension system as a condition of employment if the  
8 employee:

9 (1) is hired or rehired as an employee by the city, the  
10 predecessor system, or the pension system on or after September 1,  
11 1999, and before January 1, 2008;

12 (2) was a member of the predecessor system before  
13 September 1, 1981, under the terms of Chapter 358, Acts of the 48th  
14 Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas  
15 Civil Statutes), and did not make an election before December 1,  
16 1981, under Section 22(a) of that Act to receive a refund of  
17 contributions and become a group B member;

18 (3) was a group A member who terminated employment  
19 included in the predecessor system before May 3, 1991, elected  
20 under Section 16, Chapter 358, Acts of the 48th Legislature,  
21 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil  
22 Statutes), to leave the member's contributions in that pension  
23 fund, met the minimum service requirements for retirement at an  
24 attained age, was reemployed in a position included in the  
25 predecessor system before September 1, 1999, and elected, not later  
26 than the 30th day after the date reemployment began, to continue as  
27 a group A member;



1           (4) became a member of, or resumed membership in, the  
2 predecessor system as an employee or elected official of the city  
3 after January 1, 1996, and before September 1, 1999, and elected by  
4 submission of a signed and notarized form in a manner determined by  
5 the pension board to become a group A member and to contribute a  
6 portion of the person's salary to the pension fund as required by  
7 Chapter 358, Acts of the 48th Legislature, Regular Session, 1943  
8 (Article 6243g, Vernon's Texas Civil Statutes); or

9           (5) met the requirements of Section 3B, Chapter 358,  
10 Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g,  
11 Vernon's Texas Civil Statutes), or Subsection (f) of this section  
12 for membership in group A.

13           (e) Any member or former member of the pension system  
14 elected to an office of the city on or after September 1, 1999, and  
15 before January 1, 2008, is [~~becomes~~] a group A member and is  
16 eligible to receive credit for all previous service on the same  
17 conditions as reemployed group A members under Sections 7(c), (d),  
18 (e), and (f) of this Act, except as otherwise provided by this Act.  
19 For purposes of this subsection [~~Notwithstanding any other~~  
20 ~~provision in this Act or in Chapter 358, Acts of the 48th~~  
21 ~~Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas~~  
22 ~~Civil Statutes)~~], consecutive terms of office of any elected member  
23 who is elected to an office of the city are considered to be  
24 continuous employment for purposes of this Act.

25           (f) Each group B member of the pension system may make an  
26 irrevocable election on a date and in a manner determined by the  
27 pension board to change membership from group B to group A:

1 (1) for future service only; or

2 (2) for future service and to convert all past group B  
3 service to group A service and comply with the requirements of  
4 Subsection (h) of this section provided the service is converted  
5 before December 31, 2005.

6 (g) Each group A member with service in group B may make an  
7 irrevocable election not later than December 31, 2005, [~~on a date~~]  
8 and in a manner determined by the pension board to convert all group  
9 B service to group A service and to comply with the requirements of  
10 Subsection (h) of this section.

11 (j) Except as provided by Subsection (k) of this section or  
12 Section 4 of this Act, an employee is a group D member of the pension  
13 system as a condition of employment if the employee is hired as an  
14 employee by the city or the pension system on or after January 1,  
15 2008.

16 (k) Notwithstanding any provision of this section, for  
17 purposes of Subsection (j) of this section:

18 (1) consecutive terms of office of an elected member  
19 who is elected to an office of the city are considered to be  
20 continuous employment; and

21 (2) a former employee who is rehired as an employee by  
22 the city or the pension system on or after January 1, 2008, is, as a  
23 condition of employment, a member of the group in which that  
24 employee participated at the time of the employee's immediately  
25 preceding separation from service.

26 SECTION 3.07. Section 6, 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 adding Subsections (k) and (l)  
2 to read as follows:

3 (k) Notwithstanding any other law, including Subsection  
4 (b)(3) of this section, Subsections (a) through (j) of this section  
5 do not apply to any employee on or after January 1, 2005. An  
6 employee who meets the definition of "executive official" under  
7 Subsection (b)(3) of this section is a group A member beginning  
8 January 1, 2005, for credited service earned on or after January 1,  
9 2005, or a member of the applicable group under Section 5 of this  
10 Act. This subsection does not affect:

11 (1) any credited service or benefit percentage accrued  
12 in group C before January 1, 2005;

13 (2) any group C benefit that a deferred participant or  
14 retiree is eligible to receive that was earned before January 1,  
15 2005; or

16 (3) the terms of any obligation to purchase service  
17 credit or convert service credit to group C that was entered into  
18 before January 1, 2005.

19 (l) A group C member who terminates employment before  
20 January 1, 2005, is subject to the retirement eligibility  
21 requirements in effect on the date of the member's termination from  
22 employment. A group C member who becomes a group A member under  
23 Subsection (k) of this section on January 1, 2005, is subject to the  
24 retirement eligibility requirements under Section 10 of this Act.

25 SECTION 3.08. Section 7, Chapter 88 (H.B. 1573), Acts of the  
26 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's  
27 Texas Civil Statutes), is amended by amending Subsections (a), (c),

1 (e), (f), (g), and (h) and adding Subsections (g-1), (g-2), (i),  
2 (j), (k), and (l) to read as follows:

3 (a) Notwithstanding any other provision of this Act,  
4 duplication of service or credited service in group A, B, ~~or~~ C, or  
5 D of the pension system or in the pension system and any other  
6 defined benefit pension plan to which the city contributes is  
7 prohibited.

8 (c) Except as provided by Section 12 of this Act, a ~~group A~~  
9 member may pay into the pension fund and obtain credit for any  
10 service with the city or the pension system for which credit is  
11 otherwise allowable ~~[in group A]~~ under this Act, except that:

12 (1) no required contributions were made by the member  
13 for the service; or

14 (2) refunded contributions attributable to the  
15 service have not been subsequently repaid.

16 (e) To establish service described by Subsection (c) of this  
17 section that occurred on or after September 1, 1999, the member  
18 shall pay a sum computed by multiplying the member's salary during  
19 the service by the rate established ~~[by the pension board]~~ for  
20 member contributions under Section 8 of this Act, and the city shall  
21 pay into the pension fund an amount equal to the rate established  
22 for city contributions under Section 8A ~~[8]~~ of this Act ~~[multiplied~~  
23 ~~by that member's salary for the same period]~~.

24 (f) In addition to the amounts to be paid by the member under  
25 Subsection (d) or (e) of this section, the member shall also pay  
26 interest on those amounts at the current assumed rate of return ~~[six~~  
27 ~~percent]~~ per year, not compounded, from the date the contributions

1 would have been deducted, if made, or from the date contributions  
2 were refunded to the date of repayment of those contributions into  
3 the pension fund.

4 (g) Before the year 2017 effective date, if [~~If~~] a group B or  
5 group D member separates from service before completing five years  
6 of credited service, the member's service credit is canceled at the  
7 time of separation. If the member is reemployed by the city in a  
8 position covered by the pension system before the first anniversary  
9 of the date of separation, all credit for previous service is  
10 restored. Any member whose service credit is canceled under this  
11 subsection and who is reemployed by the city in a position covered  
12 by the pension system after the first anniversary of the date of  
13 separation receives one year of previous service credit in group B  
14 or group D, as applicable, for each full year of subsequent service  
15 up to the amount of the previous service that was canceled.

16 (g-1) On or after the year 2017 effective date, if a group B  
17 or group D member who has made required member contributions  
18 separates from service before completing five years of credited  
19 service, the member's service credit is canceled at the time of  
20 separation and the member is eligible to receive a refund of  
21 required member contributions as provided by Section 17 of this  
22 Act. If the member is reemployed before the first anniversary of  
23 the date of separation:

24 (1) subject to Subdivision (2) of this subsection, all  
25 credit for previous service for which no member contributions were  
26 required is restored, along with credit for previous service for  
27 which the member did not receive a refund of contributions; and

1           (2) if the member's service credit is canceled under  
2 this subsection, the member is eligible to reinstate the canceled  
3 credited service by paying the pension system the refund amount, if  
4 any, plus interest on those amounts at the current assumed rate of  
5 return per year, not compounded, from the date contributions were  
6 refunded to the date of repayment of those contributions to the  
7 pension fund.

8           (g-2) For purposes of Subsection (g-1)(2) of this section,  
9 for any canceled service for which contributions were not required,  
10 the member receives one year of previous service credit in group B  
11 or group D, as appropriate, for each full year of subsequent service  
12 up to the amount of the previous service that was canceled.

13           (h) A group B member who was a group A member before  
14 September 1, 1981, and who was eligible to purchase credit for  
15 previous service under Chapter 358, Acts of the 48th Legislature,  
16 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil  
17 Statutes), may purchase the service credit in group B by paying into  
18 the pension fund an amount equal to the assumed rate of return [~~six~~  
19 ~~percent~~] per year, not compounded, on any contributions previously  
20 withdrawn for the period from the date of withdrawal to the date of  
21 purchase.

22           (i) Under rules and procedures adopted by the pension board,  
23 a group D member may effectuate a direct trustee-to-trustee  
24 transfer from a qualifying code Section 457(b) plan to the pension  
25 system to purchase an increased or enhanced benefit in accordance  
26 with the provisions of code Sections 415(n) and 457(e)(17) of the  
27 Internal Revenue Code of 1986. The amount transferred under this

1 subsection shall be held by the pension system and the pension  
2 system may not separately account for the amount. The pension board  
3 by rule shall determine the additional benefit that a member is  
4 entitled to based on a transfer under this subsection.

5 (j) For purposes of this subsection and Subsection (k) of  
6 this section, "furlough time" means the number of days a person has  
7 been furloughed. A person who has been voluntarily or  
8 involuntarily furloughed shall receive credited service for each  
9 day that the person has been furloughed, provided that:

10 (1) the pension system receives all required city  
11 contributions and member contributions for the credited service  
12 attributable to the furlough time for the pay period in which the  
13 furlough occurs, based on the regular salary that each furloughed  
14 member would have received if the member had worked during the  
15 furlough time;

16 (2) the member may receive not more than 10 days of  
17 credited service in a fiscal year for furlough time; and

18 (3) credited service for furlough time may not be used  
19 to meet the five-year requirement under Section 10(b) of this Act  
20 for eligibility for a benefit.

21 (k) For purposes of Subsection (j) of this section, the city  
22 shall establish a unique pay code for furlough time to provide for  
23 timely payment of city contributions and member contributions for  
24 furlough time and to allow the pension system to identify furlough  
25 time for each furloughed employee.

26 (l) Notwithstanding any provision of this section, the  
27 interest rate on any service purchase shall be the then current

1 assumed rate of return, not compounded.

2 SECTION 3.09. The heading to Section 8, Chapter 88 (H.B.  
3 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article  
4 6243h, Vernon's Texas Civil Statutes), is amended to read as  
5 follows:

6 Sec. 8. MEMBER CONTRIBUTIONS.

7 SECTION 3.10. Sections 8(a), (b), and (c), Chapter 88 (H.B.  
8 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article  
9 6243h, Vernon's Texas Civil Statutes), are amended to read as  
10 follows:

11 (a) Subject to adjustments authorized under Section 8E or 8F  
12 of this Act, beginning on the year 2017 effective date, each [~~Each~~  
13 ~~group A~~] member of the pension system shall make biweekly [~~monthly~~]  
14 contributions during employment in an amount determined in  
15 accordance with this section [~~by the pension board and expressed as~~  
16 ~~a percentage of salary~~]. The contributions shall be deducted by the  
17 employer from the salary of each member and paid to the pension  
18 system for deposit in the pension fund. Member contributions under  
19 this section shall be made as follows:

20 (1) each group A member shall contribute:

21 (A) seven percent of the member's salary  
22 beginning with the member's first full biweekly pay period that  
23 occurs on or after the year 2017 effective date; and

24 (B) a total of eight percent of the member's  
25 salary beginning with the member's first full biweekly pay period  
26 for the member that occurs on or after July 1, 2018;

27 (2) each group B member shall contribute:



1           (A) two percent of the member's salary beginning  
2 with the member's first full biweekly pay period that occurs on or  
3 after the year 2017 effective date; and

4           (B) a total of four percent of the member's  
5 salary beginning with the member's first full biweekly pay period  
6 for the member that occurs on or after July 1, 2018; and

7           (3) each group D member shall contribute two percent  
8 of the member's salary beginning with the member's first full  
9 biweekly pay period that occurs on or after the year 2017 effective  
10 date.

11           (b) This section does not increase or decrease the  
12 contribution obligation of any member that arose before the year  
13 2017 effective date [~~September 1, 2001,~~] or give rise to any claim  
14 for a refund for any contributions made before that date.

15           (c) The employer shall pick up the contributions required of  
16 [~~group A~~] members by Subsection (a) of this section and  
17 contributions required of group D members under Section 10A(a) of  
18 this Act as soon as reasonably practicable under applicable rules  
19 for all salaries earned by members after the year 2017 effective  
20 date and by January 1, 2018, for contributions required by Section  
21 10A(a) of this Act. The city shall pay the pickup contributions to  
22 the pension system from the same source of funds that is used for  
23 paying salaries to the members. The pickup contributions are in  
24 lieu of contributions by [~~group A~~] members. The city may pick up  
25 those contributions by a deduction from each [~~group A~~] member's  
26 salary equal to the amount of the member's contributions picked up  
27 by the city. Members may not choose to receive the contributed

1 amounts directly instead of having the contributed amounts paid by  
2 the city to the pension system. An accounting of member  
3 contributions picked up by the employer shall be maintained, and  
4 the contributions shall be treated for all other purposes as if the  
5 amount were a part of the member's salary and had been deducted  
6 under this section. Contributions picked up under this subsection  
7 shall be treated as employer contributions in determining tax  
8 treatment of the amounts under the Internal Revenue Code of 1986, as  
9 amended.

10 SECTION 3.11. Chapter 88 (H.B. 1573), Acts of the 77th  
11 Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's Texas  
12 Civil Statutes), is amended by adding Sections 8A, 8B, 8C, 8D, 8E,  
13 8F, 8G, and 8H to read as follows:

14 Sec. 8A. CITY CONTRIBUTIONS. (a) The city shall make  
15 contributions to the pension system for deposit into the pension  
16 fund as provided by this section and Section 8B, 8C, 8E, or 8F of  
17 this Act, as applicable. The city shall contribute:

18 (1) beginning with the year 2017 effective date and  
19 ending with the fiscal year ending June 30, 2018, an amount equal to  
20 the sum of:

21 (A) the city contribution rate, as determined in  
22 the initial risk sharing valuation study conducted under Section 8C  
23 of this Act, multiplied by the pensionable payroll for the fiscal  
24 year; and

25 (B) the city contribution amount for the fiscal  
26 year; and

27 (2) for each fiscal year after the fiscal year ending

1 June 30, 2018, an amount equal to the sum of:

2 (A) the city contribution rate, as determined in  
3 a subsequent risk sharing valuation study conducted under Section  
4 8B of this Act and adjusted under Section 8E or 8F of this Act, as  
5 applicable, multiplied by the pensionable payroll for the  
6 applicable fiscal year; and

7 (B) except as provided by Subsection (e) of this  
8 section, the city contribution amount for the applicable fiscal  
9 year.

10 (b) Except by written agreement between the city and the  
11 pension board under Section 3(n) of this Act providing for an  
12 earlier contribution date, at least biweekly, the city shall make  
13 the contributions required by Subsection (a) of this section by  
14 depositing with the pension system an amount equal to the sum of:

15 (1) the city contribution rate multiplied by the  
16 pensionable payroll for the biweekly period; and

17 (2) the city contribution amount for the applicable  
18 fiscal year divided by 26.

19 (c) With respect to each fiscal year:

20 (1) the first contribution by the city under this  
21 section for the fiscal year shall be made not later than the date  
22 payment is made to employees for their first full biweekly pay  
23 period beginning on or after the first day of the fiscal year; and

24 (2) the final contribution by the city under this  
25 section for the fiscal year shall be made not later than the date  
26 payment is made to employees for the final biweekly pay period of  
27 the fiscal year.

1       (d) In addition to the amounts required under this section,  
2 the city may at any time contribute additional amounts to the  
3 pension system for deposit in the pension fund by entering into a  
4 written agreement with the pension board in accordance with Section  
5 3(n) of this Act.

6       (e) If, in any given fiscal year, the funded ratio is  
7 greater than or equal to 100 percent, the city contribution under  
8 this section may no longer include the city contribution amount.

9       (f) Contributions shall be made under this section by the  
10 city to the pension system in order to be credited against any  
11 amortization schedule of payments due to the pension system under  
12 this Act.

13       (g) Subsection (f) of this section does not affect the  
14 exclusion of contribution amounts under Subsection (e) of this  
15 section or changes to an amortization schedule of a liability layer  
16 under Section 8B(a)(7)(F), 8C(i)-(j), or 8E(c)(3)-(4) of this Act.

17       Sec. 8B. RISK SHARING VALUATION STUDIES. (a) The pension  
18 system and the city shall separately cause their respective  
19 actuaries to prepare a risk sharing valuation study in accordance  
20 with this section and actuarial standards of practice. A risk  
21 sharing valuation study must:

22               (1) be dated as of the first day of the fiscal year for  
23 which the study is required to be prepared;

24               (2) be included in the annual valuation study prepared  
25 under Section 2B of this Act;

26               (3) calculate the unfunded actuarial accrued  
27 liability of the pension system;

1           (4) be based on actuarial data provided by the pension  
2 system actuary or, if actuarial data is not provided, on estimates  
3 of actuarial data;

4           (5) estimate the city contribution rate and the city  
5 contribution amount, taking into account any adjustments required  
6 under Section 8E or 8F of this Act for all applicable prior fiscal  
7 years;

8           (6) detail the city contribution rate and the city  
9 contribution amount, taking into account any adjustments required  
10 under Section 8E or 8F of this Act for all applicable prior fiscal  
11 years;

12           (7) subject to Subsection (g) of this section, be  
13 based on the following assumptions and methods that are consistent  
14 with actuarial standards of practice:

15                   (A) an ultimate entry age normal actuarial  
16 method;

17                   (B) for purposes of determining the actuarial  
18 value of assets:

19                           (i) except as provided by Subparagraph (ii)  
20 of this paragraph and Section 8E(c)(1) or 8F(c)(1) of this Act, an  
21 asset smoothing method recognizing actuarial losses and gains over  
22 a five-year period applied prospectively beginning on the year 2017  
23 effective date; and

24                           (ii) for the initial risk sharing valuation  
25 study prepared under Section 8C of this Act, a marked-to-market  
26 method applied as of June 30, 2016;

27                   (C) closed layered amortization of liability

1 layers to ensure that the amortization period for each layer begins  
2 12 months after the date of the risk sharing valuation study in  
3 which the liability layer is first recognized;

4 (D) each liability layer is assigned an  
5 amortization period;

6 (E) each liability loss layer amortized over 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 loss layer is first recognized, except that the  
10 legacy liability must be amortized from July 1, 2016, for a 30-year  
11 period beginning July 1, 2017;

12 (F) the amortization period for each liability  
13 gain layer being:

14 (i) equal to the remaining amortization  
15 period on the largest remaining liability loss layer and the two  
16 layers must be treated as one layer such that if the payoff year of  
17 the liability loss layer is accelerated or extended, the payoff  
18 year of the liability gain layer is also accelerated or extended; or

19 (ii) if there is no liability loss layer, a  
20 period of 30 years from the first day of the fiscal year beginning  
21 12 months after the date of the risk sharing valuation study in  
22 which the liability gain layer is first recognized;

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

25 (H) the assumed rate of return, subject to  
26 adjustment under Section 8E(c)(5) of this Act or, if Section 8C(g)  
27 of this Act applies, adjustment in accordance with a written

1 agreement entered into under Section 3(n) of this Act, except that  
2 the assumed rate of return may not exceed seven percent per annum;

3 (I) the price inflation assumption as of the most  
4 recent actuarial experience study, which may be reset by the  
5 pension board by plus or minus 50 basis points based on that  
6 actuarial experience study;

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

9 (K) payroll for purposes of determining the  
10 corridor midpoint, city contribution rate, and city contribution  
11 amount must be projected using the annual payroll growth rate  
12 assumption; and

13 (L) the city contribution rate calculated  
14 without inclusion of the legacy liability; and

15 (8) be revised and restated, if appropriate, not later  
16 than:

17 (A) the date required by a written agreement  
18 entered into between the city and the pension board; or

19 (B) the 30th day after the date required action  
20 is taken by the pension board under Section 8E or 8F of this Act to  
21 reflect any changes required by either section.

22 (b) As soon as practicable after the end of a fiscal year,  
23 the pension system actuary at the direction of the pension system  
24 and the city actuary at the direction of the city shall separately  
25 prepare a proposed risk sharing valuation study based on the fiscal  
26 year that just ended.

27 (c) Not later than October 31 following the end of the

1 fiscal year, the pension system shall provide to the city actuary,  
2 under a confidentiality agreement with the pension board in which  
3 the city actuary agrees to comply with the confidentiality  
4 provisions of Section 8G of this Act, the actuarial data described  
5 by Subsection (a)(4) of this section.

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

8 (1) the pension system actuary, at the direction of  
9 the pension system, shall provide the proposed risk sharing  
10 valuation study prepared by the pension system actuary under  
11 Subsection (b) of this section to the city actuary; and

12 (2) the city actuary, at the direction of the city,  
13 shall provide the proposed risk sharing valuation study prepared by  
14 the city actuary under Subsection (b) of this section to the pension  
15 system actuary.

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

19 (f) If, after exchanging proposed risk sharing valuation  
20 studies under Subsection (d) of this section, it is found that the  
21 difference between the estimated city contribution rate  
22 recommended in the proposed risk sharing valuation study prepared  
23 by the pension system actuary and the estimated city contribution  
24 rate recommended in the proposed risk sharing valuation study  
25 prepared by the city actuary for the corresponding fiscal year is:

26 (1) less than or equal to two percentage points, the  
27 estimated city contribution rate recommended by the pension system



1 actuary will be the estimated city contribution rate for purposes  
2 of Subsection (a)(5) of this section, and the proposed risk sharing  
3 valuation study prepared for the pension system is considered to be  
4 the final risk sharing valuation study for the fiscal year for the  
5 purposes of this Act; or

6 (2) greater than two percentage points, the city  
7 actuary and the pension system actuary shall have 20 business days  
8 to reconcile the difference, provided that without the mutual  
9 agreement of both actuaries, the difference in the estimated city  
10 contribution rate recommended by the city actuary and the estimated  
11 city contribution rate recommended by the pension system actuary  
12 may not be further increased and:

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

16 (i) the estimated city contribution rate  
17 proposed under the reconciliation by the pension system actuary  
18 will be the estimated city contribution rate for purposes of  
19 Subsection (a)(5) of this section; and

20 (ii) the pension system's risk sharing  
21 valuation study is considered to be the final risk sharing  
22 valuation study for the fiscal year for the purposes of this Act; or

23 (B) if, after 20 business days, the pension  
24 system actuary and the city 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:

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 risk sharing  
4 valuation study with any agreed-to changes, marked as the final  
5 risk sharing valuation study for each actuary; and

6 (ii) not later than the 90th day before the  
7 first day of the next fiscal year, the finance director and the  
8 executive director shall execute a joint addendum to the final risk  
9 sharing valuation study received under Subparagraph (i) of this  
10 paragraph that is a part of the final risk sharing valuation study  
11 for the fiscal year for all purposes and reflects the arithmetic  
12 average of the estimated city contribution rates for the fiscal  
13 year stated by the city actuary and the pension system actuary in  
14 the final risk sharing valuation study for purposes of Subsection  
15 (a)(5) of this section, and for reporting purposes the pension  
16 system may treat the pension system actuary's risk sharing  
17 valuation study with the addendum as the final risk sharing  
18 valuation study.

19 (g) The assumptions and methods used and the types of  
20 actuarial data and financial information used to prepare the  
21 initial risk sharing valuation study under Section 8C of this Act  
22 shall be used to prepare each subsequent risk sharing valuation  
23 study under this section, unless changed based on the actuarial  
24 experience study conducted under Section 8D of this Act.

25 (h) The actuarial data provided under Subsection (a)(4) of  
26 this section may not include the identifying information of  
27 individual members.

1       Sec. 8C. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR  
2 MIDPOINT AND CITY CONTRIBUTION AMOUNTS. (a) The pension system and  
3 the city shall separately cause their respective actuaries to  
4 prepare an initial risk sharing valuation study that is dated as of  
5 July 1, 2016, in accordance with this section. An initial risk  
6 sharing valuation study must:

7           (1) except as otherwise provided by this section, be  
8 prepared in accordance with Section 8B of this Act, and for purposes  
9 of Section 8B(a)(4) of this Act, be based on actuarial data as of  
10 June 30, 2016;

11           (2) project the corridor midpoint for 31 fiscal years  
12 beginning with the fiscal year beginning July 1, 2017; and

13           (3) subject to Subsections (i) and (j) of this  
14 section, include a schedule of city contribution amounts for 30  
15 fiscal years beginning with the fiscal year beginning July 1, 2017.

16       (b) If the initial risk sharing valuation study has not been  
17 prepared consistent with this section before the year 2017  
18 effective date, as soon as practicable after the year 2017  
19 effective date:

20           (1) the pension system shall provide to the city  
21 actuary under a confidentiality agreement the necessary actuarial  
22 data used by the pension system actuary to prepare the proposed  
23 initial risk sharing valuation study; and

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

26           (A) the city actuary, at the direction of the  
27 city, shall provide a proposed initial risk sharing valuation study

1 to the pension system actuary; and

2 (B) the pension system actuary, at the direction  
3 of the pension system, shall provide a proposed initial risk  
4 sharing valuation study to the city actuary.

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 estimated total city  
8 contribution divided by the pensionable payroll for any fiscal year  
9 in the proposed initial risk sharing valuation study prepared by  
10 the pension system actuary and in the proposed initial risk sharing  
11 valuation study prepared by the city actuary is:

12 (1) less than or equal to two percentage points, the  
13 estimated city contribution rate and the estimated city  
14 contribution amount for that fiscal year recommended by the pension  
15 system actuary will be the estimated city contribution rate and the  
16 estimated city contribution amount, as applicable, for purposes of  
17 Section 8B(a)(5) of this Act; or

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

21 (A) if, as a result of reconciliation efforts  
22 under this subdivision, the difference in any fiscal year is  
23 reduced to less than or equal to two percentage points, the city  
24 contribution rate and the city contribution amount recommended by  
25 the pension system actuary for that fiscal year will be the  
26 estimated city contribution rate and the estimated city  
27 contribution amount, as applicable, for purposes of Section

1 8B(a)(5) of this Act; or

2 (B) if, after 20 business days, the city actuary  
3 and the pension system 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 for any fiscal year:

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 initial risk  
10 sharing valuation study with any agreed-to changes, marked as the  
11 final initial risk sharing valuation study for each actuary; and

12 (ii) the finance director and the executive  
13 director shall execute a joint addendum to the final initial risk  
14 sharing valuation study that is a part of each final initial risk  
15 sharing valuation study for all purposes and that reflects the  
16 arithmetic average of the estimated city contribution rate and the  
17 estimated city contribution amount for each fiscal year in which  
18 the difference was greater than two percentage points for purposes  
19 of Section 8B(a)(5) of this Act, and for reporting purposes the  
20 pension system may treat the pension system actuary's initial risk  
21 sharing valuation study with the addendum as the final initial risk  
22 sharing valuation study.

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

25 (1) adjust the actuarial value of assets to be equal to  
26 the market value of assets as of July 1, 2016;

27 (2) assume the issuance of planned pension obligation

1 bonds by December 31, 2017; and

2 (3) assume benefit and contribution changes under this  
3 Act as of the year 2017 effective date.

4 (e) If the city actuary does not prepare an initial risk  
5 sharing valuation study for purposes of this section, the pension  
6 system actuary's initial risk sharing valuation study will be used  
7 as the final risk sharing valuation study for purposes of this Act  
8 unless the city did not prepare a proposed initial risk sharing  
9 valuation study because the pension system actuary did not provide  
10 the necessary actuarial data in a timely manner. If the city did not  
11 prepare a proposed initial risk sharing valuation study because the  
12 pension system actuary did not provide the necessary actuarial data  
13 in a timely manner, the city actuary shall have 60 days to prepare  
14 the proposed initial risk sharing valuation study on receipt of the  
15 necessary information.

16 (f) If the pension system actuary does not prepare a  
17 proposed initial risk sharing valuation study for purposes of this  
18 section, the proposed initial risk sharing valuation study prepared  
19 by the city actuary will be the final risk sharing valuation study  
20 for purposes of this Act.

21 (g) The city and the pension board may agree on a written  
22 transition plan for resetting the corridor 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 corridor midpoint  
3 determined for the 31st fiscal year in the initial risk sharing  
4 valuation study prepared in accordance with this section.

5 (i) If the city makes a contribution to the pension system  
6 of at least \$5 million more than the amount that would be required  
7 by Section 8A(a) of this Act, a liability gain layer with the same  
8 remaining amortization period as the legacy liability is created.  
9 In each subsequent risk sharing valuation study until the end of  
10 that amortization period, the city contribution amount must be  
11 decreased by the amortized amount in each fiscal year covered by the  
12 liability gain layer.

13 (j) Notwithstanding any other provision of this Act,  
14 including Section 8H of this Act:

15 (1) if the city fails to deliver the proceeds of  
16 pension obligation bonds totaling \$250 million on or before January  
17 2, 2018, the pension board shall have 30 days from January 2, 2018,  
18 to rescind, prospectively, any or all benefit changes made  
19 effective under H.B. No. 43, Acts of the 85th Legislature, Regular  
20 Session, 2017, as of the year 2017 effective date, or to reestablish  
21 the deadline for the delivery of pension obligation bond proceeds,  
22 reserving the right to rescind the benefit changes authorized by  
23 this subdivision if the bond proceeds are not delivered by the  
24 reestablished deadline; and

25 (2) subject to Subsection (k) of this section, if the  
26 pension board rescinds benefit changes under Subdivision (1) of  
27 this subsection or pension obligation bond proceeds are not

1 delivered on or before the deadline or reestablished deadline  
2 prescribed by Subdivision (1) of this subsection, the initial risk  
3 sharing valuation study shall be prepared again and restated  
4 without assuming the delivery of the pension obligation bond  
5 proceeds, the extended time for delivery of pension obligation bond  
6 proceeds, or the rescinded benefit changes, as applicable,  
7 including a reamortization of the city contribution amount for the  
8 amortization period remaining for the legacy liability, and the  
9 resulting city contribution rate and city contribution amount will  
10 become effective in the fiscal year following the completion of the  
11 restated initial risk sharing valuation study.

12 (k) The restated initial risk sharing valuation study  
13 required under Subsection (j)(2) of this section must be completed  
14 at least 30 days before the start of the fiscal year:

15 (1) ending June 30, 2019, if the pension board does not  
16 reestablish the deadline under Subsection (j)(1) of this section;  
17 or

18 (2) immediately following the reestablished deadline,  
19 if the pension board reestablishes the deadline under Subsection  
20 (j)(1) of this section and the city fails to deliver the pension  
21 obligation bond proceeds described by Subsection (j)(1) of this  
22 section by the reestablished deadline.

23 Sec. 8D. ACTUARIAL EXPERIENCE STUDIES. (a) At least once  
24 every four years, the pension system actuary, at the direction of  
25 the pension system, shall conduct an actuarial experience study in  
26 accordance with actuarial standards of practice. The actuarial  
27 experience study required by this subsection must be completed not



1 later than September 30 of the year in which the study is required  
2 to be conducted.

3 (b) Except as otherwise expressly provided by Sections  
4 8B(a)(7)(A)-(I) of this Act, actuarial assumptions and methods used  
5 in the preparation of a risk sharing valuation study, other than the  
6 initial risk sharing valuation study, shall be based on the results  
7 of the most recent actuarial experience study.

8 (c) Not later than the 180th day before the date the pension  
9 board may consider adopting any assumptions and methods for  
10 purposes of Section 8B of this Act, the pension system shall provide  
11 the city actuary with a substantially final draft of the pension  
12 system's actuarial experience study, including:

13 (1) all assumptions and methods recommended by the  
14 pension system actuary; and

15 (2) summaries of the reconciled actuarial data used in  
16 creation of the actuarial experience study.

17 (d) Not later than the 60th day after the date the city  
18 receives the final draft of the pension system's actuarial  
19 experience study under Subsection (c) of this section, the city  
20 actuary and pension system actuary may communicate concerning the  
21 assumptions and methods used in the actuarial experience study.  
22 During the period prescribed by this subsection, the pension system  
23 actuary may modify the recommended assumptions in the draft  
24 actuarial experience study to reflect any changes to assumptions  
25 and methods to which the pension system actuary and the city actuary  
26 agree.

27 (e) At the city actuary's written request, the pension

1 system shall provide additional actuarial data used by the pension  
2 system actuary to prepare the draft actuarial experience study,  
3 provided that confidential data may only be provided subject to a  
4 confidentiality agreement entered into between the pension system  
5 and the city actuary.

6 (f) The city actuary, at the direction of the city, shall  
7 provide in writing to the pension system actuary and the pension  
8 system:

9 (1) any assumptions and methods recommended by the  
10 city actuary that differ from the assumptions and methods  
11 recommended by the pension system actuary; and

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

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

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

27 (1) is not already engaged by the city, the pension

1 system, or any other pension system or fund authorized under  
2 Article 6243e.2(1) or 6243g-4, Revised Statutes, to provide  
3 actuarial services to the city, the pension system, or another  
4 pension system or fund referenced in this subdivision;

5 (2) is a member of the American Academy of Actuaries;  
6 and

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

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

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

25 (1) the pension system's draft actuarial experience  
26 study, including all assumptions and methods recommended by the  
27 pension system actuary;

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

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

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

8           (5) if requested by the independent actuary and  
9 subject to a confidentiality agreement between the pension system  
10 and the independent actuary, additional confidential actuarial  
11 data.

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

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

26           (m) If an independent actuary has questions or concerns  
27 regarding an engagement entered into under this section, the

1 independent actuary shall simultaneously consult with both the city  
2 actuary and the pension system actuary regarding the questions or  
3 concerns. This subsection does not limit the pension system's  
4 authorization to take appropriate steps to complete the engagement  
5 of the independent actuary on terms acceptable to both the pension  
6 system and the city or to enter into a confidentiality agreement  
7 with the independent actuary, if needed.

8 (n) If the pension board does not adopt an assumption or  
9 method recommended by the city actuary or pension system actuary,  
10 including an assumption or method to which the independent actuary  
11 agrees, the city actuary is authorized to use that recommended  
12 assumption or method in connection with preparation of a subsequent  
13 risk sharing valuation study under Section 8B of this Act until the  
14 risk sharing valuation study following the next actuarial  
15 experience study is prepared.

16 Sec. 8E. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY  
17 CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT; AUTHORIZATION FOR  
18 CERTAIN ADJUSTMENTS. (a) This section governs the determination  
19 of the city contribution rate applicable in a fiscal year if the  
20 estimated city contribution rate is lower than the corridor  
21 midpoint.

22 (b) If the funded ratio is:

23 (1) less than 90 percent, the city contribution rate  
24 for the fiscal year equals the corridor midpoint; or

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

27 (A) equal to or greater than the minimum

1 contribution rate, the estimated city contribution rate is the city  
2 contribution rate for the fiscal year; or

3 (B) except as provided by Subsection (e) of this  
4 section, less than the minimum contribution rate for the  
5 corresponding fiscal year, the city contribution rate for the  
6 fiscal year equals the minimum contribution rate achieved in  
7 accordance with Subsection (c) of this section.

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

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

15 (2) second, under a written agreement between the city  
16 and the pension board under Section 3(n) of this Act entered into  
17 not later than the 30th day before the first day of the next fiscal  
18 year, prospectively restore all or part of any benefit reductions  
19 or reduce increased employee contributions, in each case made after  
20 the year 2017 effective date;

21 (3) third, accelerate the payoff year of the legacy  
22 liability by offsetting the remaining legacy liability by the  
23 amount of the new liability loss layer, provided that during the  
24 accelerated period the city will continue to pay the city  
25 contribution amount as scheduled in the initial risk sharing  
26 valuation study, subject to Section 8C(i) or (j) of this Act;

27 (4) fourth, accelerate the payoff year of existing

1 liability loss layers, excluding the legacy liability, by  
2 accelerating the oldest liability loss layers first, to an  
3 amortization period of not less than 20 years from the first day of  
4 the fiscal year beginning 12 months after the date of the risk  
5 sharing valuation study in which the liability loss layer is first  
6 recognized; and

7           (5) fifth, under a written agreement between the city  
8 and the pension board under Section 3(n) of this Act entered into  
9 not later than the 30th day before the first day of the next fiscal  
10 year, the city and the pension board may agree to reduce the assumed  
11 rate of return.

12           (d) If the funded ratio is:

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

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

16                           (B) the city contribution amount may no longer be  
17 included in the city contribution under Section 8A of this Act; and

18                           (C) the city and the pension system may mutually  
19 agree to change assumptions in a written agreement entered into  
20 between the city and the pension board under Section 3(n) of this  
21 Act; and

22                   (2) greater than 100 percent in a written agreement  
23 between the city and the pension system entered into under Section  
24 3(n) of this Act, the pension system may reduce member  
25 contributions or increase pension benefits if as a result of the  
26 action:

27                           (A) the funded ratio is not less than 90 percent;

1 and

2 (B) the city contribution rate is not more than  
3 the minimum contribution rate.

4 (e) Except as provided by Subsection (f) of this section, if  
5 an agreement under Subsection (d) of this section is not reached on  
6 or before the 30th day before the first day of the next fiscal year,  
7 before the first day of the next fiscal year, the pension board  
8 shall reduce member contributions and implement or increase  
9 cost-of-living adjustments, but only to the extent that the city  
10 contribution rate is set at or below the minimum contribution rate  
11 and the funded ratio is not less than 90 percent.

12 (f) If any member contribution reduction or benefit  
13 increase under Subsection (e) of this section has occurred within  
14 the previous three fiscal years, the pension board may not make  
15 additional adjustments to benefits, and the city contribution rate  
16 must be set to equal the minimum contribution rate.

17 Sec. 8F. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY  
18 CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR MIDPOINT;  
19 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs  
20 the determination of the city contribution rate in a fiscal year  
21 when the estimated city contribution rate is equal to or greater  
22 than the corridor midpoint.

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

24 (1) less than or equal to the maximum contribution  
25 rate for the corresponding fiscal year, the estimated city  
26 contribution rate is the city contribution rate; or

27 (2) except as provided by Subsection (d) or (f) of this



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

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

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

12 (2) second, if the payoff year of the legacy liability  
13 was accelerated under Section 8E(c) of this Act:

14 (A) extend the payoff year of the legacy  
15 liability by increasing the legacy liability by the amount of the  
16 new liability gain layer to a maximum amount; and

17 (B) during the extended period provided by  
18 Paragraph (A) of this subdivision, the city shall continue to pay  
19 the city contribution amount for the extended period in accordance  
20 with the schedule included in the initial risk sharing valuation  
21 study, subject to Section 8C(i) or (j) of this Act; and

22 (3) third, if the payoff year of a liability loss layer  
23 other than the legacy liability was previously accelerated under  
24 Section 8E(c) of this Act, extend the payoff year of existing  
25 liability loss layers, excluding the legacy liability, by extending  
26 the most recent loss layers first, to a payoff year not later than  
27 30 years from the first day of the fiscal year beginning 12 months

1 after the date of the risk sharing valuation study in which the  
2 liability loss layer is first recognized.

3 (d) If the city contribution rate after adjustment under  
4 Subsection (c) of this section is greater than the third quarter  
5 line rate, the city contribution rate equals the third quarter line  
6 rate. To the extent necessary to comply with this subsection, the  
7 city and the pension board shall enter into a written agreement  
8 under Section 3(n) of this Act to increase member contributions and  
9 make other benefit or plan changes not otherwise prohibited by  
10 applicable federal law or regulations.

11 (e) Gains resulting from adjustments made as the result of a  
12 written agreement between the city and the pension board under  
13 Subsection (d) of this section may not be used as a direct offset  
14 against the city contribution amount in any fiscal year.

15 (f) If an agreement under Subsection (d) of this section is  
16 not reached on or before the 30th day before the first day of the  
17 next fiscal year, before the start of the next fiscal year to which  
18 the city contribution rate would apply, the pension board, to the  
19 extent necessary to set the city contribution rate equal to the  
20 third quarter line rate, shall:

- 21 (1) increase member contributions; and  
22 (2) decrease cost-of-living adjustments.

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

1 this section.

2 (h) The city contribution rate must be set at the corridor  
3 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 (g) of this section, adjusting  
6 the actuarial value of assets to equal the current market value of  
7 assets, if making the adjustment causes the city contribution rate  
8 to decrease; and

9 (2) under a written agreement entered into between the  
10 city and the pension board under Section 3(n) of this Act:

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 the 30th day before the first day of the  
16 next fiscal year, before the start of the next fiscal year, the  
17 pension board, to the extent necessary to set the city contribution  
18 rate equal to the corridor midpoint, shall:

19 (1) increase member contributions; and

20 (2) decrease cost-of-living adjustments.

21 Sec. 8G. CONFIDENTIALITY. (a) The information, data, and  
22 document exchanges under Sections 8A through 8F of this Act have all  
23 the protections afforded by applicable law and are expressly exempt  
24 from the disclosure requirements under Chapter 552, Government  
25 Code, except as may be agreed to by the city and pension system in a  
26 written agreement under Section 3(n) of this Act.

27 (b) Subsection (a) of this section does not apply to final

1 risk sharing valuation studies prepared under Sections 8B and 8C of  
2 this Act.

3 (c) A risk sharing valuation study prepared by either the  
4 city actuary or the pension system actuary under Sections 8A  
5 through 8F of this Act may not:

6 (1) include information in a form that includes  
7 identifiable information relating to a specific individual; or

8 (2) provide confidential or private information  
9 regarding specific individuals or be grouped in a manner that  
10 allows confidential or private information regarding a specific  
11 individual to be discerned.

12 Sec. 8H. UNILATERAL DECISIONS AND ACTIONS PROHIBITED. No  
13 unilateral decision or action by the pension board is binding on the  
14 city and no unilateral decision or action by the city is binding on  
15 the pension system with respect to the application of Sections 8A  
16 through 8F of this Act unless expressly provided by a provision of  
17 those sections. Nothing in this section is intended to limit the  
18 powers or authority of the pension board.

19 SECTION 3.12. Section 9(c), Chapter 88 (H.B. 1573), Acts of  
20 the 77th Legislature, Regular Session, 2001 (Article 6243h,  
21 Vernon's Texas Civil Statutes), is amended to read as follows:

22 (c) If a member dies and there are no eligible survivors to  
23 receive the allowance provided for in Section 14 of this Act, the  
24 member's spouse [~~beneficiary~~] or, if there is no spouse  
25 [~~beneficiary~~], the member's estate shall receive the refund amount.

26 SECTION 3.13. Section 10, Chapter 88 (H.B. 1573), Acts of  
27 the 77th Legislature, Regular Session, 2001 (Article 6243h,

1 Vernon's Texas Civil Statutes), is amended by amending Subsections  
2 (b), (d), (e), (g), and (h) and adding Subsections (c-1), (d-1), and  
3 (e-1) to read as follows:

4 (b) A group A or group B member of the pension system who  
5 terminates employment is eligible for a normal retirement pension  
6 beginning on the member's effective retirement date after the date  
7 the member completes at least five years of credited service and  
8 attains either:

9 (1) 62 years of age; or

10 (2) a combination of years of age and years of credited  
11 service, including parts of years, the sum of which equals or is  
12 greater than the number:

13 (A) 75, provided the member is at least 50 years  
14 of age; or

15 (B) 70, provided the member attained a  
16 combination of years of age and years of credited service,  
17 including parts of years, the sum of which equals or is greater than  
18 the number 68 before January 1, 2005.

19 (c-1) A group D member who terminates employment is eligible  
20 for a normal retirement pension beginning on the member's effective  
21 retirement date after the date the member completes at least five  
22 years of credited service and attains 62 years of age.

23 (d) The amount of the monthly normal retirement pension  
24 payable to an eligible:

25 (1) [retired] group A or group B member who retires  
26 before January 1, 2005, shall be determined under the law in effect  
27 on the member's last day of credited service, subject to Section 17

1 of this Act;

2 (2) group A member who retires on or after January 1,  
3 2005, is equal to the sum of:

4 (A) the member's average monthly salary  
5 multiplied by the percentage rate accrued under the law in effect on  
6 December 31, 2004;

7 (B) the member's average monthly salary  
8 multiplied by 2.5 [3-1/4] percent for each year of the member's  
9 years of credited service in group A during the member's first 20  
10 [10] years of service that is earned on or after January 1, 2005; [~~7~~  
11 ~~3-1/2 percent for each of the member's years of credited service in~~  
12 ~~group A during the member's next 10 years of service,~~] and

13 (C) the member's average monthly salary  
14 multiplied by 3.25 [4-1/4] percent for each year of credited  
15 service of the member in group A during the member's years of  
16 service in excess of the 20 years described under Paragraph (B) of  
17 this subdivision that is earned on or after January 1, 2005;

18 (3) group B member who retires on or after January 1,  
19 2005, is equal to the sum of:

20 (A) the member's average monthly salary  
21 multiplied by the percentage rate accrued under the law in effect on  
22 December 31, 2004;

23 (B) the member's average monthly salary  
24 multiplied by 1.75 percent for each year of the member's years of  
25 credited service in group B during the member's first 10 years of  
26 service that is earned on or after January 1, 2005;

27 (C) the member's average monthly salary

1 multiplied by two percent for each of the member's years of credited  
2 service in group B in excess of the 10 years described under  
3 Paragraph (B) of this subdivision that is earned on or after January  
4 1, 2005; and

5 (D) the member's average monthly salary  
6 multiplied by 2.5 percent for each year of credited service of the  
7 member in group B during the member's years of service in excess of  
8 20 years that is earned on or after January 1, 2005; or

9 (4) group D member who retires on or after January 1,  
10 2008, is equal to the sum of:

11 (A) the member's average monthly salary  
12 multiplied by 1.8 percent for each year of the member's years of  
13 credited service during the member's first 25 years of service; and

14 (B) the member's average monthly salary  
15 multiplied by 1 percent for each year of credited service of the  
16 member in group D during the member's years of service in excess of  
17 25 years.

18 (d-1) For purposes of Subsection (d) of this section,  
19 service credit is rounded to the nearest one-twelfth of a year [~~For~~  
20 ~~purposes of this subsection, service credit is rounded to the~~  
21 ~~nearest one-twelfth of a year. The normal retirement pension of a~~  
22 ~~retired group A member may not exceed 90 percent of the member's~~  
23 ~~average monthly salary].~~

24 (e) A group D member who terminates employment with the city  
25 or the pension system may elect to receive an early retirement  
26 pension payable as a reduced benefit if the member has attained:

27 (1) at least 10 years of credited service and is at

1 least 55 years of age; or

2 (2) five years of credited service and a combination  
3 of years of age and years of credited service, including parts of  
4 years, the sum of which equals or is greater than the number 75.

5 (e-1) The amount of the early retirement pension payable to  
6 a retired group D member under Subsection (e) of this section shall  
7 be equal to the monthly normal retirement pension reduced by 0.25  
8 percent for each month the member is less than 62 years of age at  
9 retirement [~~monthly normal retirement pension payable to an~~  
10 ~~eligible retired group B member equals the member's average monthly~~  
11 ~~salary multiplied by 1-3/4 percent for each year of the member's~~  
12 ~~years of credited service in group B during the member's first 10~~  
13 ~~years of service, 2 percent for each of the member's years of~~  
14 ~~credited service in group B during the member's next 10 years of~~  
15 ~~service, and 2-3/4 percent for each year of credited service of the~~  
16 ~~member in group B during the member's years of service in excess of~~  
17 ~~20 years. For purposes of this subsection, service credit is~~  
18 ~~rounded to the nearest one-twelfth of a year. The normal retirement~~  
19 ~~pension of a retired group B member may not exceed 90 percent of the~~  
20 ~~member's average monthly salary].~~

21 (g) Notwithstanding any other provision of this Act, the  
22 total normal retirement pension of a retired member with credited  
23 service in group A, group B, [~~or~~] group C, or group D may not exceed  
24 90 percent of the member's average monthly salary.

25 (h) On or after February 1, 2018, and for [~~For~~] future  
26 payments only, pension benefits for all group A retirees and group B  
27 retirees, and for all group D retirees who terminated employment on



1 or after the year 2017 effective date with at least five years of  
 2 credited service, and survivor benefits for [~~all retirees and~~]  
 3 eligible survivors of a former member of group A or group B, or of a  
 4 former member of group D who terminated employment on or after the  
 5 year 2017 effective date with at least five years of credited  
 6 service, shall be increased annually by the cost-of-living  
 7 adjustment percentage [~~four percent~~], not compounded, for all such  
 8 eligible persons receiving a pension or survivor benefit as of  
 9 January 1 of the year in which the increase is made.

10 SECTION 3.14. Chapter 88 (H.B. 1573), Acts of the 77th  
 11 Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's Texas  
 12 Civil Statutes), is amended by adding Section 10A to read as  
 13 follows:

14 Sec. 10A. GROUP D MEMBER HYBRID COMPONENT. (a) On and  
 15 after January 1, 2018, in addition to the group D member  
 16 contributions under Section 8 of this Act, each group D member shall  
 17 contribute one percent of the member's salary for each biweekly pay  
 18 period beginning with the member's first full biweekly pay period  
 19 after the later of January 1, 2018, or the group D member's first  
 20 date of employment. The contribution required by this subsection:

21 (1) shall be picked up and paid in the same manner and  
 22 at the same time as group D member contributions required under  
 23 Section 8(a)(3) of this Act, subject to applicable rules;

24 (2) is separate from and in addition to the group D  
 25 member contribution under Section 8(a)(3) of this Act; and

26 (3) is not subject to reduction or increase under  
 27 Sections 8A through 8F of this Act or a refund under Section 17 of

1 this Act.

2 (b) For each biweekly pay period of a group D member's  
3 service for which the group D member makes the contribution  
4 required under Subsection (a) of this section, the following  
5 amounts shall be credited to a notional account, known as a cash  
6 balance account, for the group D member:

7 (1) the amount of the contributions paid under  
8 Subsection (a) of this section for that biweekly pay period; and

9 (2) interest on the balance of the group D member's  
10 cash balance account determined by multiplying:

11 (A) an annual rate that is one-half the pension  
12 system's five-year investment return based on a rolling  
13 five-fiscal-year basis and net of investment expenses, with a  
14 minimum annual rate of 2.5 percent and a maximum annual rate of 7.5  
15 percent, and divided by 26; and

16 (B) the amount credited to the group D member's  
17 cash balance account as of the end of the biweekly pay period.

18 (c) The pension system may not pay interest on amounts  
19 credited to a cash balance account but not received by the pension  
20 system under Subsection (b) of this section.

21 (d) On separation from service, a group D member is eligible  
22 to receive only a distribution of the contributions credited to  
23 that group D member's cash balance account, without interest, if  
24 the group D member has attained less than one year of service while  
25 contributing to the cash balance account. If a group D member  
26 attains less than one year of service while contributing to the cash  
27 balance account, the group D member is fully vested in the accrued

1 benefit represented by that group D member's cash balance account,  
2 including interest.

3 (e) In a manner and form prescribed by the pension board, a  
4 group D member who terminates employment is eligible to elect to  
5 receive the group D member's cash balance account benefit in a  
6 lump-sum payment, in substantially equal periodic payments, in a  
7 partial lump-sum payment followed by substantially equal periodic  
8 payments, or in partial payments from the group D member's cash  
9 balance account.

10 (f) Contributions may not be made to a group D member's cash  
11 balance account for a period that occurs after the date the group D  
12 member terminates employment, except that interest at a rate that  
13 is not greater than the rate under Subsection (b)(2) of this  
14 section, as determined by the pension board, may be credited based  
15 on the former group D member's undistributed cash balance account  
16 after the date the group D member terminates employment.

17 (g) On the death of a group D member or former group D member  
18 before the full distribution of the member's cash balance account,  
19 the deceased member's cash balance account shall be payable in a  
20 single lump-sum payment to:

21 (1) the deceased member's surviving spouse;

22 (2) if there is no surviving spouse, each designated  
23 beneficiary of the deceased member, designated in the manner and on  
24 a form prescribed by the pension board; or

25 (3) if there is no designated beneficiary, the  
26 deceased member's estate.

27 (h) The lump-sum payment described by Subsection (g) of this

1 section shall be made within a reasonable time after the pension  
2 board has determined that the individual or estate is eligible for  
3 the distribution.

4 (i) Subject to the other provisions of this section, the  
5 pension board may adopt rules necessary to implement this section,  
6 including rules regarding the payment of the cash balance account  
7 and limitations on the timing and frequency of payments. All  
8 distributions and changes in the form of distribution must be made  
9 in a manner and at a time that complies with the Internal Revenue  
10 Code of 1986.

11 SECTION 3.15. Section 11, Chapter 88 (H.B. 1573), Acts of  
12 the 77th Legislature, Regular Session, 2001 (Article 6243h,  
13 Vernon's Texas Civil Statutes), is amended to read as follows:

14 Sec. 11. OPTION-ELIGIBLE PARTICIPANTS [~~GROUP B RETIREMENT~~  
15 ~~OPTIONS~~]. (a) In this section, "J&S Annuity" means payment of a  
16 normal retirement pension or early retirement pension under one of  
17 the options provided by Subsection (b) of this section.

18 (a-1) For purposes of this section, an option-eligible  
19 participant is:

20 (1) a former group A or group B member who terminates  
21 employment with the city or the pension system on or after June 30,  
22 2011, and who is eligible to receive a normal retirement pension,  
23 provided the member was not married as of the date of the member's  
24 termination of employment;

25 (2) a former group B member who terminated employment  
26 with the city or the predecessor system before September 1, 1997,  
27 and who is eligible to receive a normal retirement pension; or

1           (3) a former group D member who terminated employment  
2 with the city or the pension system and who is eligible to receive a  
3 normal retirement pension or an early retirement pension.

4           (a-2) The pension board, in its sole discretion, shall make  
5 determinations regarding an individual's status as an  
6 option-eligible participant.

7           (a-3) Before the date an option-eligible participant  
8 commences receipt of a benefit, that option-eligible participant [A  
9 group B member who terminated employment with the city or the  
10 predecessor system before September 1, 1997,] must elect, in a  
11 manner and at a time determined by the pension board, [before the  
12 member's effective retirement date] whether to receive [have] the  
13 participant's [member's] normal retirement pension or early  
14 retirement pension, as applicable, or to have the option-eligible  
15 participant's normal retirement pension or early retirement  
16 pension, as applicable, paid under one of the options provided by  
17 Subsection (b) of this section. The election may be revoked, in a  
18 manner and at a time established by the pension board, not later  
19 than the 60th day before the date the participant commences receipt  
20 of a benefit [member's effective retirement date].

21           (b) The normal retirement pension or early retirement  
22 pension may be one of the following actuarially equivalent amounts:

23           (1) option 1: a reduced pension payable to the  
24 participant [member], then on the participant's [member's] death  
25 one-half of the amount of that reduced pension is payable to the  
26 participant's [member's] designated survivor, for life;

27           (2) option 2: a reduced pension payable to the

1 participant [~~member~~], then on the participant's [~~member's~~] death  
2 that same reduced pension is payable to the participant's  
3 [~~member's~~] designated survivor, for life; and

4 (3) option 3: a reduced pension payable to the  
5 participant [~~member~~], and if the participant [~~member~~] dies within  
6 10 years, the pension is paid to the participant's [~~member's~~]  
7 designated survivor for the remainder of the 10-year period  
8 beginning on the participant's benefit commencement [~~member's~~  
9 ~~effective retirement~~] date.

10 (c) If an option-eligible participant [~~a former group B~~  
11 ~~member~~] who has made the election provided by Subsection (b) of this  
12 section dies after terminating employment with at least five years  
13 of credited service but before attaining the age required to begin  
14 receiving a normal or early retirement pension, the person's  
15 designated survivor is eligible for the J&S Annuity [~~benefits~~]  
16 provided by the option selected by the option-eligible participant  
17 [~~former member~~] at the time of separation from service. The  
18 benefits first become payable to an eligible designated survivor on  
19 the date the option-eligible participant [~~former member~~] would have  
20 become eligible to begin receiving a pension. If the designated  
21 survivor elects for earlier payment, in a time and manner  
22 determined by the pension board, the actuarial equivalent of that  
23 amount shall be payable at that earlier date.

24 (d) A survivor benefit under Subsection (c) of this section  
25 or a J&S Annuity is not payable if:

26 (1) except as provided by Subsection (e) of this  
27 section, an option-eligible participant [~~If a former group B member~~

1 ~~under Subsection (a) of this section]~~ does not elect one of the J&S  
2 Annuity options under Subsection (b) of this section and dies  
3 before retirement has commenced;

4 (2) an option-eligible participant elects a normal  
5 retirement pension or early retirement pension and dies before  
6 retirement has commenced; or

7 (3) an option-eligible participant dies after  
8 retirement has commenced and that option-eligible participant:

9 (A) elected a normal retirement pension or early  
10 retirement pension;

11 (B) did not make a valid election under  
12 Subsection (b) of this section; or

13 (C) made an election that is void [~~, a survivor~~  
14 ~~benefit is not payable]~~.

15 (e) An option-eligible participant described by Subsection  
16 (a-1)(3) of this section who did not elect one of the J&S Annuity  
17 options under Subsection (b) of this section is considered to have  
18 elected a J&S Annuity option under Subsection (b)(1) of this  
19 section and to have designated the participant's surviving spouse  
20 as the optional annuitant if the participant:

21 (1) was not in service with the city or the pension  
22 system at the time of the participant's death;

23 (2) is survived by a surviving spouse; and

24 (3) dies before the participant's retirement has  
25 commenced.

26 (f) If the option-eligible participant described by  
27 Subsection (e) of this section has no surviving spouse, a survivor

1 benefit or J&S Annuity is not payable. If a J&S Annuity is paid  
2 under Subsection (e) of this section, a survivor benefit is not  
3 payable under this subsection or under Section 14 of this Act.

4 (g) If Subsection (d) of this section would otherwise apply  
5 to prohibit the payment of a survivor benefit or J&S Annuity, but  
6 there is one or more dependent children of the deceased  
7 option-eligible participant, the provisions of Section 14 of this  
8 Act control the payment of survivor benefits to the dependent child  
9 or children. The pension system may not pay both a J&S Annuity  
10 under this section and a survivor benefit under Section 14 of this  
11 Act with respect to any option-eligible participant. If a J&S  
12 Annuity is paid under Subsection (e) of this section, a survivor  
13 benefit is not payable.

14 (h) If an option-eligible participant has previously  
15 elected a J&S Annuity for a previous period of service, no benefits  
16 have been paid under that previous election, and the  
17 option-eligible participant terminates employment on or after  
18 January 1, 2012, the previous election is void and the  
19 option-eligible participant shall make an election under  
20 Subsection (b) of this section to apply to all periods of service.

21 (i) If a former group B member with service before September  
22 1, 1997, was rehired in a covered position and converted the group B  
23 service covered by a J&S Annuity to group A service, and that member  
24 terminates employment on or after January 1, 2012, and is not an  
25 option-eligible participant at the time of the member's subsequent  
26 termination, the previous election is void and survivor benefits  
27 for an eligible survivor, if any, are payable as provided by Section



1 14 of this Act, provided benefits were not paid under the previous  
2 election.

3 (j) If an option-eligible participant who elects a J&S  
4 Annuity under this section designates the participant's spouse as a  
5 designated survivor and the marriage is later dissolved by divorce,  
6 annulment, or a declaration that the marriage is void before the  
7 participant's retirement, the designation is void unless the  
8 participant reaffirms the designation after the marriage was  
9 dissolved.

10 (k) A J&S Annuity payable to a designated survivor of a  
11 retired option-eligible participant is effective on the first day  
12 of the month following the month of the option-eligible  
13 participant's death and ceases on the last day of the month of the  
14 designated survivor's death or on the last day of the month in which  
15 the survivor otherwise ceases to be eligible to receive a J&S  
16 Annuity.

17 SECTION 3.16. Section 12(a)(5), Chapter 88 (H.B. 1573),  
18 Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h,  
19 Vernon's Texas Civil Statutes), is amended to read as follows:

20 (5) "DROP entry date" means the date a member ceases to  
21 earn service credit and begins earning credit for the member's DROP  
22 account, which is the later of the date the member is eligible to  
23 participate in the DROP, the date requested by the member, or  
24 October 1, 1997, as approved by the pension board. The DROP entry  
25 date is the first day of a month and is determined by the normal  
26 retirement eligibility requirements of this Act or of Chapter 358,  
27 Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g,

1 Vernon's Texas Civil Statutes), as applicable, in effect on the  
2 requested DROP entry date. A member who enters DROP on or after  
3 January 1, 2005, may not have a DROP entry date that occurs before  
4 the date the pension system receives the member's request to  
5 participate in DROP.

6 SECTION 3.17. Section 12, Chapter 88 (H.B. 1573), Acts of  
7 the 77th Legislature, Regular Session, 2001 (Article 6243h,  
8 Vernon's Texas Civil Statutes), is amended by adding Subsections  
9 (b-1), (d-1), (o-1), (r), (s), and (t) and amending Subsections  
10 (d), (f), (g), (h), (j), (k), (m), (o), and (p) to read as follows:

11 (b-1) Notwithstanding Subsection (b) of this section, for  
12 DROP participation beginning on or after January 1, 2005, a member  
13 must meet the normal retirement eligibility requirements under  
14 Section 10(b) or (c) of this Act to be eligible to elect to  
15 participate in DROP. This subsection does not apply to a member  
16 who:

17 (1) met the eligibility requirements under Section  
18 10(b) of this Act in effect before January 1, 2005; or

19 (2) before January 1, 2005, had at least five years of  
20 credited service and a combination of years of age and years of  
21 credited service, including parts of years, the sum of which  
22 equaled or was greater than 68.

23 (d) Credited service and normal retirement benefits cease  
24 to accrue on the day preceding the member's DROP entry date. The  
25 period of a member's DROP participation, unless revoked as provided  
26 by Subsection (j) of this section, begins on the DROP participant's  
27 DROP entry date and ends on the date of the DROP participant's last

1 day of active service with the city or the pension system. On the  
2 first day of the month following the month in which the pension  
3 board approves the member's DROP election, the DROP election  
4 becomes effective and the pension board shall establish a DROP  
5 account for the DROP participant. For each month during the period  
6 of DROP participation before a DROP participant's termination of  
7 employment, the following amounts shall be credited to the DROP  
8 participant's DROP account, including prorated amounts for partial  
9 months of service:

10 (1) an amount equal to what would have been the DROP  
11 participant's monthly normal retirement benefit if the DROP  
12 participant had retired on the DROP participant's DROP entry date,  
13 except that the monthly amount shall be computed based on the DROP  
14 participant's credited service and average monthly salary as of the  
15 DROP entry date and the benefit accrual rates and maximum allowable  
16 benefit applicable on the DROP election date, with the  
17 cost-of-living adjustments payable under Subsection (s) of this  
18 section, if any, that would apply if the DROP participant had  
19 retired on the DROP participant's DROP entry date; and

20 (2) subject to Subsection (d-1) of this section, [~~for~~  
21 ~~a group A member, the member's contributions to the pension fund~~  
22 ~~required under Section 8 of this Act during the member's~~  
23 ~~participation in the DROP, and~~

24 [~~(3)~~] interest on the DROP participant's DROP account  
25 balance computed at a rate determined by the pension board and  
26 compounded at intervals designated by the pension board, but at  
27 least once in each 13-month period.

1       (d-1) Beginning January 1, 2018, the pension board shall  
2 establish the interest rate applicable under Subsection (d)(2) of  
3 this section as of January 1 of each year at a rate:

4           (1) except as provided by Subdivision (2) of this  
5 subsection, equal to half the pension system's five-year investment  
6 return based on a rolling five-fiscal-year basis and net of  
7 investment expenses; and

8           (2) that may not be less than 2.5 percent or more than  
9 7.5 percent.

10       (f) The period for credits to a DROP participant's DROP  
11 account includes each month beginning with the DROP participant's  
12 DROP entry date through the date the DROP participant terminates  
13 employment with the city or the pension system. Credits may not be  
14 made to a DROP participant's DROP account for a period that occurs  
15 after the date the DROP participant terminates employment, except  
16 that interest at a rate determined by the pension board may be paid  
17 on the person's undistributed DROP account balance after the date  
18 the person terminates employment. A DROP participant must pay  
19 required contributions to the pension system for all time in DROP  
20 that would otherwise constitute service in order to receive  
21 allowable credits to the DROP participant's DROP account.

22       (g) A DROP participant who terminates employment is  
23 eligible to elect to receive the DROP participant's DROP benefit in  
24 a lump sum, in substantially equal periodic payments, ~~or~~ in a  
25 partial lump sum followed by substantially equal periodic payments,  
26 or in partial payments from the participant's DROP account, in a  
27 manner and form determined by the pension board. The pension board

1 may establish procedures concerning partial payments under this  
2 subsection, including limitations on the timing and frequency of  
3 those payments. A participant who elects partial payments may  
4 elect to receive the participant's entire remaining DROP account  
5 balance in a single lump-sum payment. The pension board shall  
6 determine a reasonable time for lump-sum and periodic payments of  
7 the DROP benefit. [~~An election concerning single lump-sum or~~  
8 ~~partial payments as provided by this subsection must satisfy the~~  
9 ~~requirements of Section 401(a)(9), Internal Revenue Code of 1986,~~  
10 ~~as amended.] All distributions and changes in the form of  
11 distribution must be made in a manner and at a time that complies  
12 with that provision of the Internal Revenue Code of 1986, as  
13 amended.~~

14 (h) If a DROP participant dies before the full distribution  
15 of the DROP participant's DROP account balance, the undistributed  
16 DROP account balance shall be distributed to the DROP participant's  
17 surviving spouse, if any, in a lump-sum payment within a reasonable  
18 time after the pension board has determined that the surviving  
19 spouse is eligible for the distribution. If there is no surviving  
20 spouse, each beneficiary of the DROP participant [~~participant's~~  
21 ~~beneficiary~~], as designated in the manner and on a form established  
22 by the pension board, is eligible to receive the beneficiary's  
23 applicable portion of the deceased DROP participant's  
24 undistributed DROP account balance in a lump-sum payment within a  
25 reasonable time after the pension board has determined that the  
26 beneficiary is eligible for the distribution. If no beneficiary is  
27 designated, the undistributed DROP account balance shall be

1 distributed to the deceased participant's [~~member's~~] estate.

2 (j) An election to participate in the DROP is irrevocable,  
3 except that:

4 (1) if a DROP participant is approved for a service  
5 disability pension, the DROP participant's DROP election is  
6 automatically revoked; and

7 (2) if a DROP participant dies, the surviving spouse,  
8 if any, or the beneficiary, if any, may elect to revoke the DROP  
9 participant's DROP election, at a time and in a manner determined by  
10 the pension board, only if the revocation occurs before a  
11 distribution from the DROP participant's DROP account or the  
12 payment of a survivor benefit under this Act or Chapter 358, Acts of  
13 the 48th Legislature, Regular Session, 1943 (Article 6243g,  
14 Vernon's Texas Civil Statutes) [~~, and~~

15 [~~(3) a DROP participant approved by the pension board~~  
16 ~~of the predecessor system before September 1, 1999, to participate~~  
17 ~~in the DROP may make a one-time, irrevocable election before~~  
18 ~~termination of employment, on a date and in a manner determined by~~  
19 ~~the pension board, to revoke the DROP election and waive any and all~~  
20 ~~rights associated with the DROP election].~~

21 (k) On revocation of a DROP election under Subsection (j) of  
22 this section, the DROP account balance becomes zero, and a  
23 distribution of DROP benefits may not be made to the participant  
24 [~~member~~], the participant's [~~member's~~] surviving spouse, or the  
25 participant's [~~member's~~] beneficiaries. In the event of  
26 revocation, the benefits based on the participant's [~~member's~~]  
27 service are determined as if the participant's [~~member's~~] DROP

1 election had never occurred.

2 (m) If an unanticipated actuarial cost occurs in  
3 administering the DROP, the pension board, on the advice of the  
4 pension system [~~system's~~] actuary, may take action necessary to  
5 mitigate the unanticipated cost, including refusal to accept  
6 additional elections to participate in the DROP [~~plan~~]. The  
7 pension system shall continue to administer the DROP [~~plan~~] for the  
8 DROP participants participating in the DROP [~~plan~~] before the date  
9 of the mitigating action.

10 (o) Except as provided by Subsection (o-1) of this section,  
11 on [~~On~~] termination of employment, a DROP participant shall receive  
12 a normal retirement pension under Section 10 of this Act or under  
13 Section 11, 22A, or 24 of Chapter 358, Acts of the 48th Legislature,  
14 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil  
15 Statutes), as those sections read on the day preceding the  
16 participant's DROP entry date, as applicable, except that the  
17 credited service under that section is the member's credited  
18 service as of the day before the member's DROP entry date, the  
19 benefit accrual rate applicable to the credited service shall be  
20 the benefit accrual rate in effect on the member's DROP election  
21 date, the maximum allowable benefit shall be the maximum allowable  
22 benefit in effect on the member's DROP election date, and the  
23 member's average monthly salary is the average monthly salary  
24 determined as of the later [~~date~~] of the member's DROP entry date or  
25 January 1, 2005, as applicable [~~termination of employment~~]. The  
26 DROP participant's normal retirement pension is increased by any  
27 cost-of-living adjustments applied to the monthly credit to the

1 member's DROP account under Subsection (d)(1) of this section  
2 during the member's participation in the DROP. Cost-of-living  
3 adjustments applicable to periods after the date of the DROP  
4 participant's termination of employment are based on the DROP  
5 participant's normal retirement pension computed under this  
6 subsection or Subsection (o-1) of this section, as applicable,  
7 excluding any cost-of-living adjustments.

8 (o-1) On termination of employment, and before any benefit  
9 or DROP payment, a DROP participant who is an option-eligible  
10 participant shall make the required election under Section 11 of  
11 this Act. If the option-eligible participant elects a J&S Annuity,  
12 the DROP account, including all DROP credits, shall be recalculated  
13 from the DROP entry date to termination of employment as provided by  
14 Subsection (o) of this section as if the J&S Annuity was selected to  
15 be effective as of the DROP entry date.

16 (p) If a DROP election is not revoked under Subsection (j)  
17 of this section, the survivor benefit payable to an eligible  
18 survivor of a deceased DROP participant under Section 14 of this Act  
19 is computed as a percentage of the monthly ordinary disability  
20 pension that the member would have been eligible to receive had the  
21 member suffered a disability the day before the member's DROP entry  
22 date, except that the ordinary disability pension is computed based  
23 on the DROP participant's credited service as of the day before the  
24 DROP participant's DROP entry date, the benefit accrual rate  
25 applicable to the credited service as of the DROP participant's  
26 DROP election date, and the DROP participant's average monthly  
27 salary as of the later [~~date~~] of the DROP participant's DROP entry



1 date or January 1, 2005, as applicable ~~[death]~~. A surviving spouse,  
2 if any, of a DROP participant who dies from a cause directly  
3 resulting from a specific incident in the performance of the DROP  
4 participant's duties for the city or the pension system is  
5 ineligible to receive enhanced survivor benefits under Section  
6 14(c) of this Act unless the DROP election is revoked under  
7 Subsection (j)(2) of this section and the surviving spouse receives  
8 a survivor benefit as otherwise provided by this subsection.

9 (r) Except as provided by Subsection (s) of this section,  
10 the pension system may not credit a DROP account with a  
11 cost-of-living adjustment percentage on or after February 1, 2018.

12 (s) On or after February 1, 2018, and for future credit  
13 only, the pension system shall credit a cost-of-living adjustment  
14 percentage, not compounded, to the DROP account of a DROP  
15 participant who was at least 62 years of age as of January 1 of the  
16 year in which the increase is made.

17 (t) The pension board may establish deadlines for the  
18 submission of any information, document, or other record pertaining  
19 to DROP.

20 SECTION 3.18. Sections 13(a), (b), and (c), Chapter 88  
21 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001  
22 (Article 6243h, Vernon's Texas Civil Statutes), are amended to read  
23 as follows:

24 (a) A member who has completed five or more years of  
25 credited service and who becomes disabled is eligible, regardless  
26 of age, for an ordinary disability retirement and shall receive a  
27 monthly disability pension computed in accordance with Section

1 10(d) of this Act [~~for group A members and Section 10(e) for group B~~  
2 ~~members~~].

3 (b) A member who is disabled by reason of a personal injury  
4 sustained or a hazard undergone as a result of, and while in the  
5 performance of, the member's employment duties at some definite  
6 place and at some definite time on or after the date of becoming a  
7 member, without serious and wilful misconduct on the member's part,  
8 is eligible for a service disability retirement and shall receive a  
9 monthly disability pension equal to the greater of:

10 (1) the monthly normal retirement pension computed  
11 under Section 10(d) of this Act [~~for a group A member or Section~~  
12 ~~10(e) for a group B member~~]; or

13 (2) 20 percent of the member's monthly salary on the  
14 date the injury occurred or the hazard was undergone.

15 (c) In addition to the monthly disability pension under  
16 Subsection (b)(2) of this section, a group A member shall receive  
17 one percent of the salary under Subsection (b)(2) of this section  
18 for each year of credited service. The total disability pension  
19 computed under Subsection (b)(2) of this section may not exceed the  
20 greater of:

21 (1) 40 percent of that monthly salary; or

22 (2) the monthly normal retirement pension computed in  
23 accordance with Section 10(d) of this Act [~~for a group A member or~~  
24 ~~Section 10(e) for a group B member~~].

25 SECTION 3.19. Section 14, Chapter 88 (H.B. 1573), Acts of  
26 the 77th Legislature, Regular Session, 2001 (Article 6243h,  
27 Vernon's Texas Civil Statutes), is amended by amending Subsections

1 (a), (b), (c), (d), (e), and (h) and adding Subsection (b-1) to read  
2 as follows:

3 (a) Except as provided by Section 11 or [Section] 12 of this  
4 Act, the pension board shall order survivor benefits to be paid to  
5 an eligible survivor in the form of a monthly allowance under this  
6 section if:

7 (1) a member or former member of group A or group B  
8 dies from any cause after the completion of five years of credited  
9 service with the city or the pension system;

10 (2) while in the service of the city or the pension  
11 system, a member dies from any cause directly resulting from a  
12 specific incident in the performance of the member's duty; ~~[or]~~

13 (3) a member of group A or group B dies after the date  
14 the member retires on a pension because of length of service or a  
15 disability and the member leaves an eligible survivor; or

16 (4) a member of group D dies from any cause after the  
17 completion of five years of credited service with the city or the  
18 pension system if the member on the date of the member's death was  
19 still in service with the city or the pension system.

20 (b) A surviving spouse of a member described by Subsection  
21 (a)(1) or (4) of this section [or former member] who dies while  
22 still in [dies after having completed five years of credited]  
23 service with the city or the pension system [~~but before beginning~~  
24 ~~to receive retirement benefits,~~] is eligible for a sum equal to the  
25 following applicable percentage [100 percent] of the retirement  
26 benefits to which the deceased member or former member would have  
27 been eligible had the member been totally disabled with an ordinary

1 disability at the time of the member's last day of credited service;

2 (1) 80 percent, if the member's death occurs on or  
3 after the year 2017 effective date and the spouse was married to the  
4 member for at least one continuous year as of the member's date of  
5 death, except that the allowance payable to the surviving spouse  
6 may not be less than \$100 a month; or

7 (2) 50 percent, if the member's death occurs on or  
8 after the year 2017 effective date and the spouse was married to the  
9 member for less than one continuous year as of the date of the  
10 member's death.

11 (b-1) A surviving spouse of a former member described by  
12 Subsection (a)(1) of this section who dies on or after the year 2017  
13 effective date while not in the service of the city or the pension  
14 system and before the member's retirement commenced, is eligible  
15 for a sum equal to 50 percent of the deceased former member's normal  
16 accrued pension at the time of the deceased former member's last day  
17 of credited service. Benefits under this subsection first become  
18 payable on the date the former member would have become eligible to  
19 begin receiving a pension. If the surviving spouse elects for  
20 earlier payment, in a time and manner determined by the pension  
21 board, the actuarial equivalent of that amount shall be payable at  
22 that earlier date.

23 (c) A surviving spouse of a member described by Subsection  
24 (a)(2) of this section who dies from a cause directly resulting from  
25 a specific incident in the performance of the member's duty with the  
26 city or the pension system, without serious or wilful misconduct on  
27 the member's part, is eligible for a sum equal to 80 [~~100~~] percent

1 of the deceased member's final average salary.

2 (d) A surviving spouse of a retiree described by Subsection  
3 (a)(3) of this section who dies after having received retirement  
4 benefits is eligible for a sum equal to the following applicable  
5 percentage [~~100 percent~~] of the retirement benefits being received  
6 at the time of the retiree's death, including any applicable [~~→~~  
7 ~~The~~] cost-of-living adjustment in the survivor benefit under  
8 Section 10(h) of this Act [~~is~~] computed based on the unadjusted  
9 normal retirement pension of the deceased retiree:

10 (1) 80 percent, if the retiree's death occurs on or  
11 after the year 2017 effective date and the retiree separated from  
12 service with the city or pension system before the year 2017  
13 effective date;

14 (2) 80 percent, if the retiree's death occurs on or  
15 after the year 2017 effective date and the retiree separated from  
16 service with the city or pension system on or after the year 2017  
17 effective date, provided the surviving spouse was married to the  
18 retiree at the time of the retiree's death and for at least one  
19 continuous year as of the date of the retiree's separation from  
20 service; or

21 (3) 50 percent, if both the retiree's separation from  
22 service and death occur on or after the year 2017 effective date and  
23 the surviving spouse was married to the retiree at the time of the  
24 retiree's death for less than one continuous year as of the date of  
25 the retiree's separation from service.

26 (e) If there is a surviving spouse, each dependent child  
27 shall receive a survivor benefit equal to 10 percent of the pension

1 the member would have received if the member had been disabled at  
2 the time of death up to a maximum of 20 percent for all dependent  
3 children, except that if the total amount payable to the surviving  
4 spouse and dependent children is greater than 80 [~~100~~] percent of  
5 the benefit the member would have received, the percentage of  
6 benefits payable to the surviving spouse shall be reduced so that  
7 the total amount is not greater than 80 [~~100~~] percent of the benefit  
8 the member would have received, and the reduction shall continue  
9 until the total amount payable to the surviving spouse and  
10 dependent child, if any, would not be greater than 80 [~~100~~] percent  
11 of the benefit the member would have received.

12 (h) If a retiree dies and there is no eligible survivor, the  
13 retiree's spouse, if any, or if there is no spouse, the retiree's  
14 estate, is eligible to receive a lump-sum payment of the  
15 unamortized balance of the retiree's accrued employee  
16 contributions, if any, other than contributions after the DROP  
17 entry date, as determined by an amortization schedule and method  
18 approved by the pension board. A pension payable to a retiree  
19 ceases on the last day of the month [~~preceding the month~~] of the  
20 retiree's death. A survivor benefit payable to an eligible  
21 survivor is effective on the first day of the month following the  
22 month of the retiree's death and ceases on the last day of [~~month~~  
23 ~~preceding~~] the month of the eligible survivor's death or on the last  
24 day of the month in which the survivor otherwise ceases to be  
25 eligible to receive a survivor's benefit.

26 SECTION 3.20. Sections 16(a) and (e), Chapter 88 (H.B.  
27 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article

1 [6243h](#), Vernon's Texas Civil Statutes), are amended to read as  
2 follows:

3 (a) Notwithstanding any other provision of this Act, the  
4 pension board may pay to a member, deferred participant, eligible  
5 survivor, alternate payee, or beneficiary in a lump-sum payment the  
6 present value of any benefit payable to such a person that is less  
7 than \$20,000 [~~\$10,000~~] instead of paying any other benefit payable  
8 under this Act. If the lump-sum present value of the benefit is at  
9 least \$1,000 [~~\$5,000~~] but less than \$20,000 [~~\$10,000~~], the pension  
10 board may make a lump-sum payment only on written request by the  
11 member, deferred participant, eligible survivor, alternate payee,  
12 or other beneficiary. The pension board shall make any payment  
13 under this subsection as soon as practicable after eligibility  
14 under this section has been determined by the pension board.

15 (e) A member who is reemployed by the city or the pension  
16 system and who has at least two years of continuous credited service  
17 after reemployment may reinstate service for which the member  
18 received a lump-sum payment under this section by paying into the  
19 pension fund the amount of the lump-sum payment, plus interest on  
20 that amount at the applicable assumed rate of return [~~six percent~~  
21 ~~per year~~], not compounded, from the date the lump-sum payment was  
22 made to the member until the date of repayment to the pension fund.

23 SECTION 3.21. Section 17, Chapter 88 (H.B. 1573), Acts of  
24 the 77th Legislature, Regular Session, 2001 (Article [6243h](#),  
25 Vernon's Texas Civil Statutes), is amended by amending Subsections  
26 (a), (c), (d), (e), (f), (g), (h), (i), (j), (k), and (l) and adding  
27 Subsections (c-1), (c-2), (q), (r), and (s) to read as follows:

1           (a) A member who terminates employment with the city  
2 involuntarily due to a reduction in workforce, as determined by the  
3 pension board, before the member becomes eligible for a normal  
4 retirement pension or attains five years of credited service, is  
5 eligible to [~~by written notice to the pension board, may make an~~  
6 ~~irrevocable election to~~] leave the person's contributions in the  
7 pension fund until the first anniversary of the date of  
8 termination. If during that period the person is reemployed by the  
9 city and has not withdrawn the person's contributions, all rights  
10 and service credit as a member shall be immediately restored  
11 without penalty. If reemployment with the city does not occur  
12 before the first anniversary of the date of termination, all  
13 payments made by the person into the pension fund by salary  
14 deductions or other authorized contributions shall be refunded to  
15 the person without interest. If the person is subsequently  
16 reemployed, the person may have credit restored, subject to the  
17 provisions applicable at the time of reemployment.

18           (c) A former member of group A or group B whose employment is  
19 terminated for a reason other than death or receipt of a retirement  
20 or disability pension after the completion of five years of  
21 credited service may elect, in a manner determined by the pension  
22 board, to receive a deferred retirement pension that begins on the  
23 member's effective retirement date after the member attains the  
24 eligibility requirements for normal retirement under Section 10 of  
25 this Act as it existed on the member's last day of credited service  
26 [~~either 62 years of age or a combination of years of age and years of~~  
27 ~~credited service, including parts of years, the sum of which equals~~



1 ~~the number 70~~]. The amount of monthly benefit shall be computed in  
2 the same manner as for a normal retirement pension, but based on  
3 average monthly salary and credited service as of the member's last  
4 day of credited service and subject to the provisions of this Act or  
5 Chapter 358, Acts of 48th Legislature, Regular Session, 1943  
6 (Article 6243g, Vernon's Texas Civil Statutes), in effect on the  
7 former member's last day of credited service.

8 (c-1) A former member of group D whose employment is  
9 terminated for a reason other than death or receipt of a retirement  
10 or disability pension after the completion of five years of  
11 credited service may elect, in a manner determined by the pension  
12 board, to receive a deferred normal retirement pension that begins  
13 on the former member's effective retirement date after the member  
14 attains 62 years of age. The amount of a monthly benefit under this  
15 subsection shall be computed in the same manner as a normal  
16 retirement pension, except the benefit shall be based on the  
17 average monthly salary and credited service of the former member as  
18 of the former member's last day of credited service and subject to  
19 the provisions of this Act in effect on the former member's last day  
20 of credited service.

21 (c-2) 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 and who has met the minimum years of credited  
24 service to receive an early reduced retirement pension under  
25 Section 10(e) of this Act on attaining the required age, may elect,  
26 in a manner determined by the pension board, to receive a deferred  
27 early retirement pension that begins on the former member's

1 effective retirement date after the member attains the required age  
2 under Section 10(e) of this Act. The amount of monthly benefit  
3 shall be computed in the same manner as for an early retirement  
4 pension under Section 10(e) of this Act, except that the benefit  
5 shall be based on the average monthly salary and credited service of  
6 the former member as of the former member's last day of credited  
7 service and subject to the provisions of this Act in effect on the  
8 former member's last day of credited service.

9 (d) If a member dies while still employed by the city,  
10 whether eligible for a pension or not, and Sections 12 and 14 of  
11 this Act do not apply, all of the member's rights in the pension  
12 fund shall be satisfied by the refund to the member's spouse  
13 ~~[designated beneficiary]~~, if any, or if there is no spouse  
14 ~~[designated beneficiary]~~, to the member's estate, of all eligible  
15 payments, if any, made by the member into the pension fund, without  
16 interest.

17 (e) ~~[The provisions of Section 14 of this Act concerning~~  
18 ~~payments to eligible survivors apply in the case of any former~~  
19 ~~member who has made the election permitted by Subsection (c) of this~~  
20 ~~section and who dies before reaching the age at which the former~~  
21 ~~member would be eligible to receive a pension.]~~ If there is no  
22 eligible survivor of the former member, all of the former member's  
23 rights in the pension fund shall be satisfied by the refund to the  
24 former member's spouse ~~[designated beneficiary]~~, if any, or if  
25 there is no spouse ~~[designated beneficiary]~~, to the former member's  
26 estate, of all eligible payments made by the former member into the  
27 pension fund by way of employee contributions, without interest.

1           (f) This Act does not change the status of any former member  
2 of the predecessor system whose services with the city or the  
3 pension system were terminated under Chapter 358, Acts of the 48th  
4 Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas  
5 Civil Statutes), except as otherwise expressly provided. Refunds  
6 of contributions made under this section shall be paid to the  
7 departing member, the member's spouse [~~beneficiary~~], or the  
8 member's estate on written request and approval by the pension  
9 board in a lump sum, except that if the pension board determines  
10 that funds are insufficient to justify the lump-sum payment, the  
11 payment shall be refunded on a monthly basis in amounts determined  
12 by the pension board.

13           (g) If a deferred participant is reemployed by the city or  
14 the pension system before receiving a deferred retirement pension  
15 or if a retiree is reemployed by the city or the pension system,  
16 Subsections (h) and (j) of this section apply to the computation of  
17 the member's pension following the member's subsequent separation  
18 from service if the member was a member on or after May 11, 2001, and  
19 is not otherwise subject to Subsection (q) of this section.

20           (h) If a member described in Subsection (g) of this section  
21 accrues not more than two years of continuous credited service  
22 after reemployment:

23               (1) the portion of the member's deferred or normal  
24 retirement pension attributable to the member's period of credited  
25 service accrued before the date of the member's original or  
26 previous separation from service is computed on the basis of the  
27 applicable provisions of this Act or the predecessor system that

1 were in effect on the member's last day of credited service for the  
2 original or previous period of credited service;

3 (2) the portion of the member's deferred or normal  
4 retirement pension attributable to the member's period of credited  
5 service accrued after the date of the member's reemployment by the  
6 city or the pension system is computed on the basis of the  
7 applicable provisions of this Act or the predecessor system in  
8 effect on the member's last day of credited service for the  
9 subsequent period of credited service; and

10 (3) the disability pension or survivor benefit  
11 attributable to the member's period of credited service accrued  
12 both before the date of the member's original or previous  
13 separation from service and after the date of the member's  
14 reemployment by the city or the pension system is computed on the  
15 basis of the applicable provisions of this Act or the predecessor  
16 system that were in effect on the member's last day of credited  
17 service for the original or previous period of credited service.

18 (i) Subject to Subsection (1) of this section, the  
19 disability pension or survivor benefit under Subsection (h)(3) of  
20 this section is computed by adding the following amounts:

21 (1) the amount of the benefit derived from the member's  
22 credited service accrued after the date of reemployment based on  
23 the benefit accrual rate in effect on the member's last day of  
24 original or previous credited service in the group in which the  
25 member participated on the member's last day of subsequent credited  
26 service; and

27 (2) the amount of the benefit the member, beneficiary,

1 or eligible survivor was eligible to receive based on the member's  
2 original or previous credited service and the provisions in effect  
3 on the member's last day of original or previous credited service.

4 (j) If a [~~the~~] member described by Subsection (g) of this  
5 section accrues more than two years of continuous credited service  
6 after reemployment, for purposes of future payment only, a deferred  
7 retirement pension, normal retirement pension, disability pension,  
8 or survivor benefit is computed on the basis of the applicable  
9 provisions of this Act or the predecessor system in effect on the  
10 member's last day of credited service for the subsequent service.

11 (k) Notwithstanding any other provision of this Act, if a  
12 retiree is reemployed by the city or the pension system and becomes  
13 a member, the retiree's pension under this Act ceases on the day  
14 before the date the retiree is reemployed. Payment of the pension  
15 shall be suspended during the period of reemployment and may not  
16 begin until the month following the month in which the reemployed  
17 retiree subsequently terminates employment. On subsequent  
18 separation, benefits payable are computed under Subsections (h) and  
19 (j) of this section, as applicable. If the reemployed retiree  
20 receives any pension during the period of reemployment, the retiree  
21 shall return all of the pension received during that period to the  
22 pension system not later than the 30th day after the date of  
23 receipt. If the reemployed retiree does not timely return all of  
24 the pension, the pension board shall offset the amount not returned  
25 against the payment of any future retirement pension, disability  
26 pension, DROP balance, or survivor benefit payable on behalf of the  
27 reemployed retiree, plus interest on the disallowed pension at the

1 applicable assumed rate of return, not compounded, from the date  
2 the reemployed retiree received the disallowed pension to the date  
3 of the offset on the disallowed pension.

4 (1) Except as provided by Section 14 of this Act, if [~~if~~] a  
5 member is covered by Subsection (h) of this section and has made an  
6 election or was eligible to make an election under Section 11 of  
7 this Act or an optional annuity election under Section 29, Chapter  
8 358, Acts of the 48th Legislature, Regular Session, 1943 (Article  
9 6243g, Vernon's Texas Civil Statutes), or has received a pension  
10 computed on the basis of an optional annuity election, the optional  
11 annuity election, including any designation of an eligible  
12 designated survivor, governs the payment of any pension or benefit  
13 for the period of service covered by the optional annuity election,  
14 and no other survivor benefit is payable for that period of service.  
15 If a member meets the requirements of Subsection (j) of this section  
16 and has made an optional annuity election or has received a pension  
17 computed on the basis of an optional annuity election, the optional  
18 annuity election, including any designation of an eligible  
19 designated survivor, shall control the payment of any pension or  
20 benefit, and no other survivor benefit is payable unless the member  
21 elects, not later than the 90th day after the date of the separation  
22 of employment and before payment of a pension, to revoke the  
23 optional annuity election for future payment of benefits. If  
24 revocation occurs, any survivor benefit is paid under Subsection  
25 (j) of this section.

26 (q) Subsections (g) through (l) of this section do not apply  
27 to the calculation of any benefit for or attributable to the period

1 of service following:

2 (1) the employment or reemployment of a member hired  
3 or rehired on or after January 1, 2005; or

4 (2) the reemployment of a deferred retiree or retiree  
5 who is reemployed in a pension system covered position before  
6 January 1, 2005, but for a period of two years or less of continuous  
7 credited service.

8 (r) If a deferred retiree or retiree subject to Subsection  
9 (q)(2) of this section is reemployed in a pension system covered  
10 position, the retiree's pension due on the retiree's subsequent  
11 retirement shall be computed as follows:

12 (1) the portion of the retiree's pension attributable  
13 to the retiree's periods of credited service that accrued before  
14 the retiree's reemployment shall be calculated on the basis of the  
15 schedule of benefits for retiring members that was in effect at the  
16 time of the member's previous termination or terminations of  
17 employment; and

18 (2) the portion of the member's pension attributable  
19 to the member's period of credited service that accrued after the  
20 member's reemployment shall be calculated on the basis of the  
21 schedule of benefits for retiring members that is in effect at the  
22 time of the member's subsequent retirement.

23 (s) The computation under Subsection (r) of this section may  
24 not result in a lower pension benefit amount for the previous  
25 service of the retiree than the pension benefit amount the retiree  
26 was eligible to receive for the retiree's previous service before  
27 the date of reemployment.

1 SECTION 3.22. Section 18(d), Chapter 88 (H.B. 1573), Acts  
2 of the 77th Legislature, Regular Session, 2001 (Article 6243h,  
3 Vernon's Texas Civil Statutes), is amended to read as follows:

4 (d) The military service credited under Subsection (c) of  
5 this section:

6 (1) may not exceed a total of 60 months; and

7 (2) may be claimed as service solely in the group in  
8 which the member participates [~~A only if the member is a group A~~  
9 ~~member or group C member~~] at the time the member claims the service  
10 [~~, and~~

11 [~~(3) may be claimed as service in group B only if the~~  
12 ~~member is a group B member at the time the member claims the~~  
13 ~~service~~].

14 SECTION 3.23. Sections 24(h) and (i), Chapter 88 (H.B.  
15 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article  
16 6243h, Vernon's Texas Civil Statutes), are amended to read as  
17 follows:

18 (h) Contributions may not accumulate under the excess  
19 benefit plan to pay future retirement benefits. The executive  
20 director shall reduce each payment of employer contributions that  
21 would otherwise be made to the pension fund under Section 8A [~~8~~] of  
22 this Act by the amount determined to be necessary to meet the  
23 requirements for retirement benefits under the plan, including  
24 reasonable administrative expenses, until the next payment of  
25 municipal contributions is expected to be made to the pension fund.  
26 The employer shall pay to the plan, from the withheld  
27 contributions, not earlier than the 30th day before the date each



1 distribution of monthly retirement benefits is required to be made  
2 from the plan, the amount necessary to satisfy the obligation to pay  
3 monthly retirement benefits from the plan. The executive director  
4 shall satisfy the obligation of the plan to pay retirement benefits  
5 from the employer contributions transferred for that month.

6 (i) Employer contributions otherwise required to be made to  
7 the pension fund under Section 8A [~~8~~] of this Act and to any other  
8 qualified plan shall be divided into those contributions required  
9 to pay retirement benefits under this section and those  
10 contributions paid into and accumulated to pay the maximum benefits  
11 required under the qualified plan. Employer contributions made to  
12 provide retirement benefits under this section may not be  
13 commingled with the money of the pension fund or any other qualified  
14 plan.

15 SECTION 3.24. Section 8(d), Chapter 88 (H.B. 1573), Acts of  
16 the 77th Legislature, Regular Session, 2001 (Article [6243h](#),  
17 Vernon's Texas Civil Statutes), is repealed.

18 SECTION 3.25. (a) The change in law made by this Act to  
19 Section 2, Chapter 88 (H.B. 1573), Acts of the 77th Legislature,  
20 Regular Session, 2001 (Article [6243h](#), Vernon's Texas Civil  
21 Statutes), applies only to the appointment or election of a trustee  
22 of the board of trustees of the pension system established under  
23 that law that occurs on or after the effective date of this Act.

24 (b) A person who is serving as a trustee immediately before  
25 the effective date of this Act may continue to serve for the  
26 remainder of the trustee's term, and that trustee's qualifications  
27 for serving as a trustee for that term are governed by the law in

1 effect immediately before the effective date of this Act.

2 SECTION 3.26. Notwithstanding any other Act of the 85th  
3 Legislature, Regular Session, 2017, the issuance of pension  
4 obligation bonds under Chapter 107, Local Government Code, in an  
5 amount sufficient to deliver pension obligation bond proceeds to  
6 the pension system established under Chapter 88 (H.B. 1573), Acts  
7 of the 77th Legislature, Regular Session, 2001 (Article 6243h,  
8 Vernon's Texas Civil Statutes), as amended by this Act, in the  
9 amount and manner prescribed by Section 8C(j), Chapter 88 (H.B.  
10 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article  
11 6243h, Vernon's Texas Civil Statutes), as added by this Act, may not  
12 require the approval of the qualified voters of a city voting at an  
13 election held for that purpose.

14 SECTION 3.27. The pension system established under Chapter  
15 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001  
16 (Article 6243h, Vernon's Texas Civil Statutes), shall require the  
17 pension system actuary to prepare the first actuarial experience  
18 study required under Section 8D, Chapter 88 (H.B. 1573), Acts of the  
19 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's  
20 Texas Civil Statutes), as added by this Act, not later than  
21 September 30, 2021.

22 ARTICLE 4. CONFLICTING LEGISLATION; EFFECTIVE DATE

23 SECTION 4.01. If this Act conflicts with any other Act of  
24 the 85th Legislature, Regular Session, 2017, this Act controls  
25 unless the conflict is expressly resolved by the legislature by  
26 reference to this Act.

27 SECTION 4.02. This Act takes effect July 1, 2017, if it

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1 receives a vote of two-thirds of all the members elected to each  
2 house, as provided by Section 39, Article III, Texas Constitution.  
3 If this Act does not receive the vote necessary for effect on that  
4 date, this Act takes effect September 1, 2017.