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S.B. No. 2190

A BILL TO BE ENTITLED

AN ACT

relating to the public retirement systems of certain municipalities.

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

ARTICLE 1. FIREFIGHTERS' RELIEF AND RETIREMENT FUND

SECTION 1.01. Section 1, Article 6243e.2(1), Revised Statutes, is amended by amending Subdivisions (1-a), (1-b), (3), (12), (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), (16-e), and (16-f) 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:

27 (i) highest 78 biweekly pay periods for a

1 member hired before the year 2017 effective date, including a
2 member who was hired before the year 2017 effective date and who
3 involuntarily separated from service but was retroactively
4 reinstated in accordance with an arbitration, civil service, or
5 court ruling; or

6 (ii) last 78 biweekly pay periods ending
7 before the earlier of the date the member terminates employment
8 with the fire department, divided by 36, or the member began
9 participation in the DROP, divided by 36; or

10 (B) fewer than three years, the total salary paid
11 to the member for the periods the member participated in the fund
12 divided by the number of months the member has participated in the
13 fund.

14 If a member is not paid on the basis of biweekly pay periods,
15 "average monthly salary" is determined on the basis of the number of
16 pay periods under the payroll practices of the municipality
17 sponsoring the fund that most closely correspond to 78 biweekly pay
18 periods.

19 (1-g) "Beneficiary adult child" means a child of a
20 member by birth or adoption who:

21 (A) is not an eligible child; and

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

24 (3) "Code" means the federal Internal Revenue Code of
25 1986, as amended.

26 (3-a) "Confidentiality agreement" means a letter
27 agreement sent from the municipal actuary or an independent actuary

1 in which the municipal actuary or the independent actuary, as
2 applicable, agrees to comply with the confidentiality provisions of
3 this article.

4 (3-b) "Corridor" means the range of municipal
5 contribution 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 (3-c) "Corridor margin" means five percentage points.

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

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

19 (10-b) "Estimated municipal contribution rate" means
20 the municipal contribution rate estimated in a final risk sharing
21 valuation study under Section 13B or 13C of this article, as
22 applicable, as required by Section 13B(a)(5) of this article.

23 (11-a) "Fiscal year," except as provided by Section 1B
24 of this article, means a fiscal year beginning on July 1 and ending
25 on June 30.

26 (12) "Fund," except as provided by Sections 1C and 1D
27 of this article or unless the context requires otherwise, means a

1 firefighters' relief and retirement fund established under this
2 article.

3 (12-a) "Funded ratio" means the ratio of the fund's
4 actuarial value of assets divided by the fund's actuarial accrued
5 liability.

6 (12-b) "Legacy liability" means the unfunded
7 actuarial accrued liability:

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

10 (i) changes to benefits or contributions
11 under this article that took effect on the year 2017 effective date;
12 and

13 (ii) payments by the municipality and
14 earnings at the assumed rate of return allocated to the legacy
15 liability from July 1, 2016, to July 1, 2017, excluding July 1,
16 2017; and

17 (B) for each subsequent fiscal year:

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

20 (ii) adjusted by the assumed rate of
21 return.

22 (12-c) "Level percent of payroll method" means the
23 amortization method that defines the amount of the liability layer
24 recognized each fiscal year as a level percent of pensionable
25 payroll until the amount of the liability layer remaining is
26 reduced to zero.

27 (12-d) "Liability gain layer" means a liability layer

1 that decreases the unfunded actuarial accrued liability.

2 (12-e) "Liability layer" means the legacy liability
3 established in the initial risk sharing valuation study under
4 Section 13C of this article and the unanticipated change as
5 established in each subsequent risk sharing valuation study
6 prepared under Section 13B of this article.

7 (12-f) "Liability loss layer" means a liability layer
8 that increases the unfunded actuarial accrued liability. For
9 purposes of this article, the legacy liability is a liability loss
10 layer.

11 (12-g) "Maximum contribution rate" means the rate
12 equal to the corridor midpoint plus the corridor margin.

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

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

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

20 (13-b) "Municipality" means a municipality in this
21 state having a population of more than 2 million.

22 (13-c) "Municipal contribution rate" means a percent
23 of pensionable payroll that is the sum of the employer normal cost
24 rate and the amortization rate for liability layers, except as
25 determined otherwise under the express provisions of Sections 13E
26 and 13F of this article.

27 (13-d) "Normal cost rate" means the salary weighted

1 average of the individual normal cost rates determined for the
2 current active population plus an allowance for projected
3 administrative expenses. The allowance for projected
4 administrative expenses equals the administrative expenses divided
5 by the pensionable payroll for the previous fiscal year, provided
6 the administrative allowance may not exceed 1.25 percent of the
7 pensionable payroll for the current fiscal year unless agreed to by
8 the municipality.

9 (13-e) "Normal retirement age" means:

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

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

21 (15-a) "Payoff year" means the year a liability layer
22 is fully amortized under the amortization period. A payoff year may
23 not be extended or accelerated for a period that is less than one
24 month. [~~"PROP" means the post-retirement option plan under Section~~
25 ~~5A of this article.~~]

26 (15-b) "Pensionable payroll" means the aggregate
27 salary of all the firefighters on active service, including all

1 firefighters participating in an alternative retirement plan
2 established under Section 1C of this article, in an applicable
3 fiscal year [~~"PROP account" means the notional account established~~
4 ~~to reflect the credits and contributions of a member or surviving~~
5 ~~spouse who has made a PROP election in accordance with Section 5A of~~
6 ~~this article~~].

7 (15-c) "Price inflation assumption" means:

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

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

14 (15-d) "Projected pensionable payroll" means the
15 estimated pensionable payroll for the fiscal year beginning 12
16 months after the date of the risk sharing valuation study prepared
17 under Section 13B of this article at the time of calculation by:

18 (A) projecting the prior fiscal year's
19 pensionable payroll forward two years using the current payroll
20 growth rate assumptions; and

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

25 (15-e) "PROP" means the post-retirement option plan
26 under Section 5A of this article.

27 (15-f) "PROP account" means the notional account

1 established to reflect the credits and contributions of a member or
2 surviving spouse who made a PROP election in accordance with
3 Section 5A of this article before the year 2017 effective date.

4 (16) "Salary" means wages as defined by Section
5 3401(a) of the code, [~~the amounts includable in gross income of a~~
6 member] plus any amount not includable in gross income under
7 Section 104(a)(1), Section 125, Section 132(f), Section 402(g)(2)
8 [~~402(e)(3) or (h)~~], Section 457 [~~403(b)~~], or Section 414(h)(2)
9 [~~414(h)~~] of the code, except that with respect to amounts earned on
10 or after the year 2017 effective date, salary excludes overtime pay
11 received by a firefighter or the amount by which the salary earned
12 by a firefighter on the basis of the firefighter's appointed
13 position exceeds the salary of the firefighter's highest tested
14 rank.

15 (16-a) "Third quarter line rate" means the corridor
16 midpoint plus 2.5 percentage points.

17 (16-b) "Ultimate entry age normal" means an actuarial
18 cost method under which a calculation is made to determine the
19 average uniform and constant percentage rate of contributions that,
20 if applied to the compensation of each member during the entire
21 period of the member's anticipated covered service, would be
22 required to meet the cost of all benefits payable on the member's
23 behalf based on the benefits provisions for newly hired employees.
24 For purposes of this definition, the actuarial accrued liability
25 for each member is the difference between the member's present
26 value of future benefits based on the tier of benefits that apply to
27 the member and the member's present value of future normal costs

1 determined using the normal cost rate.

2 (16-c) "Unfunded actuarial accrued liability" means
3 the difference between the actuarial accrued liability and the
4 actuarial value of assets. For purposes of this definition:

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

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

14 (16-d) "Unanticipated change" means, with respect to
15 the unfunded actuarial accrued liability in each subsequent risk
16 sharing valuation study prepared under Section 13B of this article,
17 the difference between:

18 (A) the remaining balance of all then-existing
19 liability layers as of the date of the risk sharing valuation study;
20 and

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

23 (16-e) "Unused leave pay" means the accrued value of
24 unused leave time payable to an employee after separation from
25 service in accordance with applicable law and agreements.

26 (16-f) "Year 2017 effective date" means the date on
27 which S.B. No. 2190, Acts of the 85th Legislature, Regular Session,

1 2017, took effect.

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

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

8 (1) relieve the municipality, the board, or the fund
9 of their respective obligations under Sections 13A through 13F of
10 this article;

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

15 (3) relieve the municipality, including any official
16 or employee of the municipality, from:

17 (A) paying or directing to pay required
18 contributions to the fund under Section 13 or 13A of this article or
19 carrying out the provisions of Sections 13A through 13F of this
20 article; or

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

24 (4) relieve the board or fund, including any officer
25 or employee of the board or fund, from any obligation to implement a
26 benefit change or carry out the provisions of Sections 13A through
27 13F of this article; or

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

4 Sec. 1B. FISCAL YEAR. If either the fund or the
5 municipality changes its respective fiscal year, the fund and the
6 municipality may enter into a written agreement to change the
7 fiscal year for purposes of this article. If the fund and
8 municipality enter into an agreement described by this section, the
9 parties shall, in the agreement, adjust the provisions of Sections
10 13A through 13F of this article to reflect that change.

11 Sec. 1C. ALTERNATIVE RETIREMENT PLANS. (a) In this
12 section, "fund" means the retirement, disability, or death benefit
13 plan established under this article for firefighters other than an
14 alternative retirement plan established under this section.

15 (b) Notwithstanding any other law, including Section 13G of
16 this article, and except as provided by Subsection (e) of this
17 section, the board and the municipality may enter into a written
18 agreement to offer an alternative retirement plan or plans,
19 including cash balance retirement plans, if both parties consider
20 it appropriate.

21 (c) Notwithstanding any other law, including Section 13G of
22 this article, and except as provided by Subsection (e) of this
23 section, if, on or after September 1, 2021, the funded ratio of the
24 fund is less than 65 percent as determined in a final risk sharing
25 valuation study prepared under Section 13B of this article without
26 making any adjustments under Section 13E or 13F of this article, or
27 if, on or after September 1, 2021, the funded ratio of the fund is

1 less than 65 percent as determined in a revised and restated risk
2 sharing valuation study prepared under Section 13B(a)(7) of this
3 article, the board and the municipality shall, as soon as
4 practicable but not later than the 60th day after the date the
5 determination is made:

6 (1) enter into a written agreement to establish, as an
7 alternative retirement plan under this section, a cash balance
8 retirement plan that complies with Section 1D of this article; and

9 (2) require each firefighter hired by the municipality
10 on or after the date the cash balance retirement plan is established
11 to participate in the cash balance retirement plan established
12 under this subsection instead of participating in the fund,
13 provided the firefighter would have otherwise been eligible to
14 participate in the fund.

15 (d) Notwithstanding any other law, including Section 13G of
16 this article, and except as provided by Subsection (e) of this
17 section, if, on or after September 1, 2021, the board and the
18 municipality fail to establish a cash balance retirement plan
19 within the time prescribed by Subsection (c) of this section, the
20 municipality shall by ordinance:

21 (1) unilaterally establish, as an alternative
22 retirement plan, a cash balance retirement plan that complies with
23 Section 1D of this article; and

24 (2) require each firefighter hired by the municipality
25 on or after the date the cash balance retirement plan is established
26 to participate in the cash balance retirement plan established
27 under this subsection instead of participating in the fund,

1 provided the firefighter would have otherwise been eligible to
2 participate in the fund.

3 (e) If the municipality fails to deliver the proceeds of the
4 pension obligation bonds described by Section 9B(j)(1), Article
5 6243g-4, Revised Statutes, within the time prescribed by that
6 subdivision, notwithstanding the funded ratio of the fund:

7 (1) the board and the municipality may not establish a
8 cash balance retirement plan under Subsection (c) of this section;
9 and

10 (2) the municipality may not establish a cash balance
11 retirement plan under Subsection (d) of this section.

12 Sec. 1D. REQUIREMENTS FOR CERTAIN CASH BALANCE RETIREMENT
13 PLANS. (a) In this section:

14 (1) "Cash balance retirement plan" means a cash
15 balance retirement plan established by written agreement under
16 Section 1C(c) of this article or by ordinance under Section 1C(d) of
17 this article.

18 (2) "Fund" has the meaning assigned by Section 1C of
19 this article.

20 (3) "Interest" means the interest earned as the result
21 of returns on investments, which may not exceed a percentage rate
22 equal to the cash balance retirement plan's most recent five fiscal
23 years' smoothed rate of return.

24 (4) "Participant" means a firefighter who
25 participates in a cash balance retirement plan.

26 (b) The written agreement or ordinance establishing a cash
27 balance retirement plan must:

- 1 (1) provide for the administration of the cash balance
2 retirement plan;
- 3 (2) provide for a closed amortization period not to
4 exceed 15 years from the date an actuarial gain or loss is realized;
- 5 (3) require that municipal and participant
6 contributions be credited to an account maintained for the benefit
7 of the participant;
- 8 (4) provide for the crediting of interest to the
9 participant's account;
- 10 (5) include a vesting schedule;
- 11 (6) include benefit options, including options for
12 participants who separate from service prior to retirement;
- 13 (7) provide for death and disability benefits;
- 14 (8) allow a participant who is eligible to retire
15 under the plan to elect to:
- 16 (A) receive a monthly annuity payable for the
17 life of the participant in an amount actuarially determined on the
18 date of the participant's retirement based on the participant's
19 accumulated account balance annuitized in accordance with the
20 actuarial assumptions and actuarial methods established in the
21 written agreement or ordinance establishing the plan, except that
22 the discount rate applied may not exceed the fund's assumed rate of
23 return in the most recent risk sharing valuation study;
- 24 (B) receive a single lump-sum payment of the
25 participant's accumulated account balance; or
- 26 (C) receive a single, partial lump-sum payment
27 from the participant's accumulated account balance and a monthly

1 annuity payable for life in an amount determined in accordance with
2 Paragraph (A) of this subdivision based on the participant's
3 account balance after receiving the partial lump-sum payment; and

4 (9) include any other provision determined necessary
5 by the board and the municipality if the plan is established under
6 Section 1C(c) of this article or by the municipality if the plan is
7 established under Section 1C(d) of this article.

8 (c) The written agreement or ordinance establishing a cash
9 balance retirement plan must address whether firefighters who were
10 employed by the municipality before the date the cash balance
11 retirement plan was established and who resumed employment with the
12 municipality on or after the date the cash balance retirement plan
13 was established are required to participate in the fund or in the
14 cash balance retirement plan.

15 (d) Notwithstanding any other law, including Section 13 of
16 this article, a firefighter who participates in a cash balance
17 retirement plan:

18 (1) except as provided by Subsection (c) of this
19 section, is not eligible to be a member of and may not participate
20 in the fund; and

21 (2) may not accrue years of participation or establish
22 service credit in the fund during the period the firefighter is
23 participating in the cash balance retirement plan.

24 (e) The combined municipal contribution for the cash
25 balance retirement plan and the fund may not:

26 (1) exceed the municipal contribution for the fund
27 calculated as if all participants in the cash balance retirement

1 plan were members of the fund; or

2 (2) be less than the required normal cost contribution
3 for the fund calculated as if all participants of the cash balance
4 retirement plan were members of the fund.

5 Sec. 1E. CONFLICT OF LAW. To the extent of a conflict
6 between this article and any other law, this article prevails.

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

10 (b) The board of trustees of the fund shall be known as the
11 "(name of municipality) Firefighters' Relief and Retirement Fund
12 Board of Trustees" and the fund shall be known as the "(name of
13 municipality) Firefighters' Relief and Retirement Fund." The board
14 consists of 10 trustees, including:

15 (1) the mayor or an appointed representative of the
16 mayor;

17 (2) the director of finance or the director of
18 finance's designee [treasurer] of the municipality or, if there is
19 not a director of finance [treasurer], the highest ranking employee
20 of the municipality, excluding elected officials, with
21 predominately financial responsibilities, as determined by the
22 mayor, or that employee's designee [secretary, clerk, or other
23 person who by law, charter provision, or ordinance performs the
24 duty of treasurer of the municipality];

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

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

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

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

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

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

22 (1) is not already engaged by the fund or any other
23 pension system authorized under Article 6243g-4, Revised Statutes,
24 or Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular
25 Session, 2001 (Article 6243h, Vernon's Texas Civil Statutes), to
26 provide actuarial services to the fund or pension system, as
27 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 municipality, has met the applicable requirements to issue
6 statements of actuarial opinion.

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

10 Sec. 2B. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT
11 CONSULTANT. At least once every three years, the board shall hire
12 an independent investment consultant to conduct a review of fund
13 investments and submit a report to the board and the municipality
14 concerning the review or demonstrate in the fund's annual financial
15 report that the review was conducted. The independent investment
16 consultant shall review and report on at least the following:

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

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

23 (3) the fund's portfolio structure, including the
24 fund's need for liquidity, cash income, real return, and inflation
25 protection and the active, passive, or index approaches for
26 different portions of the portfolio;

27 (4) investment manager performance reviews and an

- 1 evaluation of the processes used to retain and evaluate managers;
2 (5) benchmarks used for each asset class and
3 individual manager;
4 (6) an evaluation of fees and trading costs;
5 (7) an evaluation of any leverage, foreign exchange,
6 or other hedging transaction; and
7 (8) an evaluation of investment-related disclosures
8 in the fund's annual reports.

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

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

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

21 Sec. 3A. CERTAIN ALTERATIONS BY LOCAL AGREEMENT.
22 (a) Except as provided by Subsection (b) of this section, the
23 board is authorized, on behalf of the members or beneficiaries of
24 the fund, to alter benefit types or amounts, the means of
25 determining contribution rates, or the contribution rates provided
26 under this article if the alteration is included in a written
27 agreement between the board and the municipality. An agreement

1 entered into under this section:

2 (1) must:

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

7 (B) operate prospectively only; and

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

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

13 (1) alter Sections 13A through 13F of this article,
14 except and only to the extent necessary to comply with federal law;

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

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

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

24 (c) If the board is directed or authorized in Sections 13A
25 through 13F of this article to effect an increase or decrease to
26 benefits or contributions, this article delegates the authority to
27 alter provisions concerning benefits and contributions otherwise

1 stated in this article in accordance with the direction or
2 authorization only to the extent the alteration is set forth in an
3 order or other written instrument and is consistent with this
4 section, the code, and other applicable federal law and
5 regulations. The order or other written instrument must be
6 included in each applicable risk sharing valuation study under
7 Section 13B or 13C of this article, as applicable, adopted by the
8 board, and published in a manner that makes the order or other
9 written instrument accessible to the members.

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

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

17 (1) hired as a firefighter before the year 2017
18 effective date, including a member who was hired before the year
19 2017 effective date and who involuntarily separated from service
20 but has been retroactively reinstated in accordance with an
21 arbitration, civil service, or court ruling, at the age at which the
22 member attains 20 years of service; and

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

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

3 (1) Subsection (a)(1) of this section is equal to the
4 sum of:

5 (A) the member's accrued monthly service pension
6 based on the member's years of participation before the year 2017
7 effective date, determined under the law in effect on the date
8 immediately preceding the year 2017 effective date;

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

13 (C) two percent of the member's average monthly
14 salary multiplied by the member's years of participation on or
15 after the year 2017 effective date, for each year or partial year of
16 participation on or after the year 2017 effective date that
17 occurred after the 20 years of participation described by Paragraph
18 (B) of this subdivision; and

19 (2) Subsection (a)(2) of this section is equal to the
20 sum of:

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

24 (B) two percent of the member's average monthly
25 salary multiplied by the member's years or partial years of
26 participation for all years of participation that occurred after
27 the 20 years of participation described by Paragraph (A) of this

1 subdivision.

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

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

17 (d) The total monthly benefit payable to a retired or
18 disabled member, other than a deferred retiree or active member who
19 has elected the DROP under Section 5(b) of this article, or payable
20 to an eligible survivor of a deceased member as provided by Section
21 7(a) or 7(b) of this article, shall be increased by the following
22 amounts: by \$100, beginning with the monthly payment made for July
23 1999; by \$25, beginning with the monthly payment made for July,
24 2000; and by \$25, beginning with the monthly payment made for July
25 2001. These additional benefits may not be increased under Section
26 11(c), (c-1), or (c-2) of this article.

27 SECTION 1.08. Section 5, Article 6243e.2(1), Revised

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

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

19 (a-1) The monthly benefit of a [A] DROP participant who has
20 at least 20 years of participation on the year 2017 effective date
21 [participant's monthly benefit at retirement] is increased at
22 retirement by two percent of the amount of the member's original
23 benefit for every full year of participation in the DROP by the
24 member for up to 10 years of participation in the DROP. For a
25 member's final year of participation, but not beyond the member's
26 10th year in the DROP, if a full year of participation is not
27 completed, the member shall receive a prorated increase of 0.166

1 percent of the member's original benefit for each month of
2 participation in that year. An increase provided by this
3 subsection does not apply to benefits payable under Subsection (1)
4 of this section. An increase under this subsection is applied to
5 the member's benefit at retirement and is not added to the member's
6 DROP account. The total increase under this subsection may not
7 exceed 20 percent for 10 years of participation in the DROP by the
8 member.

9 (b) A member may elect to participate in the DROP by
10 complying with the election process established by the board. The
11 member's election may be made at any time beginning on the date the
12 member has completed 20 years of participation in the fund and is
13 otherwise eligible for a service pension under Section 4(a)(1) [4]
14 of this article. [~~The election becomes effective on the first day~~
15 ~~of the month following the month in which the board approves the~~
16 ~~member's DROP election.~~] Beginning on the first day of the month
17 following the month in which the member makes an election to
18 participate in the DROP, subject to board approval, and ending on
19 the year 2017 effective date [~~of the member's DROP election~~],
20 amounts equal to the deductions made from the member's salary under
21 Section 13(c) of this article shall be credited to the member's DROP
22 account. Beginning after the year 2017 effective date, amounts
23 equal to the deductions made from the member's salary under Section
24 13(c) of this article may not be credited to the member's DROP
25 account.

26 (b-1) On or after the year 2017 effective date, an active
27 [A] member may not participate in the DROP for more than 13 [10]

1 years. If a DROP participant remains in active service after the
2 13th [~~10th~~] anniversary of the effective date of the member's DROP
3 election:

4 (1) [~~7~~] subsequent deductions from the member's salary
5 under Section 13(c) of this article, except for unused leave pay,
6 may not be credited to the member's DROP account; and

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

11 (b-2) For a member who is a DROP participant, the fund shall
12 credit to the member's DROP account, in accordance with Section
13 13(c) of this article, the amount of unused leave pay otherwise
14 payable to the member and received as a contribution to the fund
15 from the municipality.

16 (c) After a member's DROP election becomes effective, an
17 amount equal to the monthly service pension the member would have
18 received under Section 4 of this article [~~and Section 11(c) of this~~
19 ~~article~~], if applicable, had the member terminated active service
20 on the effective date of the member's DROP election shall be
21 credited to a DROP account maintained for the member. That monthly
22 credit to the member's DROP account shall continue until the
23 earlier of the date the member terminates active service or the 13th
24 [~~10th~~] anniversary of the [~~effective~~] date of the first credit to
25 the member's DROP account [~~election~~].

26 (d) A member's DROP account shall be credited with earnings
27 at an annual rate equal to 65 percent of the compounded average

1 annual return earned by the fund over the five years preceding, but
2 not including, the year during which the credit is given.
3 Notwithstanding the preceding, however, the credit to the member's
4 DROP account shall be at an annual rate of not less than 2.5 [~~five~~]
5 percent [~~nor greater than 10 percent~~], irrespective of actual
6 earnings.

7 (d-1) Earnings credited to a member's DROP account under
8 Subsection (d) of this section [~~Those earnings~~] shall be computed
9 and credited at a time and in a manner determined by the board,
10 except that earnings shall be credited not less frequently than
11 once in each 13-month period and shall take into account partial
12 years of participation in the DROP [~~. If the member has not~~
13 ~~terminated active service, the member's DROP account may not be~~
14 ~~credited with earnings after the 10th anniversary of the effective~~
15 ~~date of the member's DROP election~~].

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

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

26 (m) A DROP participant with a break in service may receive
27 service credit within DROP for days worked after the regular

1 expiration of the maximum [~~permitted~~] DROP participation period
2 prescribed by this section. The service credit shall be limited to
3 the number of days in which the participant experienced a break in
4 service or the number of days required to constitute 13 [~~10~~] years
5 of DROP participation, whichever is smaller. A retired member who
6 previously participated in the DROP and who returns to active
7 service is subject to the terms of this section in effect at the
8 time of the member's return to active service.

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

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

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

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

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

21 Sec. 8. DEFERRED PENSION AT AGE 50; REFUND OF
22 CONTRIBUTIONS. (a) On or after the year 2017 effective date, a [A]
23 member who is hired as a firefighter before the year 2017 effective
24 date, including a member who was hired before the year 2017
25 effective date and who involuntarily separated from service but has
26 been retroactively reinstated in accordance with an arbitration,
27 civil service, or court ruling, terminates active service for any

1 reason other than death with at least 10 years of participation, but
2 less than 20 years of participation, is entitled to a monthly
3 deferred pension benefit, beginning at age 50, in an amount equal to
4 1.7 percent of the member's average monthly salary multiplied by
5 the amount of the member's years of participation.

6 (b) In lieu of the deferred pension benefit provided under
7 Subsection (a) of this section, a member who terminates active
8 service for any reason other than death with at least 10 years of
9 participation, but less than 20 years of participation, may elect
10 to receive a lump-sum refund of the member's contributions to the
11 fund with interest computed at five percent, not compounded, for
12 the member's contributions to the fund made before the year 2017
13 effective date and without interest for the member's contributions
14 to the fund made on or after the year 2017 effective date. A
15 member's election to receive a refund of contributions must be made
16 on a form approved by the board. The member's refund shall be paid
17 as soon as administratively practicable after the member's election
18 is received.

19 (c) Except as provided by Subsection (a) of this section, a
20 [A] member who is hired or rehired as a firefighter on or after the
21 year 2017 effective date or a member who terminates employment for
22 any reason other than death before the member has completed 10 years
23 of participation is entitled only to a refund of the member's
24 contributions without interest and is not entitled to a deferred
25 pension benefit under this section or to any other benefit under
26 this article. The member's refund shall be paid as soon as
27 administratively practicable after the effective date of the

1 member's termination of active service.

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

5 (c) Subject to Subsection (c-3) of this section and except
6 as provided by Subsection (c-4) of this section, beginning with the
7 fiscal year ending June 30, 2021, the ~~[The]~~ benefits, including
8 survivor benefits, payable based on the service of a member who has
9 terminated active service and who is or would have been at least 55
10 ~~[48]~~ years old, received or is receiving an on-duty disability
11 pension under Section 6(c) of this article, or died under the
12 conditions described by Section 7(c) of this article, shall be
13 increased ~~[by three percent]~~ in October of each year by a percentage
14 rate equal to the most recent five fiscal years' smoothed return, as
15 determined by the fund actuary, minus 475 basis points ~~[and, if the~~
16 ~~benefit had not previously been subject to that adjustment, in the~~
17 ~~month of the member's 48th birthday]~~.

18 (c-1) Subject to Subsection (c-3) of this section and except
19 as provided by Subsection (c-4) of this section, for the fund's
20 fiscal years ending June 30, 2018, and June 30, 2019, the benefits,
21 including survivor benefits, payable based on the service of a
22 member who is or would have been at least 70 years old and who
23 received or is receiving a service pension under Section 4 of this
24 article, received or is receiving an on-duty disability pension
25 under Section 6(c) of this article, or died under the conditions
26 described by Section 7(c) of this article, shall be adjusted in
27 October of each applicable fiscal year by a percentage rate equal to

1 the most recent five fiscal years' smoothed return, as determined
2 by the fund actuary, minus 500 basis points.

3 (c-2) 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 year ending June 30, 2020, members described by Subsection
6 (c-1) of this section shall receive the increase provided under
7 Subsection (c) of this section.

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

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

17 SECTION 1.12. The heading to Section 13, Article
18 6243e.2(1), Revised Statutes, is amended to read as follows:

19 Sec. 13. MEMBERSHIP AND MEMBER CONTRIBUTIONS.

20 SECTION 1.13. Section 13, Article 6243e.2(1), Revised
21 Statutes, is amended by amending Subsection (c) and adding
22 Subsections (c-1) and (c-2) to read as follows:

23 (c) Subject to adjustments authorized by Section 13E or 13F
24 of this article, each [~~Each~~] member in active service shall make
25 contributions to the fund in an amount equal to 10.5 [~~8.35~~] percent
26 of the member's salary at the time of the contribution[~~, and as of~~
27 ~~July 1, 2004, in an amount equal to nine percent of the member's~~

1 ~~salary at the time of the contribution]~~.

2 (c-1) In addition to the contribution under Subsection (c)
3 of this section, each DROP participant, as identified by the fund to
4 the municipality for purposes of this section, shall contribute to
5 the fund an amount equal to 100 percent of the participant's unused
6 leave pay that would otherwise be payable to the member. The fund
7 shall credit any unused leave pay amount contributed by a DROP
8 participant to the participant's DROP account.

9 (c-2) The governing body of the municipality shall deduct
10 from the salary of each member the contribution required by this
11 section [~~the contributions from the member's salary~~] and shall
12 forward the contributions to the fund as soon as practicable.

13 SECTION 1.14. Article 6243e.2(1), Revised Statutes, is
14 amended by adding Sections 13A, 13B, 13C, 13D, 13E, 13F, 13G, and
15 13H to read as follows:

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

21 (1) beginning with the year 2017 effective date and
22 ending with the fiscal year ending June 30, 2018, an amount equal to
23 the municipal contribution rate, as determined in the initial risk
24 sharing valuation study conducted under Section 13C of this article
25 and adjusted under Section 13E or 13F of this article, as
26 applicable, multiplied by the pensionable payroll for the fiscal
27 year; and

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

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

13 (c) With respect to each fiscal year:

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

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

23 (d) In addition to the amounts required under this section,
24 the municipality may at any time contribute additional amounts for
25 deposit in the fund by entering into a written agreement with the
26 board.

27 (e) Notwithstanding any other law, the municipality may not

1 issue a pension obligation bond to fund the municipal contribution
2 rate under this section.

3 Sec. 13B. RISK SHARING VALUATION STUDIES. (a) The fund
4 and the municipality shall separately cause their respective
5 actuaries to prepare a risk sharing valuation study in accordance
6 with this section and actuarial standards of practice. A risk
7 sharing 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(q) 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, which for purposes
21 of preparing any amortization schedule may not exceed three
22 percent; and

23 (7) be revised and restated, if appropriate, not later
24 than:

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

27 (B) the 30th day after the date required action

1 is taken by the board under Section 13E or 13F of this article to
2 reflect any changes required by either section.

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

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

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

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

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

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

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

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

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

14 (2) greater than two percentage points, the municipal
15 actuary and the fund actuary shall have 20 business days to
16 reconcile the difference, provided that, without the mutual
17 agreement of both actuaries, the difference in the estimated
18 municipal contribution rate recommended by the municipal actuary
19 and the estimated municipal contribution rate recommended by the
20 fund actuary may not be further increased and:

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

24 (i) subject to any adjustments under
25 Section 13E or 13F of this article, as applicable, the estimated
26 municipal contribution rate proposed under the reconciliation by
27 the fund actuary will be the estimated municipal contribution rate

1 for purposes of Subsection (a)(5) of this section; and

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

5 (B) if, after 20 business days, the fund actuary
6 and the municipal actuary are not able to reach a reconciliation
7 that reduces the difference to an amount less than or equal to two
8 percentage points, subject to any adjustments under Section 13E or
9 13F of this article, as applicable:

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

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

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

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

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

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

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

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

21 (b) If the initial risk sharing valuation study has not been
22 prepared consistent with this section before the year 2017
23 effective date, as soon as practicable after the year 2017
24 effective date:

25 (1) the fund shall provide to the municipal actuary,
26 under a confidentiality agreement, the necessary actuarial data
27 used by the fund actuary to prepare the proposed initial risk

1 sharing valuation study; and

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

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

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

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

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

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

26 (A) if, as a result of reconciliation efforts
27 under this subdivision, the difference in any fiscal year is

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

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

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

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

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

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

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

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

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

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

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

24 (2) for any fiscal year after the payoff year of the
25 legacy liability.

26 (h) If the municipality and the board have not entered into
27 an agreement described by Subsection (g) of this section in a given

1 fiscal year, the corridor midpoint will be the corridor midpoint
2 determined for the 31st fiscal year in the initial risk sharing
3 valuation study prepared in accordance with this section.

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

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

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

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

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

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

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

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

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

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

26 (2) the municipal actuary's rationale for each method
27 or assumption the actuary recommends and determines to be

1 consistent with standards adopted by the Actuarial Standards Board.

2 (g) Not later than the 30th day after the date the fund
3 actuary receives the municipal actuary's written recommended
4 assumptions and methods and rationale under Subsection (f) of this
5 section, the fund shall provide a written response to the
6 municipality identifying any assumption or method recommended by
7 the municipal actuary that the fund does not accept. If any
8 assumption or method is not accepted, the fund shall recommend to
9 the municipality the names of three independent actuaries for
10 purposes of this section.

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

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

20 (2) is a member of the American Academy of Actuaries;
21 and

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

25 (i) Not later than the 20th day after the date the
26 municipality receives the list of three independent actuaries under
27 Subsection (g) of this section, the municipality shall identify and

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

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

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

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

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

21 (4) the fund actuary's written rationale for its
22 recommendations; and

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

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

1 independent actuary receives all the requested information under
2 Subsection (j) of this section, the independent actuary shall
3 advise the fund and the municipality whether it agrees with the
4 assumption or method recommended by the municipal actuary or the
5 corresponding method or assumption recommended by the fund actuary,
6 together with the independent actuary's rationale for making the
7 determination. During the period prescribed by this subsection,
8 the independent actuary may discuss recommendations in
9 simultaneous consultation with the fund actuary and the municipal
10 actuary.

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

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

23 (n) If the board does not adopt an assumption or method
24 recommended by the municipal actuary to which the independent
25 actuary agrees, or recommended by the fund actuary, the municipal
26 actuary is authorized to use that recommended assumption or method
27 in connection with preparation of a subsequent risk sharing

1 valuation study under Section 13B of this article until the next
2 actuarial experience study is conducted.

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

9 (b) If the funded ratio is:

10 (1) less than 90 percent, the municipal contribution
11 rate for the fiscal year equals the corridor midpoint; or

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

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

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

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

26 (1) first, adjust the actuarial value of assets equal
27 to the current market value of assets, if making the adjustment

1 causes the municipal contribution rate to increase;

2 (2) second, under a written agreement between the
3 municipality and the board entered into not later than April 30
4 before the first day of the next fiscal year, reduce the assumed
5 rate of return;

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

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

19 (d) If the funded ratio is:

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

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

23 (B) the applicable fiscal year is the payoff year
24 for the legacy liability; and

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

1 article; and

2 (2) greater than 100 percent in a written agreement
3 between the municipality and the fund, the fund may reduce member
4 contributions or increase pension benefits if, as a result of the
5 action:

6 (A) the funded ratio is not less than 100
7 percent; and

8 (B) the municipal contribution rate is not more
9 than the minimum contribution rate.

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

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

23 Sec. 13F. MUNICIPAL CONTRIBUTION RATE WHEN ESTIMATED
24 MUNICIPAL CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR
25 MIDPOINT; AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This
26 section governs the determination of the municipal contribution
27 rate in a fiscal year when the estimated municipal contribution

1 rate is equal to or greater than the corridor midpoint.

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

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

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

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

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

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

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

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

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

8 (e) If an agreement under Subsection (d)(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 to which the
11 municipal contribution rate would apply, the board, to the extent
12 necessary to set the municipal contribution rate equal to the third
13 quarter line rate, shall:

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

16 (2) increase the normal retirement age; or

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

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

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

27 (1) in the risk sharing valuation study for the third

1 fiscal year described by Subsection (f) of this section, adjusting
2 the actuarial value of assets to equal the current market value of
3 assets, if making the adjustment causes the municipal contribution
4 rate to decrease; and

5 (2) under a written agreement entered into between the
6 municipality and the board:

7 (A) increasing member contributions; and

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

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

15 (1) increase member contributions and decrease
16 cost-of-living adjustments;

17 (2) increase the normal retirement age; or

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

20 Sec. 13G. INTERPRETATION OF CERTAIN RISK SHARING
21 PROVISIONS; UNILATERAL DECISIONS AND ACTIONS PROHIBITED.

22 (a) Nothing in this article, including Section 2(p) or (p-1) of
23 this article and any authority of the board to construe and
24 interpret this article, to determine any fact, to take any action,
25 or to interpret any terms used in Sections 13A through 13F of this
26 article, may alter or change Sections 13A through 13F of this
27 article.

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

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

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

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

22 (c) The State Pension Review Board shall notify the
23 governor, the lieutenant governor, the speaker of the house of
24 representatives, and the legislative committees having principal
25 jurisdiction over legislation governing public retirement systems
26 if the State Pension Review Board determines the fund or the
27 municipality is not in compliance with Sections 13A through 13G of

1 this article.

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

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

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

18 (1) include information described by Subsection (a) of
19 this section; or

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

24 (h) The information, data, and document exchanges under
25 Sections 13A through 13F of this article have all the protections
26 afforded by applicable law and are expressly exempt from the
27 disclosure requirements under Chapter 552, Government Code, except

1 as may be agreed to by the municipality and fund in a written
2 agreement.

3 (i) Subsection (h) of this section does not apply to:

4 (1) a proposed risk sharing valuation study prepared
5 by the fund actuary and provided to the municipal actuary or
6 prepared by the municipal actuary and provided to the fund actuary
7 under Section 13B(d) or 13C(b)(2); or

8 (2) a final risk sharing valuation study prepared
9 under Section 13B or 13C of this article.

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

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

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

21 ARTICLE 2. POLICE OFFICERS' PENSION SYSTEM

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

24 Sec. 1. PURPOSE. The purpose of this article is to restate
25 and amend the provisions of former law creating and governing a
26 police officers pension system in each city in this state having a
27 population of two [~~1.5~~] million or more, according to the most

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

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

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

10 (1) relieve the city, the board, or the pension system
11 of their respective obligations under Sections 9 through 9E of this
12 article;

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

17 (3) relieve the city, including any official or
18 employee of the city, from:

19 (A) paying or directing to pay required
20 contributions to the pension system under Section 8 or 9 of this
21 article or carrying out the provisions of Sections 9 through 9E of
22 this article; or

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

26 (4) relieve the pension system or board, including any
27 officer or employee of the pension system or board, from any

1 obligation to implement a benefit change or carry out the
2 provisions of Sections 9 through 9E of this article; or

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

6 SECTION 2.03. Section 2, Article 6243g-4, Revised Statutes,
7 is amended by amending Subdivisions (1), (2), (3), (4-a), (11),
8 (13), (14-a), (17), (17-a), and (22) and adding Subdivisions (1-a),
9 (1-b), (1-c), (4-b), (4-c), (4-d), (5-a), (5-b), (5-c), (10-a),
10 (10-b), (10-c), (10-d), (12-a), (13-a), (13-b), (13-c), (13-d),
11 (13-e), (13-f), (14-b), (14-c), (15-a), (15-b), (16-a), (16-b),
12 (17-b), (17-c), (17-d), (17-e), (24), (25), (26), (27), (28), and
13 (29) to read as follows:

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

25 (1-a) "Actuarial data" includes:

26 (A) the census data, assumption tables,
27 disclosure of methods, and financial information that are routinely

1 used by the pension system actuary for the pension system's
2 valuation studies or an actuarial experience study under Section 9C
3 of this article; and

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

7 (1-b) "Actuarial experience study" has the meaning
8 assigned by Section 802.1014, Government Code.

9 (1-c) "Amortization period" means the time period
10 necessary to fully pay a liability layer.

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

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

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

23 (3) "Assumed rate of return" means the assumed market
24 rate of return on pension system assets, which is seven percent per
25 annum unless adjusted as provided by this article [~~"Base salary"~~
26 ~~means the monthly base pay provided for the classified position in~~
27 ~~the police department held by the member].~~

1 (4-a) "Catastrophic injury" means a sudden, violent,
2 life-threatening, duty-related injury sustained by an active
3 member that is due to an externally caused motor vehicle accident,
4 gunshot wound, aggravated assault, or other external event or
5 events and results, as supported by evidence, in one of the
6 following conditions:

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

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

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

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

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

19 (4-b) "City" means a city subject to this article.

20 (4-c) "City contribution rate" means a percent of
21 pensionable payroll that is the sum of the employer normal cost rate
22 and the amortization rate for liability layers, except as
23 determined otherwise under the express provisions of Sections 9D
24 and 9E of this article.

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

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

1 rates that are:

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

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

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

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

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

14 (10-b) "Estimated city contribution rate" means the
15 city contribution rate estimated in a final risk sharing valuation
16 study under Section 9A or 9B of this article, as applicable, as
17 required by Section 9A(a)(5) of this article.

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

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

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

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

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

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

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

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

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

18 (B) the deposit of pension obligation bond
19 proceeds on December 31, 2017, in accordance with Section 9B(j)(2)
20 of this article;

21 (C) payments by the city and earnings at the
22 assumed rate of return allocated to the legacy liability from July
23 1, 2016, to July 1, 2017, excluding July 1, 2017; and

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

27 (13-b) "Level percent of payroll method" means the

1 amortization method that defines the amount of the liability layer
2 recognized each fiscal year as a level percent of pensionable
3 payroll until the amount of the liability layer remaining is
4 reduced to zero.

5 (13-c) "Liability gain layer" means a liability layer
6 that decreases the unfunded actuarial accrued liability.

7 (13-d) "Liability layer" means the legacy liability
8 established in the initial risk sharing valuation study under
9 Section 9B of this article and the unanticipated change as
10 established in each subsequent risk sharing valuation study
11 prepared under Section 9A of this article.

12 (13-e) "Liability loss layer" means a liability layer
13 that increases the unfunded actuarial accrued liability. For
14 purposes of this article, the legacy liability is a liability loss
15 layer.

16 (13-f) "Maximum contribution rate" means the rate
17 equal to the corridor midpoint plus the corridor margin.

18 (14-a) "Minimum contribution rate" means the rate
19 equal to the corridor midpoint minus the corridor margin.

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

1 the city.

2 (14-c) "Normal retirement age" means:

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

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

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

13 (B) except as provided by Paragraph (A) of this
14 subdivision, for a member hired or rehired on or after October 9,
15 2004, the age at which the sum of the member's age in years and years
16 of service equals at least 70.

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

26 (15-b) "Payoff year" means the year a liability layer
27 is fully amortized under the amortization period. A payoff year may

1 not be extended or accelerated for a period that is less than one
2 month.

3 (16-a) "Pension obligation bond" means a bond issued
4 in accordance with Chapter 107, Local Government Code.

5 (16-b) "Pensionable payroll" means the combined
6 salaries, in an applicable fiscal year, paid to all:

7 (A) active members; and

8 (B) if applicable, participants in any
9 alternative retirement plan established under Section 2B of this
10 article, including a cash balance retirement plan established under
11 that section.

12 (17) "Pension system" or "system," unless the context
13 requires otherwise, means the retirement and disability plan for
14 employees of any police department subject to this article. In this
15 context, the term does not include an alternative retirement plan
16 established under Section 2B of this article.

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

19 (17-b) "Price inflation assumption" means:

20 (A) the most recent headline consumer price index
21 10-year forecast published in the Federal Reserve Bank of
22 Philadelphia Survey of Professional Forecasters; or

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

27 (17-c) "Projected pensionable payroll" means the

1 estimated pensionable payroll for the fiscal year beginning 12
2 months after the date of the risk sharing valuation study prepared
3 under Section 9A of this article, as applicable, at the time of
4 calculation by:

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

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

12 (17-d) "Retired member" means a member who has
13 separated from service and who is eligible to receive an immediate
14 service or disability pension under this article.

15 (17-e) "Salary" means pay provided for the classified
16 position in the police department held by the employee.

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

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

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

26 (26) "Ultimate entry age normal" means an actuarial
27 cost method under which a calculation is made to determine the

1 average uniform and constant percentage rate of contributions that,
2 if applied to the compensation of each member during the entire
3 period of the member's anticipated covered service, would be
4 required to meet the cost of all benefits payable on the member's
5 behalf based on the benefits provisions for newly hired employees.
6 For purposes of this definition, the actuarial accrued liability
7 for each member is the difference between the member's present
8 value of future benefits based on the tier of benefits that apply to
9 the member and the member's present value of future normal costs
10 determined using the normal cost rate.

11 (27) "Unfunded actuarial accrued liability" means the
12 difference between the actuarial accrued liability and the
13 actuarial value of assets. For purposes of this definition:

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

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

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

27 (A) the remaining balance of all then-existing

1 liability layers as of the date of the risk sharing valuation study;
2 and

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

5 (29) "Year 2017 effective date" means the date on
6 which S.B. No. 2190, Acts of the 85th Legislature, Regular Session,
7 2017, took effect.

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

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

15 Sec. 2B. ALTERNATIVE RETIREMENT PLANS.

16 (a) Notwithstanding any other law, including Section 9F of this
17 article, and except as provided by Subsection (b) of this section,
18 the board and the city may enter into a written agreement under
19 Section 27 of this article to offer an alternative retirement plan
20 or plans, including cash balance retirement plans, if both parties
21 consider it appropriate.

22 (b) Notwithstanding any other law, including Section 9F of
23 this article, and except as provided by Subsection (d) of this
24 section, if, on or after September 1, 2021, the funded ratio of the
25 pension system is less than 65 percent as determined in a final risk
26 sharing valuation study prepared under Section 9A of this article
27 without making any adjustments under Section 9D or 9E of this

1 article, or if, on or after September 1, 2021, the funded ratio of
2 the pension system is less than 65 percent as determined in a
3 revised and restated risk sharing valuation study prepared under
4 Section 9A(a)(7) of this article, the board and the city shall, as
5 soon as practicable but not later than the 60th day after the date
6 the determination is made:

7 (1) enter into a written agreement under Section 27 of
8 this article to establish, as an alternative retirement plan under
9 this section, a cash balance retirement plan that complies with
10 Section 2C of this article; and

11 (2) require each employee hired by the city on or after
12 the date the cash balance retirement plan is established to
13 participate in the cash balance retirement plan established under
14 this subsection instead of participating in the pension system,
15 provided the employee would have otherwise been eligible to
16 participate in the pension system.

17 (c) Notwithstanding any other law, including Section 9F of
18 this article, and except as provided by Subsection (d) of this
19 section, if, on or after September 1, 2021, the board and the city
20 fail to establish a cash balance retirement plan within the time
21 prescribed by Subsection (b) of this section, the city shall by
22 ordinance:

23 (1) unilaterally establish, as an alternative
24 retirement plan, a cash balance retirement plan that complies with
25 Section 2C of this article; and

26 (2) require each employee hired by the city on or after
27 the date the cash balance retirement plan is established to

1 participate in the cash balance retirement plan established under
2 this subsection instead of participating in the pension system,
3 provided the employee would have otherwise been eligible to
4 participate in the pension system.

5 (d) If the city fails to deliver the proceeds of the pension
6 obligation bonds described by Section 9B(j)(1) of this article
7 within the time prescribed by that subdivision, notwithstanding the
8 funded ratio of the pension system:

9 (1) the board and the city may not establish a cash
10 balance retirement plan under Subsection (b) of this section; and

11 (2) the city may not establish a cash balance
12 retirement plan under Subsection (c) of this section.

13 Sec. 2C. REQUIREMENTS FOR CERTAIN CASH BALANCE RETIREMENT
14 PLANS. (a) In this section:

15 (1) "Cash balance retirement plan" means a cash
16 balance retirement plan established by written agreement under
17 Section 2B(b) of this article or by ordinance under Section 2B(c) of
18 this article.

19 (2) "Interest" means the interest earned as the result
20 of returns on investments, which may not exceed a percentage rate
21 equal to the cash balance retirement plan's most recent five fiscal
22 years' smoothed rate of return.

23 (3) "Participant" means an employee who participates
24 in a cash balance retirement plan.

25 (b) The written agreement or ordinance establishing a cash
26 balance retirement plan must:

27 (1) provide for the administration of the cash balance

1 retirement plan;

2 (2) provide for a closed amortization period not to
3 exceed 15 years from the date an actuarial gain or loss is realized;

4 (3) require that city and participant contributions be
5 credited to an account maintained for the benefit of the
6 participant;

7 (4) provide for the crediting of interest to the
8 participant's account;

9 (5) include a vesting schedule;

10 (6) include benefit options, including options for
11 participants who separate from service prior to retirement;

12 (7) provide for death and disability benefits;

13 (8) allow a participant who is eligible to retire
14 under the plan to elect to:

15 (A) receive a monthly annuity payable for the
16 life of the participant in an amount actuarially determined on the
17 date of the participant's retirement based on the participant's
18 accumulated account balance annuitized in accordance with the
19 actuarial assumptions and actuarial methods established in the
20 written agreement or ordinance establishing the plan, except that
21 the discount rate applied may not exceed the pension system's
22 assumed rate of return in the most recent risk sharing valuation
23 study;

24 (B) receive a single lump-sum payment of the
25 participant's accumulated account balance; or

26 (C) receive a single, partial lump-sum payment
27 from the participant's accumulated account balance and a monthly

1 annuity payable for life in an amount determined in accordance with
2 Paragraph (A) of this subdivision based on the participant's
3 account balance after receiving the partial lump-sum payment; and
4 (9) include any other provision determined necessary
5 by the board and the city if the plan is established under Section
6 2B(b) of this article or by the city if the plan is established
7 under Section 2B(c) of this article.

8 (c) The written agreement or ordinance establishing a cash
9 balance retirement plan must address whether employees who were
10 employed by the city before the date the cash balance retirement
11 plan was established and who resumed employment with the city on or
12 after the date the cash balance retirement plan was established are
13 required to participate in the pension system or in the cash balance
14 retirement plan.

15 (d) Notwithstanding any other law, including Sections 2(1),
16 11, and 12 of this article, an employee who participates in a cash
17 balance retirement plan:

18 (1) except as provided by Subsection (c) of this
19 section, is not eligible to be an active member of and may not
20 participate in the pension system; and

21 (2) may not accrue years of service or establish
22 service credit in the pension system during the period the employee
23 is participating in the cash balance retirement plan.

24 (e) The combined city contribution for the cash balance
25 retirement plan and the pension system may not:

26 (1) exceed the city contribution for the pension
27 system calculated as if all participants in the cash balance

1 retirement plan were active members of the pension system; or

2 (2) be less than the required normal cost contribution
3 for the pension system calculated as if all participants in the cash
4 balance retirement plan were active members of the pension system.

5 Sec. 2D. CONFLICT OF LAW. To the extent of a conflict
6 between this article and any other law, this article prevails.

7 SECTION 2.05. Section 3, Article 6243g-4, Revised Statutes,
8 is amended by amending Subsection (b) and adding Subsections (i)
9 and (j) to read as follows:

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

11 (1) the administrative head of the city or the
12 administrative head's authorized representative;

13 (2) three employees of the police department having
14 membership in the pension system, elected by the active, inactive,
15 and retired members of the pension system;

16 (3) two retired members who are receiving pensions
17 from the system, who are elected by the active, inactive, and
18 retired members of the pension system, and who are not:

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

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

22 (i) Article 6243e.2(1), Revised Statutes;
23 or

24 (ii) Chapter 88 (H.B. 1573), Acts of the
25 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
26 Texas Civil Statutes)[, ~~elected by the active, inactive, and~~
27 ~~retired members of the pension system]~~; and

1 (4) the director of finance [~~treasurer~~] of the city or
2 the person discharging the duties of the director of finance, or the
3 director's designee [~~city treasurer~~].

4 (i) If a candidate for either an active or retired board
5 member position does not receive a majority vote for that position,
6 a runoff election for that position shall be held. The board shall
7 establish a policy for general and runoff elections for purposes of
8 this subsection.

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

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

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

16 SECTION 2.06. Section 4, Article 6243g-4, Revised Statutes,
17 is amended to read as follows:

18 Sec. 4. BOARD MEMBER LEAVE AND COMPENSATION. (a) The city
19 shall allow active members who are trustees to promptly attend all
20 board and committee meetings. The city shall allow trustees the
21 time required to travel to and attend educational workshops and
22 legislative hearings and to attend to other pension system
23 business, including meetings regarding proposed amendments to this
24 article, if attendance is consistent with a trustee's duty to the
25 board [~~Elected members of the board who are employees of the city's~~
26 ~~police department are entitled to leave from their employer to~~
27 ~~attend to the official business of the pension system and are not~~

1 ~~required to report to the city or any other governmental entity~~
2 ~~regarding travel or the official business of the pension system,~~
3 ~~except when on city business].~~

4 (b) ~~[If the city employing an elected board member would~~
5 ~~withhold any portion of the salary of the member who is attending to~~
6 ~~official business of the pension system, the pension system may~~
7 ~~elect to adequately compensate the city for the loss of service of~~
8 ~~the member. If the board, by an affirmative vote of at least four~~
9 ~~board members, makes this election, the amounts shall be remitted~~
10 ~~from the fund to the city, and the city shall pay the board member's~~
11 ~~salary as if no loss of service had occurred.~~

12 [~~(c)~~] The board, by an affirmative vote of at least four board
13 members, may elect to reimburse board members who are not employees
14 of the city for their time while attending to official business of
15 the pension system. The amount of any reimbursement may not exceed
16 \$750 [~~\$350~~] a month for each affected board member.

17 SECTION 2.07. Article 6243g-4, Revised Statutes, is amended
18 by adding Sections 5A and 5B to read as follows:

19 Sec. 5A. QUALIFICATIONS OF CITY ACTUARY. (a) An actuary
20 hired by the city for purposes of this article must be an actuary
21 from a professional service firm who:

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

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

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

6 (b) Notwithstanding Subsection (a) of this section, the
7 city actuary must at least meet the qualifications required by the
8 board for the pension system actuary. The city actuary is not
9 required to have greater qualifications than those of the pension
10 system actuary.

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

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

22 (c) The protection from liability provided by this section
23 is cumulative of and in addition to any other constitutional,
24 statutory, or common law official or governmental immunity,
25 defense, and civil or procedural protection provided to the city or
26 pension system as a governmental entity and to a city or pension
27 system official or employee as an official or employee of a

1 governmental entity. Except for a waiver expressly provided by
2 this article, this article does not grant an implied waiver of any
3 immunity.

4 SECTION 2.08. Section 6, Article 6243g-4, Revised Statutes,
5 is amended by amending Subsections (f) and (g) and adding
6 Subsections (f-1), (i), and (j) to read as follows:

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

8 (1) administer the pension system;

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

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

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

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

21 (g) The board, if reasonably necessary in the course of
22 performing a board function, may issue process or subpoena a
23 witness or the production of a book, record, or other document as to
24 any matter affecting retirement, disability, or death benefits
25 under any pension plan provided by the pension system. The
26 presiding officer of the board may issue, in the name of the board,
27 a subpoena only if a majority of the board approves. The presiding

1 officer of the board, or the presiding officer's designee, shall
2 administer an oath to each witness. A peace officer shall serve a
3 subpoena issued by the board. If the person to whom a subpoena is
4 directed fails to comply, the board may bring suit to enforce the
5 subpoena in a district court of the county in which the person
6 resides or in the county in which the book, record, or other
7 document is located. If the district court finds that good cause
8 exists for issuance of the subpoena, the court shall order
9 compliance. The district court may modify the requirements of a
10 subpoena that the court finds are unreasonable. Failure to obey the
11 order of the district court is punishable as contempt.

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

22 (1) to the spouse of the person, as trustee for the
23 person;

24 (2) to an individual or entity actually providing for
25 the needs of and caring for the person, as trustee for the person;
26 or

27 (3) to a public agency or private charitable

1 organization providing assistance or services to the aged or
2 incapacitated that agrees to accept and manage the payment for the
3 benefit of the person as a trustee.

4 (j) The board or its designee is not responsible for
5 overseeing how a person to whom payment is made under Subsection (i)
6 of this section uses or otherwise applies the payments. Payments
7 made under Subsection (i) of this section constitute a complete
8 discharge of the pension system's liability and obligation to the
9 person on behalf of whom payment is made.

10 SECTION 2.09. Section 8(a), Article 6243g-4, Revised
11 Statutes, is amended to read as follows:

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

22 SECTION 2.10. Section 9, Article 6243g-4, Revised Statutes,
23 is amended to read as follows:

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

1 city shall contribute:

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

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

14 (b) Except by written agreement between the city and the
15 board under Section 27 of this article providing for an earlier
16 contribution date, at least biweekly, the city shall make the
17 contributions required by Subsection (a) of this section by
18 depositing with the pension system an amount equal to the city
19 contribution rate multiplied by the pensionable payroll for the
20 biweekly period.

21 (c) With respect to each fiscal year:

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

26 (2) the final contribution by the city under this
27 section for the fiscal year shall be made not later than the date

1 payment is made to employees for the final biweekly pay period of
2 the fiscal year.

3 (d) In addition to the amounts required under this section,
4 the city may at any time contribute additional amounts to the
5 pension system for deposit in the pension fund by entering into a
6 written agreement with the board in accordance with Section 27 of
7 this article [~~The city shall make substantially equal contributions~~
8 ~~to the fund as soon as administratively feasible after each payroll~~
9 ~~period. For each fiscal year ending after June 30, 2005, the city's~~
10 ~~minimum contribution shall be the greater of 16 percent of the~~
11 ~~members' total direct pay or the level percentage of salary payment~~
12 ~~required to amortize the unfunded actuarial liability over a~~
13 ~~constant period of 30 years computed on the basis of an acceptable~~
14 ~~actuarial reserve funding method approved by the board. However,~~
15 ~~for the fiscal year ending June 30, 2002, the city's contribution~~
16 ~~shall be \$32,645,000, for the fiscal year ending June 30, 2003, the~~
17 ~~city's contribution shall be \$34,645,000, for the fiscal year~~
18 ~~ending June 30, 2004, the city's contribution shall be \$36,645,000,~~
19 ~~and for the fiscal year ending June 30, 2005, the city's~~
20 ~~contribution shall be 16 percent of the members' total direct pay].~~

21 (e) [~~(c)~~] The governing body of a city to which this article
22 applies by ordinance or resolution may provide that the city pick up
23 active member contributions required by Section 8 of this article
24 so that the contributions of all active members of the pension
25 system qualify as picked-up contributions under Section 414(h)(2)
26 of the code. If the governing body of a city adopts an ordinance or
27 resolution under this section, the city, the board, and any other

1 necessary party shall implement the action as soon as practicable.
2 Contributions picked up as provided by this subsection shall be
3 included in the determination of an active member's [~~total direct~~]
4 pay, deposited to the individual account of the active member on
5 whose behalf they are made, and treated for all purposes, other than
6 federal tax purposes, in the same manner and with like effect as if
7 they had been deducted from the salary of, and made by, the active
8 member.

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

12 (g) Subsection (f) of this section does not affect changes
13 to an amortization schedule of a liability layer under Section
14 9A(a)(6)(F), 9B(i), or 9D(c)(4) of this article.

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

19 SECTION 2.11. Article 6243g-4, Revised Statutes, is amended
20 by adding Sections 9A, 9B, 9C, 9D, 9E, 9F, and 9G to read as follows:

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

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

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

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

5 (4) be based on actuarial data provided by the pension
6 system actuary or, if actuarial data is not provided, on estimates
7 of actuarial data;

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

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

14 (A) an ultimate entry age normal actuarial
15 method;

16 (B) for purposes of determining the actuarial
17 value of assets:

18 (i) except as provided by Subparagraph (ii)
19 of this paragraph and Section 9D(c)(1) or 9E(c)(2) of this article,
20 an asset smoothing method recognizing actuarial losses and gains
21 over a five-year period applied prospectively beginning on the year
22 2017 effective date; and

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

26 (C) closed layered amortization of liability
27 layers to ensure that the amortization period for each layer begins

1 12 months after the date of the risk sharing valuation study in
2 which the liability layer is first recognized;

3 (D) each liability layer is assigned an
4 amortization period;

5 (E) each liability loss layer amortized over a
6 period of 30 years from the first day of the fiscal year beginning
7 12 months after the date of the risk sharing valuation study in
8 which the liability loss layer is first recognized, except that the
9 legacy liability must be amortized from July 1, 2016, for a 30-year
10 period beginning July 1, 2017;

11 (F) the amortization period for each liability
12 gain layer being:

13 (i) equal to the remaining amortization
14 period on the largest remaining liability loss layer and the two
15 layers must be treated as one layer such that if the payoff year of
16 the liability loss layer is accelerated or extended, the payoff
17 year of the liability gain layer is also accelerated or extended; or

18 (ii) if there is no liability loss layer, a
19 period of 30 years from the first day of the fiscal year beginning
20 12 months after the date of the risk sharing valuation study in
21 which the liability gain layer is first recognized;

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

24 (H) the assumed rate of return, subject to
25 adjustment under Section 9D(c)(2) of this article or, if Section
26 9B(g) of this article applies, adjustment in accordance with a
27 written agreement entered into under Section 27 of this article,

1 except the assumed rate of return may not exceed seven percent per
2 annum;

3 (I) the price inflation assumption as of the most
4 recent actuarial experience study, which may be reset by the board
5 by plus or minus 50 basis points based on that actuarial experience
6 study;

7 (J) projected salary increases and payroll
8 growth rate set in consultation with the city's finance director;
9 and

10 (K) payroll for purposes of determining the
11 corridor midpoint and city contribution rate must be projected
12 using the annual payroll growth rate assumption, which for purposes
13 of preparing any amortization schedule may not exceed three
14 percent; and

15 (7) 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 board; or

19 (B) the 30th day after the date required action
20 is taken by the board under Section 9D or 9E of this article 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 September 30 following the end of the

1 fiscal year, the pension system shall provide to the city actuary,
2 under a confidentiality agreement with the board in which the city
3 actuary agrees to comply with the confidentiality provisions of
4 Section 29 of this article, the actuarial data described by
5 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 to 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 article; 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
23 article; or

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

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

7 (ii) not later than the 90th day before the
8 first day of the next fiscal year, the finance director and the
9 executive director shall execute a joint addendum to the final risk
10 sharing valuation study received by them under Subparagraph (i) of
11 this paragraph that is a part of the final risk sharing valuation
12 study for the fiscal year for all purposes and reflects the
13 arithmetic average of the estimated city contribution rates for the
14 fiscal year stated by the city actuary and the pension system
15 actuary in the final risk sharing valuation study for purposes of
16 Subsection (a)(5) of this section, and for reporting purposes the
17 pension system may treat the pension system actuary's risk sharing
18 valuation study with the addendum as the final risk sharing
19 valuation study.

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

27 (h) The actuarial data provided under Subsection (a)(4) of

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

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

8 (1) except as otherwise provided by this section, be
9 prepared in accordance with Section 9A of this article and, for
10 purposes of Section 9A(a)(4) of this article, be based on actuarial
11 data as of June 30, 2016, or, if actuarial data is not provided, on
12 estimates of actuarial data; and

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

15 (b) If the initial risk sharing valuation study has not been
16 prepared consistent with this section before the year 2017
17 effective date, as soon as practicable after the year 2017
18 effective date:

19 (1) the pension system shall provide to the city
20 actuary, under a confidentiality agreement, the necessary
21 actuarial data used by the pension system actuary to prepare the
22 proposed initial risk sharing valuation study; and

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

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

1 (B) the pension system actuary, at the direction
2 of the pension system, shall provide a proposed initial risk
3 sharing valuation study to the city actuary.

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

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

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

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

26 (B) if, after 20 business days, the city actuary
27 and the pension system actuary are not able to reach a

1 reconciliation that reduces the difference to an amount less than
2 or equal to two percentage points for any fiscal year:

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

9 (ii) the finance director and the executive
10 director shall execute a joint addendum to the final initial risk
11 sharing valuation study that is a part of each final initial risk
12 sharing valuation study for all purposes and that reflects the
13 arithmetic average of the estimated city contribution rate for each
14 fiscal year in which the difference was greater than two percentage
15 points for purposes of Section 9A(a)(5) of this article, and for
16 reporting purposes the pension system may treat the pension system
17 actuary's initial risk sharing valuation study with the addendum as
18 the final initial risk sharing valuation study.

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

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

23 (2) assume the issuance of planned pension obligation
24 bonds by December 31, 2017, in accordance with Subsection (j)(2) of
25 this section; and

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

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

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

18 (g) The city and the board may agree on a written transition
19 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 city and the board have not entered into an
25 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 city makes a contribution to the pension system
3 of at least \$5 million more than the amount that would be required
4 by Section 9(a) of this article, a liability gain layer with the
5 same remaining amortization period as the legacy liability is
6 created and the corridor midpoint shall be decreased by the
7 amortized amount in each fiscal year covered by the liability gain
8 layer produced divided by the projected pensionable payroll.

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

11 (1) if the city fails to deliver the proceeds of
12 pension obligation bonds totaling \$750 million on or before March
13 31, 2018, the board shall:

14 (A) except as provided by Paragraph (B) of this
15 subdivision, immediately rescind, prospectively, any or all
16 benefit changes made effective under S.B. No. 2190, Acts of the
17 85th Legislature, Regular Session, 2017, as of the year 2017
18 effective date; or

19 (B) reestablish the deadline for the delivery of
20 pension obligation bond proceeds, which may not be later than May
21 31, 2018, reserving the right to rescind the benefit changes
22 authorized by this subdivision if the bond proceeds are not
23 delivered by the reestablished deadline; and

24 (2) subject to Subsection (k) of this section, if the
25 board rescinds benefit changes under Subdivision (1) of this
26 subsection or pension obligation bond proceeds are not delivered on
27 or before December 31, 2017, the initial risk sharing valuation

1 study shall be prepared again and restated without assuming the
2 delivery of the pension obligation bond proceeds, the later
3 delivery of pension obligation bond proceeds, or the rescinded
4 benefit changes, as applicable, and the resulting city contribution
5 rate will become effective in the fiscal year following the
6 completion of the restated initial risk sharing valuation study.

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

10 (1) ending June 30, 2019, if the board does not
11 reestablish the deadline under Subsection (j)(1) of this section;
12 or

13 (2) immediately following the reestablished deadline,
14 if the board reestablishes the deadline under Subsection (j)(1) of
15 this section and the city fails to deliver the pension obligation
16 bond proceeds described by Subsection (j)(1) of this section by the
17 reestablished deadline.

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

25 (b) Except as otherwise expressly provided by Sections
26 9A(a)(6)(A)-(I) of this article, actuarial assumptions and methods
27 used in the preparation of a risk sharing valuation study, other

1 than the initial risk sharing valuation study, shall be based on the
2 results of the most recent actuarial experience study.

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

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

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

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

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

1 article.

2 (f) The city actuary at the direction of the city shall
3 provide in writing to the pension system actuary and the pension
4 system:

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

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

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

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

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

1 the city, the pension system, or another fund or pension system
2 referenced in this subdivision;

3 (2) is a member of the American Academy of Actuaries;
4 and

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

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

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

23 (1) the pension system's draft actuarial experience
24 study, including all assumptions and methods recommended by the
25 pension system actuary;

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

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

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

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

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

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

24 (m) If an independent actuary has questions or concerns
25 regarding an engagement entered into under this section, the
26 independent actuary shall simultaneously consult with both the city
27 actuary and the pension system actuary regarding the questions or

1 concerns. This subsection does not limit the pension system's
2 authorization to take appropriate steps to complete the engagement
3 of the independent actuary on terms acceptable to both the pension
4 system and the city or to enter into a confidentiality agreement
5 with the independent actuary, if needed.

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

13 Sec. 9D. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY
14 CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT; AUTHORIZATION FOR
15 CERTAIN ADJUSTMENTS. (a) This section governs the determination
16 of the city contribution rate applicable in a fiscal year if the
17 estimated city contribution rate is lower than the corridor
18 midpoint.

19 (b) If the funded ratio is:

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

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

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

27 (B) except as provided by Subsection (e) of this

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

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

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

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

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

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

1 first recognized.

2 (d) If the funded ratio is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (1) increase member contributions and decrease
25 cost-of-living adjustments;

26 (2) increase the normal retirement age; or

27 (3) take any combination of the actions authorized

1 under Subdivisions (1) and (2) of this subsection.

2 (f) If the city contribution rate remains greater than the
3 corridor midpoint in the third fiscal year after adjustments are
4 made in accordance with an agreement under Subsection (d)(2) of
5 this section, in that fiscal year the city contribution rate equals
6 the corridor midpoint achieved in accordance with Subsection (g) of
7 this section.

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

10 (1) in the risk sharing valuation study for the third
11 fiscal year described by Subsection (f) of this section, adjusting
12 the actuarial value of assets to equal the current market value of
13 assets, if making the adjustment causes the city contribution rate
14 to decrease; and

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

17 (A) increasing member contributions; and

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

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

25 (1) increase member contributions and decrease
26 cost-of-living adjustments;

27 (2) increase the normal retirement age; or

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

3 Sec. 9F. UNILATERAL DECISIONS AND ACTIONS PROHIBITED.

4 (a) Notwithstanding Section 6(f) or 5B of this article, the board
5 may not change, terminate, or modify Sections 9 through 9E of this
6 article.

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

13 Sec. 9G. STATE PENSION REVIEW BOARD; REPORT. (a) After
14 preparing a final risk sharing valuation study under Section 9A or
15 9B of this article, the pension system and the city shall jointly
16 submit a copy of the study or studies, as appropriate, to the State
17 Pension Review Board for a determination that the pension system
18 and city are in compliance with this article.

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

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

1 the city is not in compliance with Sections 9 through 9F of this
2 article.

3 SECTION 2.12. Article 6243g-4, Revised Statutes, is amended
4 by adding Section 10A to read as follows:

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

12 (1) the pension system's compliance with its
13 investment policy statement, ethics policies, including policies
14 concerning the acceptance of gifts, and policies concerning insider
15 trading;

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

19 (3) the pension system's portfolio structure,
20 including the system's need for liquidity, cash income, real
21 return, and inflation protection and the active, passive, or index
22 approaches for different portions of the portfolio;

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

25 (5) benchmarks used for each asset class and
26 individual manager;

27 (6) evaluation of fees and trading costs;

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

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

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

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

10 (2) any nonpublic information provided for the pension
11 system for the review.

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

14 SECTION 2.13. Sections 11(a) and (c), Article 6243g-4,
15 Revised Statutes, are amended to read as follows:

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

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

25 SECTION 2.14. Section 12, Article 6243g-4, Revised
26 Statutes, is amended by amending Subsections (a), (b), (c), (d),
27 (e), (h), and (i) and adding Subsections (b-1), (b-2), (b-3),

1 (c-1), (c-2), (j), (k), (l), and (m) to read as follows:

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

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

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

1 (A) 2.75 percent of the member's final average
2 ~~[total direct]~~ pay multiplied by the member's years or partial
3 years of service ~~[or, if the member retired before November 24,~~
4 ~~1998, 2.75 percent of the member's base salary,~~] for ~~[each of]~~ the
5 member's first 20 years of service; and

6 (B) ~~[, plus an additional]~~ two percent of the
7 member's final average ~~[total direct]~~ pay multiplied by the
8 member's years or partial years of service for the member's years of
9 service in excess of the 20 years of service described by Paragraph
10 (A) of this subdivision; or

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

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

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

23 (b-1) A member who ~~[separates from service after November~~
24 ~~23, 1998, including a member who was a DROP participant, and]~~ begins
25 to receive a monthly service pension under Subsection (b)(1) of
26 this section shall also receive a one-time lump-sum payment of
27 \$5,000 at the same time the first monthly pension payment is made.

1 The lump-sum payment under this subsection is not available to a
2 member who has previously received a \$5,000 payment under this
3 section or Section 16 of this article. A member described by
4 Subsection (b)(2) of this section may not receive the lump-sum
5 payment described by this subsection.

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

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

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

1 (c-1) Subject to Subsection (c-2) of this section, for the
2 pension system's fiscal years ending June 30, 2018, June 30, 2019,
3 and June 30, 2020, the pension payable to each retired member or
4 survivor who is 70 years of age or older shall be adjusted annually,
5 effective April 1 of each year, upward at a rate equal to the most
6 recent five fiscal years' smoothed return, as determined by the
7 pension system actuary, minus 500 basis points.

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

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

21 (e) At the end of each calendar year beginning after 1998,
22 and subject to the conditions provided by this subsection, the
23 pension system shall make a 13th benefit payment to each member or
24 survivor who is hired or rehired before October 9, 2004, including a
25 member hired or rehired before October 9, 2004, who was reinstated
26 under arbitration, civil service, or a court ruling after that
27 date, and [~~person~~] who is receiving a service pension. The amount

1 of the 13th payment shall be the same as the last monthly payment
2 received by the retiree or survivor before issuance of the payment,
3 except the payment received by any person who has been in pay status
4 for less than 12 months shall be for a prorated amount determined by
5 dividing the amount of the last payment received by 12 and
6 multiplying this amount by the number of months the person has been
7 in pay status. The 13th payment may be made only for those calendar
8 years in which the pension system's funded ratio is 120 percent or
9 greater[÷

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

12 ~~[(2) the rate of return on the fund's assets exceeded~~
13 ~~9.25 percent for the last fiscal year ending before the payment; and~~

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

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

23 (1) immediately preceding the date the member began
24 phase-down participation; or

25 (2) if the member began DROP participation on or after
26 the year 2017 effective date, the member began participation in
27 DROP [~~highest pay period, excluding any pay for overtime work, in~~

1 ~~the periods during which the member worked full-time before~~
2 ~~participating in the phase-down program].~~

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

6 (j) A member participating in the phase-down program,
7 defined in the 2011 labor agreement between the city and the police
8 officers' union, who has separated from service is eligible to
9 receive a monthly service pension as if the member had attained
10 normal retirement age. Notwithstanding any other law, a member
11 participating in option A or B of the phase-down program whose
12 effective date of entry into DROP is on or before the year 2017
13 effective date is, on exiting the phase-down program and separating
14 from service, eligible to receive a monthly service pension equal
15 to the amount credited to the member's DROP account under Section
16 14(d) of this article immediately before the member separated from
17 service.

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

26 (l) A member who is receiving workers' compensation
27 payments or who has received workers' compensation and subsequently

1 retires or begins participation in DROP will have the member's
2 pension or DROP benefit, as applicable, calculated on the pay that
3 the member would have received had the member not been receiving
4 workers' compensation benefits.

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

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

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

15 SECTION 2.15. Section 14, Article 6243g-4, Revised
16 Statutes, is amended by amending Subsections (b), (c), (d), (e),
17 (f-1), (h), (i), (k), and (l) and adding Subsections (c-1) and (c-2)
18 to read as follows:

19 (b) An active member who was hired before October 9, 2004,
20 including a member hired before October 9, 2004, who has been
21 reinstated under arbitration, civil service, or a court ruling
22 after that date, and has at least 20 years of service with the
23 police department may file with the pension system an election to
24 participate in DROP and receive a DROP benefit instead of the
25 standard form of pension provided by this article as of the date the
26 active member attained 20 years of service. The election may be
27 made, under procedures established by the board, by an eligible

1 active member who has attained the required years of service. A
2 DROP election that is made and accepted by the board may not be
3 revoked [~~before the member's separation from service~~].

4 (c) The monthly service pension or [~~and~~] death benefits of
5 an active member who is a DROP participant that were accrued under
6 this article as it existed immediately before the year 2017
7 effective date remain accrued.

8 (c-1) The monthly service pension or death benefits of an
9 active member who becomes a DROP participant on or after the year
10 2017 effective date will be determined as if the [~~active~~] member had
11 separated from service and begun receiving a pension on the
12 effective date of the member's DROP election and the [~~The active~~]
13 member does not retire but does not accrue additional service
14 credit beginning on the effective date of the member's entry into
15 DROP.

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

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

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

27 (d) The member's DROP benefit is determined as provided by

1 this subsection and Subsection (e) of this section. Each month an
2 amount equal to the monthly service pension the active member would
3 have been eligible ~~[entitled]~~ to receive if the active member had
4 separated from service on the effective date of entry into DROP,
5 less any amount that is intended to help defray the active member's
6 group medical insurance costs as described by Section 12(d) of this
7 article, shall be credited to a notional DROP account for the active
8 member ~~[, and each month an amount equal to the monthly~~
9 ~~contributions the active member makes to the fund on and after the~~
10 ~~effective date of entry into DROP also shall be credited to the same~~
11 ~~notional DROP account]~~. In any year in which a 13th payment is made
12 to retired members under Section 12(e) of this article, an amount
13 equal to the amount of the 13th payment that would have been made to
14 the DROP participant if the DROP participant had retired on the date
15 of DROP entry will be credited to the DROP account.

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

25 (f-1) If a DROP participant separates from service due to
26 death, ~~[and]~~ the participant's surviving spouse is eligible ~~[person~~
27 ~~entitled]~~ to receive benefits under Sections 16 and 16A of this

1 article and the surviving spouse may elect to receive [~~does not~~
2 ~~revoke the DROP election,~~] the DROP benefit [~~may be received~~] in the
3 form of an additional annuity over the life expectancy of the
4 surviving spouse.

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

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

1 additional amounts may not be credited to a DROP account under this
2 subsection. Any amounts credited under this subsection before the
3 year 2017 effective date shall remain accrued in a retired member's
4 DROP account [~~A retired member who has elected to have monthly~~
5 ~~service pension benefits credited to a DROP account under this~~
6 ~~subsection or Subsection (h) of this section may direct that the~~
7 ~~credits stop and the monthly service pension resume at any time.~~
8 ~~However, a retired member who stops the credits at any time after~~
9 ~~September 1, 1999, may not later resume the credits].~~

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

23 (l) The maximum number of years an active member may
24 participate in DROP is 20 years. Except as provided by this
25 subsection, after the DROP participant has reached the maximum
26 number of years of DROP participation prescribed by this
27 subsection, including DROP participants with 20 years or more in

1 DROP on or before the year 2017 effective date, the DROP participant
 2 may not receive the monthly service pension that was credited to a
 3 notional DROP account but may receive the hypothetical earnings
 4 rate stated in Subsection (e) of this section. Notwithstanding the
 5 preceding, a member's DROP account balance before the year 2017
 6 effective date may not be reduced under the preceding provisions of
 7 this subsection [~~The DROP account of each DROP participant who was~~
 8 ~~an active member on May 1, 2001, shall be recomputed and adjusted,~~
 9 ~~effective on that date, to reflect the amount that would have been~~
 10 ~~credited to the account if the member's pension had been computed~~
 11 ~~based on 2.75 percent of the member's average total direct pay, or~~
 12 ~~base pay if applicable, for each of the member's first 20 years of~~
 13 ~~service. The DROP account adjustment shall also include the~~
 14 ~~assumed earnings that would have been credited to the account if the~~
 15 ~~2.75 percent multiplier for the first 20 years of service had been~~
 16 ~~in effect from the time the member became a DROP participant].~~

17 SECTION 2.16. Section 15, Article 6243g-4, Revised
 18 Statutes, is amended by amending Subsections (a), (b), (c), (d),
 19 (e), and (i) and adding Subsections (a-1), (c-1), (l), (m), and (n)
 20 to read as follows:

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

27 (1) for members hired or rehired before October 9,

1 2004, the greater of 55 percent of the member's final average [~~total~~
2 ~~direct~~] pay at the time of retirement or the member's accrued
3 service pension; or

4 (2) for members hired or rehired on or after October 9,
5 2004, the greater of 45 percent of the member's:

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

7 or

8 (B) accrued service pension.

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

23 (b) A member [~~with 10 years or more of credited service~~] who
24 becomes totally and permanently incapacitated for the performance
25 of the member's duties and is not eligible for either an immediate
26 service pension or a duty-connected disability pension is eligible
27 for an immediate monthly pension computed in the same manner as a

1 service retirement pension but based on final average [~~total~~
2 ~~direct~~] pay and service accrued to the date of the disability. The
3 pension under this subsection may not be less than:

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

9 (2) except as provided by Subdivision (1) of this
10 subsection, for members hired or rehired on or after October 9,
11 2004, 22.5 percent of the member's final average pay.

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

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

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

26 (c-1) For any year in which a 13th payment is made to retired
27 members under Section 12(e) of this article, a 13th payment,

1 computed in the same manner and subject to the same conditions,
2 shall also be paid to members who have retired under this section.

3 (d) A person may not receive a disability pension unless the
4 person files with the board an application for a disability pension
5 not later than 180 days after the date of separation from service,
6 at which time the board shall have the person examined, not later
7 than the 90th day after the date the member files the application,
8 by a physician or physicians chosen and compensated by the board.
9 The physician shall make a report and recommendations to the board
10 regarding the extent of any disability and whether any disability
11 that is diagnosed is a duty-connected disability. Except as
12 provided by Subsection (j) of this section, a person may not receive
13 a disability pension for an injury received or illness incurred
14 after separation from service. In accordance with Section 6(g) of
15 this article, the board may, through its presiding officer, issue
16 process, administer oaths, examine witnesses, and compel witnesses
17 to testify as to any matter affecting retirement, disability, or
18 death benefits under any pension plan within the pension system.

19 (e) A retired member who has been retired for disability is
20 subject at all times to reexamination by a physician chosen and
21 compensated by the board and shall submit to further examination as
22 the board may require. If a retired member refuses to submit to an
23 examination, the board shall [~~may~~] order the payments stopped. If a
24 retired member who has been receiving a disability pension under
25 this section recovers so that in the opinion of the board the
26 retired member is able to perform the usual and customary duties
27 formerly performed for the police department, and the retired

1 member is reinstated or offered reinstatement to the position, or
2 hired by another law enforcement agency to a comparable position
3 ~~[reasonably comparable in rank and responsibility to the position,~~
4 ~~held at the time of separation from service]~~, the board shall order
5 the member's disability pension stopped. A member may apply for a
6 normal pension benefit, if eligible, if the member's disability
7 benefit payments are stopped by the board under this subsection.

8 (i) Effective for payments that become due after April 30,
9 2000, and instead of the disability benefit provided by Subsection
10 (a) or ~~(b)~~ ~~[, or (h)]~~ of this section, a member who suffers a
11 catastrophic injury shall receive a monthly benefit equal to 100
12 percent of the member's final average ~~[total direct]~~ pay determined
13 as of the date of retirement, and the member's DROP balance, if any.

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

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

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

21 (B) other substance abuse; or

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

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

1 (n) A person who fraudulently applies for or receives a
2 disability pension may be subject to criminal and civil
3 prosecution.

4 SECTION 2.17. Section 16, Article 6243g-4, Revised
5 Statutes, is amended to read as follows:

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

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

27 (1) to the surviving spouse for life, if there is a

1 surviving spouse, a sum equal to the pension that was being received
2 by the retired member at the time of death;

3 (2) to the guardian of any dependent child under 18
4 years of age or a child with a disability as long as the dependent
5 child complies with the definition of dependent child under Section
6 2(7) of this article [~~children~~], on behalf of the dependent child
7 [~~children~~], or directly to a dependent child described by Section
8 2(7)(B) of this article, and if there is no spouse eligible for
9 [~~entitled to~~] an allowance, the sum a surviving spouse would have
10 received, to be divided equally among all [~~the~~] dependent children
11 if there is more than one dependent child; or

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

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

26 (1) 27.5 percent of the member's final average [~~total~~
27 ~~direct~~] pay for members hired before October 9, 2004, including a

1 member who involuntarily separated from service but has been
2 retroactively reinstated under arbitration, civil service, or a
3 court ruling; or

4 (2) 22.5 percent of the member's final average pay for
5 members hired or rehired on or after October 9, 2004.

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

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

24 (g) A surviving spouse or dependent who becomes eligible to
25 receive benefits with respect to an active member who was hired or
26 rehired before October 9, 2004, who dies in active service after
27 November 23, 1998, is eligible [~~entitled~~] to receive a one-time

1 lump-sum payment of \$5,000 at the time the first monthly pension
2 benefit is paid, if the member has not already received a \$5,000
3 lump-sum payment under Section 12 or 15(c) of this article. If more
4 than one dependent is eligible to receive a payment under this
5 subsection, the \$5,000 shall be divided equally among the eligible
6 dependents. This payment has no effect on the amount of the
7 surviving spouse's or dependents' monthly pension and may not be
8 paid more than once.

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

20 (i) If a member or individual receiving a survivor's pension
21 dies before monthly payments have been made for at least five years,
22 leaving no person otherwise eligible [~~entitled~~] to receive further
23 monthly payments with respect to the member, the monthly payments
24 shall continue to be made [~~to the designated beneficiary of the~~
25 ~~member or survivor, or to the estate of the member or survivor if a~~
26 ~~beneficiary was not designated,~~] in the same amount as the last
27 monthly payment made to the member or [~~]~~ survivor [~~, or estate,~~]

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

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

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

1 (1) The board may at any time require a person receiving
2 death benefits as a disabled child under this article to undergo a
3 medical examination by a physician appointed or selected by the
4 board for that purpose.

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

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

22 (1) to the member's spouse;

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

26 (3) if the member does not have a spouse or any
27 children, to each surviving parent of the member in equal shares; or

1 (4) if the member has no beneficiaries described by
2 Subdivisions (1), (2), and (3) of this subsection, to the estate of
3 the member.

4 (b) If a member names a spouse as a beneficiary and is
5 subsequently divorced from that spouse, the divorce voids the
6 designation of the divorced spouse as the member's beneficiary. A
7 designation of a divorced spouse will cause the board to pay any
8 balance remaining in the member's DROP account in the order
9 prescribed by Subsection (a) of this section.

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

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

18 SECTION 2.19. Section 17, Article 6243g-4, Revised
19 Statutes, is amended by amending Subsections (b), (d), and (e) and
20 adding Subsection (i) to read as follows:

21 (b) A member of the pension system who has not completed 20
22 years of service at the time of separation from service with the
23 police department is eligible for ~~[entitled to]~~ a refund of the
24 total of the contributions the member made to the pension system,
25 plus any amount that was contributed for the member by the city and
26 not applied in accordance with this section to provide the member
27 with 10 years of service. The refund does not include interest, and

1 neither the city nor the member is eligible for [~~entitled to~~] a
 2 refund of the contributions the city made on the member's behalf,
 3 except as expressly provided by this subsection. By receiving the
 4 refund, the member forfeits any service earned before separation
 5 from service, even if it is otherwise nonforfeitable.

6 (d) A member must apply to the board for a refund within one
 7 year after the date of separation from service. Failure to apply
 8 for the refund within the one-year period results in a forfeiture of
 9 the right to the refund except for an inactive member who is
 10 eligible for a pension [~~whose right to a pension is~~
 11 ~~nonforfeitable~~]. However, the board may reinstate any amount
 12 forfeited and allow the refund on application by the former member.

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

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

27 SECTION 2.20. Section 18(a), Article 6243g-4, Revised

1 Statutes, is amended to read as follows:

2 (a) Except as provided by this section:

3 (1) credit may not be allowed to any person for service
4 with any department in the city other than the police department;
5 ~~and~~

6 (2) a person's service will be computed from the date
7 of entry into the service of the police department as a classified
8 police officer until the date of separation from service with the
9 police department; and

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

15 SECTION 2.21. Sections 19(b) and (d), Article 6243g-4,
16 Revised Statutes, are amended to read as follows:

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

1 (d) When a member who has transferred as described by this
2 section subsequently retires, the retired member is eligible for
3 ~~[entitled to]~~ a pension computed on the basis of the combined
4 service described by Subsection (b) of this section, after
5 deducting any period in which the member was suspended from duty
6 without pay, on leave of absence without pay, separated from
7 service, or employed by the city in a capacity other than in a
8 classified position in the police department.

9 SECTION 2.22. Section 21, Article 6243g-4, Revised
10 Statutes, is amended to read as follows:

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

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

1 information the pension system may need, including:

2 (1) information needed to verify service, including
3 the following information:

4 (A) the date a person is sworn in to a position;

5 (B) the days a person is under suspension;

6 (C) the days a person is absent without pay,
7 including the days a person is on maternity leave;

8 (D) the date of a person's termination from
9 employment; and

10 (E) the date of a person's reemployment with the
11 city;

12 (2) medical records;

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

14 (4) payroll information;

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

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

19 (c) The city shall provide any information that may be
20 reasonably necessary to enable the pension system to comply with
21 administrative services the pension system performs for the city as
22 reasonably necessary to obtain any ruling or determination letter
23 from the Internal Revenue Service.

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

1 (e) The pension system shall determine each member's
2 credited service and pension benefits on the basis of the personnel
3 and financial records of the city and the records of the pension
4 system.

5 SECTION 2.23. Section 23, Article 6243g-4, Revised
6 Statutes, is amended to read as follows:

7 Sec. 23. MEMBERS IN MILITARY SERVICE. (a) A member of the
8 pension system engaged in active service in a uniformed service may
9 not be required to make the monthly payments into the fund and may
10 not lose any previous years' service with the city because of the
11 uniformed service. The uniformed service shall count as continuous
12 service in the police department if the member returns to the city
13 police department after discharge from the uniformed service as an
14 employee within the period required by the Uniformed Services
15 Employment and Reemployment Rights Act of 1994 (38 U.S.C. Section
16 4301 et seq.), as amended, and the uniformed service does not exceed
17 the period for which a person is eligible [~~entitled~~] to have service
18 counted pursuant to that Act. Notwithstanding any other provision
19 of this article, contributions and benefits shall be paid and
20 qualified service for military service shall be determined in
21 compliance with Section 414(u) of the code.

22 (b) The city is required to make its payments into the fund
23 on behalf of each member while the member is engaged in a uniformed
24 service. If a member who has less than 10 years of service in the
25 pension system dies directly or indirectly as a result of the
26 uniformed service, and without returning to active service, the
27 spouse, dependent children, dependent parent, or estate of the

1 member is eligible [~~entitled~~] to receive a benefit in the same
2 manner as described by Section 16(c) of this article.

3 SECTION 2.24. Section 24(b), Article 6243g-4, Revised
4 Statutes, is amended to read as follows:

5 (b) Payments due on behalf of a dependent child shall be
6 paid to the dependent child's guardian, if any, or if none to the
7 person with whom the dependent child is living, except that the
8 board may make payments directly to a dependent child in an
9 appropriate case and withhold payments otherwise due on behalf of
10 any person if the board has reason to believe the payments are not
11 being applied on behalf of the person eligible [~~entitled~~] to
12 receive them. The board may request a court of competent
13 jurisdiction to appoint a person to receive and administer the
14 payments due to any dependent child or person under a disability.

15 SECTION 2.25. Section 25, Article 6243g-4, Revised
16 Statutes, is amended by amending Subsections (b), (c), (d), (g),
17 and (h) and adding Subsections (c-1) and (h-1) through (h-13) to
18 read as follows:

19 (b) A member or survivor of a member of the pension system
20 may not accrue a retirement pension, disability retirement
21 allowance, death benefit allowance, DROP benefit, or any other
22 benefit under this article in excess of the benefit limits
23 applicable to the fund under Section 415 of the code. The board
24 shall reduce the amount of any benefit that exceeds those limits by
25 the amount of the excess. If total benefits under this fund and the
26 benefits and contributions to which any member is eligible
27 [~~entitled~~] under any other qualified plans maintained by the city

1 that employs the member would otherwise exceed the applicable
2 limits under Section 415 of the code, the benefits the member would
3 otherwise receive from the fund shall be reduced to the extent
4 necessary to enable the benefits to comply with Section 415.

5 (c) Subject to Subsection (c-1) of this section, any
6 distributee [~~Any member or survivor~~] who receives [~~any distribution~~
7 ~~that is~~] an eligible rollover distribution [~~as defined by Section~~
8 ~~402(c)(4) of the code~~] is eligible [~~entitled~~] to have that
9 distribution transferred directly to another eligible retirement
10 plan of the distributee's [~~member's or survivor's~~] choice on
11 providing direction to the pension system regarding that transfer
12 in accordance with procedures established by the board.

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

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

16 (2) "Distributee" means a member or a member's
17 surviving spouse or non-spouse designated beneficiary or a member's
18 spouse or former spouse who is the alternate payee under a qualified
19 domestic relations order with regard to the interest of the spouse
20 or former spouse.

21 (3) "Eligible retirement plan" means:

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

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

26 (C) an annuity plan as described by Section
27 403(a) of the code;

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

4 (E) an annuity contract as described by Section
5 403(b) of the code;

6 (F) a qualified trust as described by Section
7 401(a) of the code that accepts the distributee's eligible rollover
8 distribution; and

9 (G) in the case of an eligible rollover
10 distribution, for a designated beneficiary that is not the
11 surviving spouse, a spouse, or a former spouse who is an alternate
12 payee under a qualified domestic relations order, an eligible
13 retirement plan means only an individual retirement account or
14 individual retirement annuity that is established for the purpose
15 of receiving the distribution on behalf of the beneficiary.

16 (4) "Eligible rollover distribution" means any
17 distribution of all or any portion of the balance to the credit of
18 the distributee, except that an eligible rollover distribution does
19 not include:

20 (A) any distribution that is one of a series of
21 substantially equal periodic payments, not less frequently than
22 annually, made for life or life expectancy of the distributee or the
23 joint lives or joint life expectancies of the distributee and the
24 distributee's designated beneficiary or for a specified period of
25 10 years or more;

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

1 (C) any distribution that is made on hardship of
2 the employee.

3 (d) The annual compensation for each member [~~total salary~~]
4 taken into account for any purpose under this article [~~for any~~
5 ~~member of the pension system~~] may not exceed \$200,000 for any year
6 for an eligible participant, or for years beginning after 2001 for
7 an ineligible participant, or \$150,000 a year before 2001 for an
8 ineligible participant. These dollar limits shall be adjusted from
9 time to time in accordance with guidelines provided by the United
10 States secretary of the treasury and must comply with Section
11 401(a)(17) of the code. For purposes of this subsection, an
12 eligible participant is a person who first became an active member
13 before 1996, and an ineligible participant is a member who is not an
14 eligible participant.

15 (g) Distribution of benefits must begin not later than April
16 1 of the year following the calendar year during which the member
17 eligible for [~~entitled to~~] the benefits becomes 70-1/2 years of age
18 or terminates employment with the employer, whichever is later, and
19 must otherwise conform to Section 401(a)(9) of the code.

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

23 (1) the 415(b) limitation with respect to any member
24 who at any time has been a member in any other defined benefit plan
25 as defined in Section 414(j) of the code maintained by the city
26 shall apply as if the total benefits payable under all the defined
27 benefit plans in which the member has been a member were payable

1 from one plan; and

2 (2) the 415(c) limitation with respect to any member
3 who at any time has been a member in any other defined contribution
4 plan as defined in Section 414(i) of the code maintained by the city
5 shall apply as if the total annual additions under all such defined
6 contribution plans in which the member has been a member were
7 payable from one plan.

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

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

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

19 (3) in no event may a member's annual benefit payable
20 under the pension system, including any DROP benefits, in any
21 limitation year be greater than the limit applicable at the annuity
22 starting date, as increased in subsequent years pursuant to Section
23 415(d) of the code, including regulations adopted under that
24 section; and

25 (4) the "annual benefit" means a benefit payable
26 annually in the form of a straight life annuity, with no ancillary
27 benefits, without regard to the benefit attributable to any

1 after-tax employee contributions, unless attributable under
2 Section 415(n) of the code, and to rollover contributions as
3 defined in Section 415(b)(2)(A) of the code. For purposes of this
4 subdivision, the "benefit attributable" shall be determined in
5 accordance with applicable federal regulations.

6 (h-2) For purposes of adjustments to the basic limitation
7 under Section 415(b) of the code in the form of benefits, the
8 following provisions apply:

9 (1) if the benefit under the pension system is other
10 than the form specified in Subsections (h-1)(1)-(3) of this
11 section, including DROP benefits, the benefit shall be adjusted so
12 that it is the equivalent of the annual benefit, using factors
13 prescribed in applicable federal regulations; and

14 (2) if the form of benefit without regard to the
15 automatic benefit increase feature is not a straight life annuity
16 or a qualified joint and survivor annuity, Subdivision (1) of this
17 subsection is applied by either reducing the limit under Section
18 415(b) of the code applicable at the annuity starting date or
19 adjusting the form of benefit to an actuarially equivalent amount
20 determined by using the assumptions specified in Treasury
21 Regulation Section 1.415(b)-1(c)(2)(ii) that takes into account
22 the additional benefits under the form of benefit as follows:

23 (A) for a benefit paid in a form to which Section
24 417(e)(3) of the code does not apply, the actuarially equivalent
25 straight life annuity benefit that is the greater of:

26 (i) the annual amount of the straight life
27 annuity, if any, payable to the member under the pension system

1 commencing at the same annuity starting date as the form of benefit
2 to the member or the annual amount of the straight life annuity
3 commencing at the same annuity starting date that has the same
4 actuarial present value as the form of benefit payable to the
5 member, computed using a five percent interest assumption or the
6 applicable statutory interest assumption; and

7 (ii) for years prior to January 1, 2009, the
8 applicable mortality tables described in Treasury Regulation
9 Section 1.417(e)-1(d)(2), and for years after December 31, 2008,
10 the applicable mortality tables described in Section 417(e)(3)(B)
11 of the code; or

12 (B) for a benefit paid in a form to which Section
13 417(e)(3) of the code applies, the actuarially equivalent straight
14 life annuity benefit that is the greatest of:

15 (i) the annual amount of the straight life
16 annuity commencing at the annuity starting date that has the same
17 actuarial present value as the particular form of benefit payable,
18 computed using the interest rate and mortality table, or tabular
19 factor, specified in the plan for actuarial experience;

20 (ii) the annual amount of the straight life
21 annuity commencing at the annuity starting date that has the same
22 actuarial present value as the particular form of benefit payable,
23 computed using a 5.5 percent interest assumption or the applicable
24 statutory interest assumption, and for years prior to January 1,
25 2009, the applicable mortality tables for the distribution under
26 Treasury Regulation Section 1.417(e)-1(d)(2), and for years after
27 December 31, 2008, the applicable mortality tables described in

1 Section 417(e)(3)(B) of the code; or
2 (iii) the annual amount of the straight
3 life annuity commencing at the annuity starting date that has the
4 same actuarial present value as the particular form of benefit
5 payable computed using the applicable interest rate for the
6 distribution under Treasury Regulation Section 1.417(e)-1(d)(3)
7 using the rate in effect for the month prior to retirement before
8 January 1, 2017, and using the rate in effect for the first day of
9 the plan year with a one-year stabilization period on and after
10 January 1, 2017, and for years prior to January 1, 2009, the
11 applicable mortality tables for the distribution under Treasury
12 Regulation Section 1.417(e)-1(d)(2), and for years after December
13 31, 2008, the applicable mortality tables described in Section
14 417(e)(3)(B) of the code, divided by 1.05.

15 (h-3) The pension system actuary may adjust the limitation
16 under Section 415(b) of the code at the annuity starting date in
17 accordance with Subsections (h-1) and (h-2) of this section.

18 (h-4) The following are benefits for which no adjustment of
19 the limitation in Section 415(b) of the code is required:

20 (1) any ancillary benefit that is not directly related
21 to retirement income benefits;

22 (2) the portion of any joint and survivor annuity that
23 constitutes a qualified joint and survivor annuity; and

24 (3) any other benefit not required under Section
25 415(b)(2) of the code and regulations adopted under that section to
26 be taken into account for purposes of the limitation of Section
27 415(b)(1) of the code.

1 (h-5) The following provisions apply to other adjustments
2 of the limitation under Section 415(b) of the code:

3 (1) in the event the member's pension benefits become
4 payable before the member attains 62 years of age, the limit
5 prescribed by this section shall be reduced in accordance with
6 federal regulations adopted under Section 415(b) of the code, so
7 that that limit, as reduced, equals an annual straight life annuity
8 benefit when the retirement income benefit begins, that is
9 equivalent to a \$160,000, as adjusted, annual benefit beginning at
10 62 years of age;

11 (2) in the event the member's benefit is based on at
12 least 15 years of service as a full-time employee of any police or
13 fire department or on 15 years of military service, in accordance
14 with Sections 415(b)(2)(G) and (H) of the code, the adjustments
15 provided for in Subdivision (1) of this section may not apply; and

16 (3) in accordance with Section 415(b)(2)(I) of the
17 code, the reductions provided for in Subdivision (1) of this
18 section may not be applicable to preretirement disability benefits
19 or preretirement death benefits.

20 (h-6) The following provisions of this subsection govern
21 adjustment of the defined benefit dollar limitation for benefits
22 commenced after 65 years of age:

23 (1) if the annuity starting date for the member's
24 benefit is after 65 years of age and the pension system does not
25 have an immediately commencing straight life annuity payable at
26 both 65 years of age and the age of benefit commencement, the
27 defined benefit dollar limitation at the member's annuity starting

1 date is the annual amount of a benefit payable in the form of a
2 straight life annuity commencing at the member's annuity starting
3 date that is the actuarial equivalent of the defined benefit dollar
4 limitation, with actuarial equivalence computed using a five
5 percent interest rate assumption and the applicable mortality table
6 for that annuity starting date as defined in Section 417(e)(3)(B)
7 of the code, expressing the member's age based on completed
8 calendar months as of the annuity starting date;

9 (2) if the annuity starting date for the member's
10 benefit is after age 65, and the pension system has an immediately
11 commencing straight life annuity payable at both 65 years of age and
12 the age of benefit commencement, the defined benefit dollar
13 limitation at the member's annuity starting date is the lesser of
14 the limitation determined under Subdivision (1) of this section and
15 the defined benefit dollar limitation multiplied by the ratio of
16 the annual amount of the adjusted immediately commencing straight
17 life annuity under the pension system at the member's annuity
18 starting date to the annual amount of the adjusted immediately
19 commencing straight life annuity under the pension system at 65
20 years of age, both determined without applying the limitations of
21 this subsection; and

22 (3) notwithstanding the other requirements of this
23 section:

24 (A) no adjustment shall be made to reflect the
25 probability of a member's death between the annuity starting date
26 and 62 years of age, or between 65 years of age and the annuity
27 starting date, as applicable, if benefits are not forfeited on the

1 death of the member prior to the annuity starting date; and

2 (B) to the extent benefits are forfeited on death
3 before the annuity starting date, the adjustment shall be made, and
4 for this purpose no forfeiture shall be treated as occurring on the
5 member's death if the pension system does not charge members for
6 providing a qualified preretirement survivor annuity, as defined in
7 Section 417(c) of the code, on the member's death.

8 (h-7) For the purpose of Subsection (h-6)(2) of this
9 section, the adjusted immediately commencing straight life annuity
10 under the pension system at the member's annuity starting date is
11 the annual amount of such annuity payable to the member, computed
12 disregarding the member's accruals after 65 years of age but
13 including actuarial adjustments even if those actuarial
14 adjustments are used to offset accruals, and the adjusted
15 immediately commencing straight life annuity under the pension
16 system at 65 years of age is the annual amount of the annuity that
17 would be payable under the pension system to a hypothetical member
18 who is 65 years of age and has the same accrued benefit as the
19 member.

20 (h-8) The maximum pension benefits payable to any member who
21 has completed less than 10 years of participation shall be the
22 amount determined under Subsection (h-1) of this section, as
23 adjusted under Subsection (h-2) or (h-5) of this section,
24 multiplied by a fraction, the numerator of which is the number of
25 the member's years of participation and the denominator of which is
26 10. The limit under Subsection (h-9) of this section concerning the
27 \$10,000 limit shall be similarly reduced for any member who has

1 accrued less than 10 years of service, except the fraction shall be
2 determined with respect to years of service instead of years of
3 participation. The reduction provided by this subsection cannot
4 reduce the maximum benefit below 10 percent of the limit determined
5 without regard to this subsection. The reduction provided for in
6 this subsection may not be applicable to preretirement disability
7 benefits or preretirement death benefits.

8 (h-9) Notwithstanding Subsection (h-8) of this section, the
9 pension benefit payable with respect to a member shall be deemed not
10 to exceed the limit provided by Section 415 of the code if the
11 benefits payable, with respect to such member under this pension
12 system and under all other qualified defined benefit pension plans
13 to which the city contributes, do not exceed \$10,000 for the
14 applicable limitation year and for any prior limitation year and
15 the city has not at any time maintained a qualified defined
16 contribution plan in which the member participated.

17 (h-10) On and after January 1, 1995, for purposes of
18 applying the limits under Section 415(b) of the code to a member's
19 benefit paid in a form to which Section 417(e)(3) of the code does
20 not apply, the following provisions apply:

21 (1) a member's applicable limit shall be applied to the
22 member's annual benefit in the member's first limitation year
23 without regard to any cost-of-living adjustments under Section 12
24 of this article;

25 (2) to the extent that the member's annual benefit
26 equals or exceeds the limit, the member shall no longer be eligible
27 for cost-of-living increases until such time as the benefit plus

1 the accumulated increases are less than the limit; and

2 (3) after the time prescribed by Subdivision (2) of
3 this subsection, in any subsequent limitation year, a member's
4 annual benefit, including any cost-of-living increases under
5 Section 12 of this article, shall be tested under the applicable
6 benefit limit, including any adjustment under Section 415(d) of the
7 code to the dollar limit under Section 415(b)(1)(A) of the code, and
8 the regulations under those sections.

9 (h-11) Any repayment of contributions, including interest
10 on contributions, to the plan with respect to an amount previously
11 refunded on a forfeiture of service credit under the plan or another
12 governmental plan maintained by the pension system may not be taken
13 into account for purposes of Section 415 of the code, in accordance
14 with applicable federal regulations.

15 (h-12) Reduction of benefits or contributions to all plans,
16 where required, shall be accomplished by:

17 (1) first, reducing the member's benefit under any
18 defined benefit plans in which the member participated, with the
19 reduction to be made first with respect to the plan in which the
20 member most recently accrued benefits and then in the priority
21 determined by the pension system and the plan administrator of such
22 other plans; and

23 (2) next, reducing or allocating excess forfeitures
24 for defined contribution plans in which the member participated,
25 with the reduction to be made first with respect to the plan in
26 which the member most recently accrued benefits and then in the
27 priority determined by the pension system and the plan

1 administrator for such other plans.

2 (h-13) Notwithstanding Subsection (h-12) of this section,
3 reductions may be made in a different manner and priority pursuant
4 to the agreement of the pension system and the plan administrator of
5 all other plans covering such member. [~~If the amount of any benefit~~
6 ~~is to be determined on the basis of actuarial assumptions that are~~
7 ~~not otherwise specifically set forth for that purpose in this~~
8 ~~article, the actuarial assumptions to be used are those earnings~~
9 ~~and mortality assumptions being used on the date of the~~
10 ~~determination by the pension system's actuary and approved by the~~
11 ~~board. The actuarial assumptions being used at any particular time~~
12 ~~shall be attached as an addendum to a copy of this article and~~
13 ~~treated for all purposes as a part of this article. The actuarial~~
14 ~~assumptions may be changed by the pension system's actuary at any~~
15 ~~time if approved by the board, but a change in actuarial assumptions~~
16 ~~may not result in any decrease in benefits accrued as of the~~
17 ~~effective date of the change.]~~

18 SECTION 2.26. Section 26(b)(3), Article 6243g-4, Revised
19 Statutes, is amended to read as follows:

20 (3) "Maximum benefit" means the retirement benefit a
21 retired member and the spouse, dependent child, or dependent parent
22 of a retired member or deceased member or retiree are eligible
23 [~~entitled~~] to receive from all qualified plans in any month after
24 giving effect to Section 25(b) of this article and any similar
25 provisions of any other qualified plans designed to conform to
26 Section 415 of the code.

27 SECTION 2.27. Sections 26(c), (d), and (e), Article

1 6243g-4, Revised Statutes, are amended to read as follows:

2 (c) An excess benefit participant who is receiving benefits
3 from the pension system is eligible for [~~entitled to~~] a monthly
4 benefit under this excess benefit plan in an amount equal to the
5 lesser of:

6 (1) the member's unrestricted benefit less the maximum
7 benefit; or

8 (2) the amount by which the member's monthly benefit
9 from the fund has been reduced because of the limitations of Section
10 415 of the code.

11 (d) If a spouse, dependent child, or dependent parent is
12 eligible for [~~entitled to~~] preretirement or postretirement death
13 benefits under a qualified plan after the death of an excess benefit
14 participant, the surviving spouse, dependent child, or dependent
15 parent is eligible for [~~entitled to~~] a monthly benefit under the
16 excess benefit plan equal to the benefit determined in accordance
17 with this article without regard to the limitations under Section
18 25(b) of this article or Section 415 of the code, less the maximum
19 benefit.

20 (e) Any benefit to which a person is eligible [~~entitled~~]
21 under this section shall be paid at the same time and in the same
22 manner as the benefit would have been paid from the pension system
23 if payment of the benefit from the pension system had not been
24 precluded by Section 25(b) of this article. An excess benefit
25 participant or any beneficiary may not, under any circumstances,
26 elect to defer the receipt of all or any part of a payment due under
27 this section.

1 SECTION 2.28. The heading to Section 27, Article 6243g-4,
2 Revised Statutes, is amended to read as follows:

3 Sec. 27. CERTAIN WRITTEN AGREEMENTS BETWEEN PENSION SYSTEM
4 AND CITY AUTHORIZED [~~AGREEMENT TO CHANGE BENEFITS~~].

5 SECTION 2.29. Section 27, Article 6243g-4, Revised
6 Statutes, is amended by amending Subsection (b) and adding
7 Subsection (c) to read as follows:

8 (b) A pension benefit or allowance provided by this article
9 may be increased if the increase:

10 (1) is first approved by a qualified actuary selected
11 by the board;

12 (2) is approved by the board and the city in a written
13 agreement as authorized by this section; and

14 (3) does not deprive a member, without the member's
15 written consent, of a right to receive benefits when [~~that have~~
16 ~~become fully vested and matured in~~] the member is fully eligible.

17 (c) In a written agreement entered into between the city and
18 the board under this section, the parties may not:

19 (1) alter Sections 9 through 9E of this article,
20 except and only to the extent necessary to comply with federal law;

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

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

27 (4) allow a city contribution rate in any year that is

1 less than or greater than the city contribution rate required under
2 Section 9D or 9E of this article, as applicable.

3 SECTION 2.30. Section 29, Article 6243g-4, Revised
4 Statutes, is amended by adding Subsections (c), (d), (e), (f), and
5 (g) to read as follows:

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

16 (d) A risk sharing valuation study prepared by either the
17 city actuary or the pension system actuary under Sections 9A
18 through 9E of this article may not:

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

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

25 (e) The information, data, and document exchanges under
26 Sections 9 through 9E of this article have all the protections
27 afforded by applicable law and are expressly exempt from the

1 disclosure requirements under Chapter 552, Government Code, except
2 as may be agreed to by the city and pension system in a written
3 agreement under Section 27 of this article.

4 (f) Subsection (e) of this section does not apply to:

5 (1) a proposed risk sharing valuation study prepared
6 by the pension system actuary and provided to the city actuary or
7 prepared by the city actuary and provided to the pension system
8 actuary under Section 9A(d) or 9B(b)(2) of this article; or

9 (2) a final risk sharing valuation study prepared
10 under Section 9A or 9B of this article.

11 (g) Before a union contract is approved by the city, the
12 mayor of the city must cause the city actuaries to deliver to the
13 mayor a report estimating the impact of the proposed union contract
14 on fund costs.

15 SECTION 2.31. Article 6243g-4, Revised Statutes, is amended
16 by adding Section 30 to read as follows:

17 Sec. 30. FORFEITURE OF BENEFITS. (a) Notwithstanding any
18 other law, a member who is convicted, after exhausting all appeals,
19 of an offense punishable as a felony of the first degree in relation
20 to, arising out of, or in connection with the member's service as a
21 classified police officer may not receive any benefits under this
22 article.

23 (b) After the member described by Subsection (a) of this
24 section is finally convicted, the member's spouse may apply for
25 benefits if the member, but for application of Subsection (a) of
26 this section, would have been eligible for a pension benefit or a
27 delayed payment of benefits. If the member would not have been

1 eligible for a pension benefit or a delayed payment of benefits, the
2 member's spouse may apply for a refund of the member's
3 contributions. A refund under this subsection does not include
4 interest and does not include contributions the city made on the
5 member's behalf. The city may not receive a refund of any
6 contributions the city made on the member's behalf.

7 SECTION 2.32. Sections 2(19) and (23), 8(b), 12(f), 14(f)
8 and (m), 15(h) and (j), and 18(b) and (c), Article 6243g-4, Revised
9 Statutes, are repealed.

10 SECTION 2.33. A city and board that have entered into one or
11 more agreements under Section 27, Article 6243g-4, Revised
12 Statutes, shall agree in writing that any provisions in the
13 agreements that specifically conflict with this Act are no longer
14 in effect, as of the year 2017 effective date, and any
15 nonconflicting provisions of the agreements remain in full force
16 and effect.

17 SECTION 2.34. The pension system established under Article
18 6243g-4, Revised Statutes, shall require the pension system actuary
19 to prepare the first actuarial experience study required under
20 Section 9C, Article 6243g-4, Revised Statutes, as added by this
21 Act, not later than September 30, 2022.

22 ARTICLE 3. MUNICIPAL EMPLOYEES PENSION SYSTEM

23 SECTION 3.01. Section 1, 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 Subdivisions (1),
26 (4), (5), (7), (11), (14), (18), and (26) and adding Subdivisions
27 (1-a), (1-b), (1-c), (1-d), (1-e), (1-f), (4-a), (4-b), (4-c),

1 (4-d), (4-e), (4-f), (11-a), (11-b), (11-c), (11-d), (11-e),
2 (11-f), (11-g), (11-h), (11-i), (11-j), (11-k), (12-a), (12-b),
3 (14-a), (14-b), (17-a), (18-a), (18-b), (20-a), (21-a), (26-a),
4 (26-b), (28), (29), (30), and (31) to read as follows:

5 (1) "Actuarial data" includes:

6 (A) the census data, assumption tables,
7 disclosure of methods, and financial information that are routinely
8 used by the pension system actuary for the pension system's studies
9 or an actuarial experience study under Section 8D of this Act; and

10 (B) other data that is reasonably necessary to
11 implement Sections 8A through 8F of this Act, as agreed to by the
12 city and pension board.

13 (1-a) "Actuarial experience study" has the meaning
14 assigned by Section 802.1014, Government Code.

15 (1-b) "Adjustment factor" means the assumed rate of
16 return less two percentage points.

17 (1-c) "Amortization period" means the time period
18 necessary to fully pay a liability layer.

19 (1-d) "Amortization rate" means the sum of the
20 scheduled amortization payments less the city contribution amount
21 for a given fiscal year for the liability layers divided by the
22 projected pensionable payroll for the same fiscal year.

23 (1-e) "Assumed rate of return" means the assumed
24 market rate of return on pension system assets, which is seven
25 percent per annum unless adjusted as provided by this Act.

26 (1-f) "Authorized absence" means:

27 (A) each day an employee is absent due to an

1 approved holiday, vacation, accident, or sickness, if the employee
2 is continued on the employment rolls of the city or the pension
3 system, receives the employee's regular salary from the city or the
4 pension system for each day of absence, and remains eligible to work
5 on recovery or return; or

6 (B) any period that a person is on military leave
7 of absence under Section 18(a) of this Act, provided the person
8 complies with the requirements of that section.

9 (4) "City" means a municipality having a population of
10 more than two [~~1.5~~] million.

11 (4-a) "City contribution amount" means, for each
12 fiscal year, a predetermined payment amount expressed in dollars in
13 accordance with a payment schedule amortizing the legacy liability,
14 using the level percent of payroll method and the amortization
15 period and payoff year, that is included in the initial risk sharing
16 valuation study under Section 8C(a)(3) of this Act, as may be
17 restated from time to time in:

18 (A) a subsequent risk sharing valuation study to
19 reflect adjustments to the amortization schedule authorized by
20 Section 8E or 8F of this Act; or

21 (B) a restated initial risk sharing valuation
22 study or a subsequent risk sharing valuation study to reflect
23 adjustments authorized by Section 8C(i) or (j) of this Act.

24 (4-b) "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 8E and 8F of this Act.

2 (4-c) "Corridor" means the range of city contribution
3 rates that are:

4 (A) equal to or greater than the minimum
5 contribution rate; and

6 (B) equal to or less than the maximum
7 contribution rate.

8 (4-d) "Corridor margin" means five percentage points.

9 (4-e) "Corridor midpoint" means the projected city
10 contribution rate specified for each fiscal year for 31 years in the
11 initial risk sharing valuation study under Section 8C of this Act,
12 and as may be adjusted under Section 8E or 8F of this Act, and in
13 each case rounded to the nearest hundredths decimal place.

14 (4-f) "Cost-of-living adjustment percentage" means a
15 percentage that:

16 (A) except as provided by Paragraph (B), is equal
17 to the pension system's five-year investment return, based on a
18 rolling five-year basis and net of investment expenses, minus the
19 adjustment factor, and multiplied by 50 percent; and

20 (B) may not be less than zero or more than two
21 percent.

22 (5) "Credited service" means each day of service and
23 prior service of a member for which:

24 (A) the city ~~has~~ and~~, for service in group A,~~
25 the member have ~~has~~ made required contributions to the pension
26 fund that were not subsequently withdrawn;

27 (B) the member has purchased service credit or

1 converted service credit from group B to group A by paying into the
2 pension fund required amounts that were not subsequently withdrawn;

3 (C) the member has reinstated service under
4 Section 7(g) of this Act; and

5 (D) the member has previously made payments to
6 the pension fund that, under then existing provisions of law, make
7 the member eligible for credit for the service and that were not
8 subsequently withdrawn.

9 (7) "Dependent child" means an unmarried natural or
10 legally adopted child of a member, deferred participant, or retiree
11 who:

12 (A) was supported by the member, deferred
13 participant, or retiree before the termination of employment of the
14 member, deferred participant, or retiree; and

15 (B) is under 21 years of age or is totally and
16 permanently disabled from performing any full-time employment
17 because of an injury, illness, serious mental illness, intellectual
18 disability, or pervasive development disorder [~~or retardation~~]
19 that began before the child became 18 years of age and before the
20 termination of employment [~~death~~] of the member, deferred
21 participant, or retiree.

22 (11) "Employee" means any person, including an elected
23 official during the official's service to the city, who is eligible
24 to be a member of the pension system or to participate in an
25 alternative retirement plan established under this Act and:

26 (A) who holds a municipal position or a position
27 with the pension system;

1 (B) whose name appears on a regular full-time
2 payroll of a city or of the pension fund; and

3 (C) who is paid a regular salary for services.

4 (11-a) "Employer normal cost rate" means the normal
5 cost rate minus the applicable member contribution rate for newly
6 hired employees, initially set as three percent for group D members
7 on the year 2017 effective date. The present value of additional
8 member contributions different from the group D rate taken into
9 account for purposes of determining the employer normal cost rate
10 must be applied toward the actuarial accrued liability.

11 (11-b) "Estimated city contribution amount" means the
12 city contribution amount estimated in a final risk sharing
13 valuation study under Section 8B or 8C of this Act, as applicable,
14 as required by Section 8B(a)(5) of this Act.

15 (11-c) "Estimated city contribution rate" means the
16 city contribution rate estimated in a final risk sharing valuation
17 study under Section 8B or 8C of this Act, as applicable, as required
18 by Section 8B(a)(5) of this Act.

19 (11-d) "Estimated total city contribution" means the
20 total city contribution estimated by the pension system actuary or
21 the city actuary, as applicable, by using the estimated city
22 contribution rates and the estimated city contribution amounts
23 recommended by each actuary for purposes of preparing the initial
24 risk sharing valuation study under Section 8C of this Act.

25 (11-e) "Fiscal year," except as provided by Section 1B
26 of this Act, means a fiscal year beginning on July 1 and ending on
27 June 30.

1 (11-f) "Funded ratio" means the ratio of the pension
2 system's actuarial value of assets divided by the pension system's
3 actuarial accrued liability.

4 (11-g) "Legacy liability" means the unfunded
5 actuarial accrued liability:

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

8 (i) changes to benefits and contributions
9 under this Act that took effect on the year 2017 effective date;

10 (ii) the deposit of pension obligation bond
11 proceeds on December 31, 2017, in accordance with Section 8C(j)(2)
12 of this Act; and

13 (iii) payments by the city and earnings at
14 the assumed rate of return allocated to the legacy liability from
15 July 1, 2016, to July 1, 2017, excluding July 1, 2017; and

16 (B) for each subsequent fiscal year:

17 (i) reduced by the city contribution amount
18 for that year allocated to the amortization of the legacy
19 liability; and

20 (ii) adjusted by the assumed rate of
21 return.

22 (11-h) "Level percent of payroll method" means the
23 amortization method that defines the amount of the liability layer
24 recognized each fiscal year as a level percent of pensionable
25 payroll until the amount of the liability layer remaining is
26 reduced to zero.

27 (11-i) "Liability gain layer" means a liability layer

1 that decreases the unfunded actuarial accrued liability.

2 (11-j) "Liability layer" means the legacy liability
3 established in the initial risk sharing valuation study under
4 Section 8C of this Act and the unanticipated change as established
5 in each subsequent risk sharing valuation study prepared under
6 Section 8B of this Act.

7 (11-k) "Liability loss layer" means a liability layer
8 that increases the unfunded actuarial accrued liability. For
9 purposes of this Act, the legacy liability is a liability loss
10 layer.

11 (12-a) "Maximum contribution rate" means the rate
12 equal to the corridor midpoint plus the corridor margin.

13 (12-b) "Minimum contribution rate" means the rate
14 equal to the corridor midpoint minus the corridor margin.

15 (14) "Military service" means active service in the
16 armed forces of the United States or wartime service in the armed
17 forces of the United States or in the allied forces, if credit for
18 military service has not been granted under any federal or other
19 state system or used in any other retirement system, except as
20 expressly required under federal law.

21 (14-a) "Normal cost rate" means the salary weighted
22 average of the individual normal cost rates determined for the
23 current active population, plus the assumed administrative
24 expenses determined in the most recent actuarial experience study
25 conducted under Section 8D of this Act, expressed as a rate,
26 provided the assumed administrative expenses may not exceed 1.25
27 percent of pensionable payroll for the current fiscal year unless

1 agreed to by the city.

2 (14-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 (17-a) "Pension obligation bond" means a bond issued
7 in accordance with Chapter 107, Local Government Code.

8 (18) "Pension system," unless the context otherwise
9 requires, means the retirement, disability, and survivor benefit
10 plans for municipal employees of a city under this Act and employees
11 under Section 3(d) of this Act. In this context, the term does not
12 include a cash balance retirement plan established under Section 1C
13 of this Act.

14 (18-a) "Pension system actuary" means the actuary
15 engaged by the pension system under Section 2B of this Act.

16 (18-b) "Pensionable payroll" means the combined
17 salaries, in an applicable fiscal year, paid to all:

18 (A) members; and

19 (B) if applicable, participants in any
20 alternative retirement plan established under Section 1C of this
21 Act, including a cash balance retirement plan established under
22 that section.

23 (20-a) "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 city and the pension board entered
3 into under Section 3(n) of this Act.

4 (21-a) "Projected pensionable payroll" means the
5 estimated pensionable payroll for the fiscal year beginning 12
6 months after the date of the risk sharing valuation study prepared
7 under Section 8B of this Act, at the time of calculation by:

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

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

15 (26) "Surviving spouse" means a spouse by marriage of
16 [person who was married to] a member, deferred participant, or
17 retiree at the time of death of the member, deferred participant, or
18 retiree and as of the date of ~~before~~ separation from service by
19 the member, deferred participant, or retiree.

20 (26-a) "Third quarter line rate" means the corridor
21 midpoint plus 2.5 percentage points.

22 (26-b) "Total city contribution" means, for a fiscal
23 year, an amount equal to the sum of:

24 (A) the city contribution rate multiplied by the
25 pensionable payroll for the fiscal year; and

26 (B) the city contribution amount for the fiscal
27 year.

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

13 (29) "Unfunded actuarial accrued liability" means the
14 difference between the actuarial accrued liability and the
15 actuarial value of assets. For purposes of this definition:

16 (A) "actuarial accrued liability" means the
17 portion of the actuarial present value of projected benefits
18 attributed to past periods of member service based on the cost
19 method used in the risk sharing valuation study prepared under
20 Section 8B or 8C of this Act, as applicable; and

21 (B) "actuarial value of assets" means the value
22 of pension plan investments as calculated using the asset smoothing
23 method used in the risk sharing valuation study prepared under
24 Section 8B or 8C of this Act, as applicable.

25 (30) "Unanticipated change" means, with respect to the
26 unfunded actuarial accrued liability in each subsequent risk
27 sharing valuation study prepared under Section 8B of this Act, the

1 difference between:

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

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

7 (31) "Year 2017 effective date" means the date on
8 which S.B. No. 2190, Acts of the 85th Legislature, Regular Session,
9 2017, took effect.

10 SECTION 3.02. 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 1A, 1B, 1C, 1D, and
13 1E to read as follows:

14 Sec. 1A. INTERPRETATION OF ACT. This Act does not and may
15 not be interpreted to:

16 (1) relieve the city, the pension board, or the
17 pension system of their respective obligations under Sections 8A
18 through 8F of this Act;

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

23 (3) relieve the city, including any official or
24 employee of the city, from:

25 (A) paying or directing to pay required
26 contributions to the pension system or fund under Section 8 or 8A of
27 this Act or carrying out the provisions of Sections 8A through 8F of

1 this Act; or

2 (B) reducing or modifying the rights of the
3 pension board and any officer or employee of the pension board or
4 pension system to enforce obligations described by Subdivision (1)
5 of this section;

6 (4) relieve the pension board or pension system,
7 including any officer or employee of the pension board or pension
8 system, from any obligation to implement a benefit change or carry
9 out the provisions of Sections 8A through 8F of this Act; or

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

13 Sec. 1B. FISCAL YEAR. If either the pension system or the
14 city changes its respective fiscal year, the pension system and the
15 city shall enter into a written agreement under Section 3(n) of this
16 Act to adjust the provisions of Sections 8A through 8F of this Act
17 to reflect that change for purposes of this Act.

18 Sec. 1C. ALTERNATIVE RETIREMENT PLANS.

19 (a) Notwithstanding any other law, including Section 8H of this
20 Act, and except as provided by Subsection (b) of this section, the
21 pension board and the city may enter into a written agreement under
22 Section 3(n) of this Act to offer an alternative retirement plan or
23 plans, including cash balance retirement plans, if both parties
24 consider it appropriate.

25 (b) Notwithstanding any other law, including Section 8H of
26 this Act, and except as provided by Subsection (d) of this section,
27 if, on or after September 1, 2027, the funded ratio of the pension

1 system is less than 60 percent as determined in a final risk sharing
2 valuation study prepared under Section 8B of this Act without
3 making any adjustments under Section 8E or 8F of this Act, or if, on
4 or after September 1, 2027, the funded ratio of the pension system
5 is less than 60 percent as determined in a revised and restated risk
6 sharing valuation study prepared under Section 8B(a)(8) of this
7 Act, the pension board and the city shall, as soon as practicable
8 but not later than the 60th day after the date the determination is
9 made:

10 (1) enter into a written agreement under Section 3(n)
11 of this Act to establish, as an alternative retirement plan under
12 this section, a cash balance retirement plan that complies with
13 Section 1D of this Act; and

14 (2) require each employee hired by the city on or after
15 the date the cash balance retirement plan is established to
16 participate in the cash balance retirement plan established under
17 this subsection instead of participating in the pension system,
18 provided the employee would have otherwise been eligible to
19 participate in the pension system.

20 (c) Notwithstanding any other law, including Section 8H of
21 this Act, and except as provided by Subsection (d) of this section,
22 if, on or after September 1, 2027, the pension board and the city
23 fail to establish a cash balance retirement plan within the time
24 prescribed by Subsection (b) of this section, the city shall by
25 ordinance:

26 (1) unilaterally establish, as an alternative
27 retirement plan, a cash balance retirement plan that complies with

1 Section 1D of this Act; and

2 (2) require each employee hired by the city on or after
3 the date the cash balance retirement plan is established to
4 participate in the cash balance retirement plan established under
5 this subsection instead of participating in the pension system,
6 provided the employee would have otherwise been eligible to
7 participate in the pension system.

8 (d) If the city fails to deliver the proceeds of the pension
9 obligation bonds described by Section 8C(j)(1) of this Act within
10 the time prescribed by that subdivision, notwithstanding the funded
11 ratio of the pension system:

12 (1) the pension board and the city may not establish a
13 cash balance retirement plan under Subsection (b) of this section;
14 and

15 (2) the city may not establish a cash balance
16 retirement plan under Subsection (c) of this section.

17 Sec. 1D. REQUIREMENTS FOR CERTAIN CASH BALANCE RETIREMENT
18 PLANS. (a) In this section:

19 (1) "Cash balance retirement plan" means a cash
20 balance retirement plan established by written agreement under
21 Section 1C(b) or by ordinance under Section 1C(c) of this Act.

22 (2) "Interest" means the interest earned as the result
23 of returns on investments, which may not exceed a percentage rate
24 equal to the cash balance retirement plan's most recent five fiscal
25 years' smoothed rate of return.

26 (3) "Participant" means an employee who participates
27 in a cash balance retirement plan.

1 (b) The written agreement or ordinance establishing a cash
2 balance retirement plan must:

3 (1) provide for the administration of the cash balance
4 retirement plan;

5 (2) provide for a closed amortization period not to
6 exceed 15 years from the date an actuarial gain or loss is realized;

7 (3) require that city and participant contributions be
8 credited to an account maintained for the benefit of the
9 participant;

10 (4) provide for the crediting of interest to the
11 participant's account;

12 (5) include a vesting schedule;

13 (6) include benefit options, including options for
14 participants who separate from service prior to retirement;

15 (7) provide for death and disability benefits;

16 (8) allow a participant who is eligible to retire
17 under the plan to elect to:

18 (A) receive a monthly annuity payable for the
19 life of the participant in an amount actuarially determined on the
20 date of the participant's retirement based on the participant's
21 accumulated account balance annuitized in accordance with the
22 actuarial assumptions and actuarial methods established in the
23 written agreement or ordinance establishing the plan, except that
24 the discount rate applied may not exceed the pension system's
25 assumed rate of return in the most recent risk sharing valuation
26 study;

27 (B) receive a single lump-sum payment of the

1 participant's accumulated account balance; or
2 (C) receive a single, partial lump-sum payment
3 from the participant's accumulated account balance and a monthly
4 annuity payable for life in an amount determined in accordance with
5 Paragraph (A) of this subdivision based on the participant's
6 account balance after receiving the partial lump-sum payment; and
7 (9) include any other provision determined necessary
8 by the pension board and the city if the plan is established under
9 Section 1C(b) of this Act or by the city if the plan is established
10 under Section 1C(c) of this Act.

11 (c) The written agreement or ordinance establishing a cash
12 balance retirement plan must address whether employees who were
13 employed by the city before the date the cash balance retirement
14 plan was established and who resumed employment with the city on or
15 after the date the cash balance retirement plan was established are
16 required to participate in the pension system or in the cash balance
17 retirement plan.

18 (d) Notwithstanding any other law, including Section 5 of
19 this Act, an employee who participates in a cash balance retirement
20 plan:

21 (1) except as provided by Subsection (c) of this
22 section, is not eligible to be a member of and may not participate
23 in the pension system; and

24 (2) may not earn credited service in the pension
25 system during the period the employee is participating in the cash
26 balance retirement plan.

27 (e) The combined city contribution for the cash balance

1 retirement plan and the pension system may not:

2 (1) exceed the city contribution for the pension
3 system calculated as if all participants in the cash balance
4 retirement plan were active members of the pension system; or

5 (2) be less than the required normal cost contribution
6 for the pension system calculated as if all participants in the cash
7 balance retirement plan were active members of the pension system.

8 Sec. 1E. CONFLICT OF LAW. To the extent of a conflict
9 between this Act and any other law, this Act prevails.

10 SECTION 3.03. Section 2, Chapter 88 (H.B. 1573), Acts of the
11 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
12 Texas Civil Statutes), is amended by amending Subsections (c), (d),
13 (g), (j), (l), and (n) and adding Subsections (c-1), (c-2), (c-3),
14 (c-4), (j-1), (j-2), (ee), (ff), (gg), (hh), (ii), and (jj) to read
15 as follows:

16 (c) The pension board consists of 11 [~~nine~~] trustees as
17 follows:

18 (1) one person appointed by the mayor of the city [~~or~~
19 ~~the director of the civil service commission as the mayor's~~
20 ~~representative~~];

21 (2) one person appointed by the controller of the city
22 [~~treasurer or a person performing the duties of treasurer~~];

23 (3) four municipal employees of the city who are
24 members of the pension system;

25 (4) two retirees, each of whom:

26 (A) has at least five years of credited service
27 in the pension system;

1 (B) receives a retirement pension from the
2 pension system; and

3 (C) is not an officer or employee of the city;
4 [~~and~~]

5 (5) one person appointed by the elected trustees who~~+~~
6 [~~(A)~~] has been a resident of this state for the
7 three years preceding the date of initial appointment; and

8 (6) two persons appointed by the governing body of the
9 city [~~(B) is not a city officer or employee~~].

10 (c-1) To serve as a trustee under Subsection (c)(1), (2), or
11 (6) of this section, a person may not be a participant in or
12 beneficiary of the pension system.

13 (c-2) A trustee appointed under Subsection (c)(1), (2),
14 (5), or (6) of this section must have expertise in at least one of
15 the following areas: accounting, finance, pensions, investments,
16 or actuarial science. Of the trustees appointed under Subsections
17 (c)(1), (2), and (6) of this section, not more than two trustees may
18 have expertise in the same area.

19 (c-3) A trustee appointed under Subsection (c)(1) 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 mayor. The mayor shall fill a vacancy caused by the
23 trustee's death, resignation, or removal and the person appointed
24 to fill the vacancy shall serve the remainder of the unexpired term
25 of the replaced trustee and may not serve beyond the expiration of
26 the unexpired term unless appointed by the mayor.

27 (c-4) A trustee appointed under Subsection (c)(2) of this

1 section shall serve a three-year term expiring in July of the
2 applicable year. The appointed trustee may be removed at any time
3 by the controller. The controller shall fill a vacancy caused by
4 the trustee's death, resignation, or removal and the person
5 appointed to fill the vacancy shall serve the remainder of the
6 unexpired term of the replaced trustee and may not serve beyond the
7 expiration of the unexpired term unless appointed by the
8 controller.

9 (d) To serve as a trustee under Subsection (c)(3) of this
10 section, a person must be a member with at least five years of
11 credited service and be elected by the active members of the pension
12 system voting at an election called by the pension board. No more
13 than two of the employee trustees may be employees of the same
14 department.

15 (g) To serve as a trustee under Subsection (c)(4) of this
16 section, a person must be elected by a majority of the retirees
17 voting [~~retired members of the pension system~~] at an election
18 called by the pension board.

19 (j) To serve as a trustee under Subsection (c)(5) of this
20 section, the person must be appointed by a vote of a majority of the
21 elected trustees of the pension board. The trustee appointed under
22 Subsection (c)(5) of this section shall serve [~~serves~~] a three-year
23 [~~two-year~~] term. The appointment or reappointment of the appointed
24 trustee shall take place in July [~~January~~] of the [~~each~~
25 ~~even-numbered~~] year in which the term ends. The appointed trustee
26 may be removed at any time by a vote of a majority of the elected
27 trustees of the pension board. A vacancy caused by the appointed

1 trustee's death, resignation, or removal shall be filled by the
2 elected trustees of the pension board. The appointee serves for the
3 remainder of the unexpired term of the replaced trustee. An
4 appointed trustee may not serve beyond the expiration of the
5 three-year [~~two-year~~] term unless a majority of [~~other than by~~
6 ~~appointment for a new term by~~] the elected trustees of the pension
7 board reappoint the trustee for a new term.

8 (j-1) To serve as a trustee under Subsection (c)(6) of this
9 section, a person must be appointed by a vote of a majority of the
10 members of the governing body of the city. Each trustee appointed
11 under Subsection (c)(6) of this section shall serve three-year
12 terms expiring in July of the applicable year. A trustee appointed
13 under Subsection (c)(6) of this section may be removed at any time
14 by a vote of a majority of the members of the governing body of the
15 city. A vacancy caused by the appointed trustee's death,
16 resignation, or removal shall be filled by a vote of a majority of
17 the members of the governing body of the city. A person appointed
18 to fill the vacancy shall serve the remainder of the unexpired term
19 of the replaced trustee, and may not serve beyond the expiration of
20 the unexpired term unless appointed by the governing body of the
21 city.

22 (j-2) If a majority of the pension board determines that a
23 trustee appointed under Subsection (c)(1), (2), or (6) of this
24 section has acted or is acting in a manner that conflicts with the
25 interests of the pension system or is in violation of this Act or
26 any agreement between the pension board and the city entered into
27 under Section 3(n) of this Act, the pension board may recommend to

1 the mayor, controller, or governing body, as appropriate, that the
2 appointed trustee be removed from the pension board. If the
3 appointed trustee was appointed by the governing body of the city,
4 an action item concerning the pension board's recommendation shall
5 be placed on the governing body's agenda for consideration and
6 action. The governing body shall make a determination on the
7 recommendation and communicate the determination to the pension
8 system not later than the 45th day after the date of the
9 recommendation.

10 (1) To serve on the pension board, each [~~Each~~] trustee
11 shall, on or before [~~at~~] the first pension board meeting following
12 the trustee's most recent election or appointment, take an oath of
13 office that the trustee:

14 (1) will diligently and honestly administer the
15 pension system; and

16 (2) will not knowingly violate this Act or willingly
17 allow a violation of this Act to occur.

18 (n) The person serving as a trustee under Subsection (c)(2)
19 of this section serves as the treasurer of the pension fund [~~under~~
20 ~~penalty of that person's official bond and oath of office~~]. The
21 treasurer shall file an [~~That person's~~] official bond payable to
22 the [~~city shall cover the person's position as treasurer of the~~
23 ~~pension system. The treasurer is~~ [~~fund, and that person's sureties~~
24 ~~are~~] liable on [~~for~~] the treasurer's official bond for the faithful
25 performance of the treasurer's duties under this Act in connection
26 with [~~actions pertaining to~~] the pension fund [~~to the same extent as~~
27 ~~the sureties are liable under the terms of the bond for other~~

1 ~~actions and conduct of the treasurer]~~.

2 (ee) A trustee appointed under Subsection (c)(1), (2), (5),
3 or (6) of this section who fails to attend at least 50 percent of all
4 regular pension board meetings, as determined annually each July 1,
5 may be removed from the pension board by the appointing entity. A
6 trustee removed under this subsection may not be appointed as a
7 trustee for one year following removal.

8 (ff) All trustees appointed under Subsection (c) of this
9 section shall complete minimum educational training requirements
10 established by the State Pension Review Board. The appointing
11 entity may remove an appointed trustee who does not complete
12 minimum educational training requirements during the period
13 prescribed by the State Pension Review Board.

14 (gg) The pension board shall adopt an ethics policy
15 governing, among other matters, conflicts of interest that each
16 trustee must comply with during the trustee's term on the pension
17 board.

18 (hh) During a trustee's term on the pension board and for
19 one year after leaving the pension board, a trustee may not
20 represent any other person or organization in any formal or
21 informal appearance before the pension board or pension system
22 staff concerning a matter for which the person has or had
23 responsibility as a trustee.

24 (ii) The pension board may establish standing or temporary
25 committees as necessary to assist the board in carrying out its
26 business, including committees responsible for risk management or
27 governance, investments, administration and compensation,

1 financial and actuarial matters, audits, disability
2 determinations, and agreements under Section 3(n) of this Act. The
3 pension board shall establish a committee responsible for
4 agreements under Section 3(n) of this Act that must be composed of
5 the elected trustees and the trustee appointed by the elected
6 trustees. Except for a committee responsible for agreements under
7 Section 3(n) of this Act and any committee responsible for
8 personnel issues:

9 (1) each committee must include at least one elected
10 trustee and one trustee appointed by the mayor, controller, or
11 governing body of the city;

12 (2) committee meetings are open to all trustees; and

13 (3) a committee may not make final decisions and may
14 only make recommendations to the pension board.

15 (jj) Subsections (x)(1) through (4), (y), and (cc) of this
16 section do not grant the pension board authority to modify or
17 terminate Sections 8A through 8F of this Act.

18 SECTION 3.04. 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 2A, 2B, 2C, and 2D to
21 read as follows:

22 Sec. 2A. CONFLICTS OF INTEREST. (a) The existence or
23 appearance of a conflict of interest on the part of any trustee is
24 detrimental to the proper functioning of the pension system if not
25 properly addressed. An appointed trustee may not deliberate or
26 vote on an action relating to the investment of pension system
27 assets if:

1 (1) the trustee or an entity with which the trustee is
2 affiliated:

3 (A) is a competitor or an affiliate of the person
4 or firm that is the subject of or otherwise under consideration in
5 the action; or

6 (B) likely would be subject to a due diligence
7 review by the person or firm that is under consideration in the
8 investment-related action; or

9 (2) the pension board otherwise determines that the
10 proposed action would create a direct or indirect benefit for the
11 appointed trustee or a firm with which the appointed trustee is
12 affiliated.

13 (b) The city attorney shall:

14 (1) provide annual training to trustees appointed by
15 the city regarding conflicts of interest; and

16 (2) to the extent authorized by city ordinances, at
17 the request of the external affairs committee of the pension board,
18 review and take appropriate action on a complaint alleging a
19 conflict of interest on the part of a city-appointed trustee.

20 Sec. 2B. PENSION SYSTEM ACTUARY; ACTUARIAL VALUATIONS.

21 (a) The pension board shall retain an actuary or actuarial firm
22 for purposes of this Act.

23 (b) At least annually, the pension system actuary shall make
24 a valuation of the assets and liabilities of the pension fund. The
25 valuation must include the risk sharing valuation study conducted
26 under Section 8B or 8C of this Act, as applicable.

27 (c) The pension system shall provide a report of the

1 valuation to the city.

2 Sec. 2C. QUALIFICATIONS OF CITY ACTUARY. (a) An actuary
3 hired by the city for purposes of this Act must be an actuary from a
4 professional service firm who:

5 (1) is not already engaged by the pension system or any
6 other pension system or fund authorized under Article 6243e.2(1) or
7 6243g-4, Revised Statutes, to provide actuarial services to the
8 pension system or fund, as applicable;

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

11 (3) is a fellow of the Society of Actuaries or a member
12 of the American Academy of Actuaries and who, in carrying out duties
13 for the city, has met the applicable requirements to issue
14 statements of actuarial opinion.

15 (b) Notwithstanding Subsection (a) of this section, the
16 city actuary must at least meet the qualifications required by the
17 board for the pension system actuary. The city actuary is not
18 required to have greater qualifications than those of the pension
19 system actuary.

20 Sec. 2D. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT
21 CONSULTANT. (a) At least once every three years, the board shall
22 hire an independent investment consultant, including an
23 independent investment consulting firm, to conduct a review of
24 pension system investments and submit a report to the board and the
25 city concerning the review or demonstrate in the pension system's
26 annual financial report that the review was conducted. The
27 independent investment consultant shall review and report on at

1 least the following:

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

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

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

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

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

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

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

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

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

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

27 (2) any nonpublic information provided for the pension

1 system for the review.

2 (c) The costs for the investment report required by this
3 section shall be paid from the pension fund.

4 SECTION 3.05. Section 3, Chapter 88 (H.B. 1573), Acts of the
5 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
6 Texas Civil Statutes), is amended by amending Subsections (f) and
7 (n) and adding Subsections (o), (p), (q), (r), and (s) to read as
8 follows:

9 (f) The pension board shall compensate from the pension fund
10 the persons performing services under Subsections (d) and (e) of
11 this section and may provide other employee benefits that the
12 pension board considers proper. Any person employed by the pension
13 board under Subsection (d) or (e) of this section who has service
14 credits with the pension system at the time of the person's
15 employment by the pension board retains the person's status in the
16 pension system. Any person employed by the pension system on or
17 after January 1, 2008, who does not have service credits with the
18 pension system at the time of employment is a group D [~~A~~] member in
19 accordance with Section 5 of this Act. The pension board shall
20 adopt a detailed annual budget detailing its proposed
21 administrative expenditures under this subsection for the next
22 fiscal year.

23 (n) Notwithstanding any other law and except as
24 specifically limited by Subsection (o) of this section, the pension
25 board may enter into a written agreement with the city regarding
26 pension issues and benefits. The agreement must be approved by the
27 pension board and the governing body of the city and signed by the

1 mayor and by the pension board or the pension board's designee. The
2 agreement is enforceable against and binding on the pension board,
3 the city, and the pension system, including the pension system's
4 members, retirees, deferred participants, beneficiaries, eligible
5 survivors, and alternate payees. Any reference in this Act to an
6 agreement between the city and the pension board or pension system
7 is a reference to an agreement entered under this subsection.

8 (o) In any written agreement entered into between the city
9 and the pension board under Subsection (n) of this section, the
10 parties may not:

11 (1) alter Sections 8A through 8F of this Act, except
12 and only to the extent necessary to comply with federal law;

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

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

19 (4) allow a total city contribution in any fiscal year
20 that is less than the total city contribution required under
21 Section 8E or 8F, as applicable, of this Act.

22 (p) Annually on or before the end of the fiscal year, the
23 pension board shall make a report to the mayor and the governing
24 body of the city, each of which shall provide a reasonable
25 opportunity for the pension board to prepare and present the
26 report.

27 (q) The pension board shall provide quarterly investment

1 reports to the mayor.

2 (r) At the mayor's request, the pension board shall meet,
3 discuss, and analyze with the mayor or the mayor's representatives
4 any city proposed policy changes and ordinances that may have a
5 financial effect on the pension system.

6 (s) The pension board shall work to reduce administrative
7 expenses, including by working with any other pension fund to which
8 the city contributes.

9 SECTION 3.06. Section 5, Chapter 88 (H.B. 1573), Acts of the
10 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
11 Texas Civil Statutes), is amended by amending Subsections (b), (e),
12 (f), and (g) and adding Subsections (j) and (k) to read as follows:

13 (b) Except as provided by Subsection (c), (j), or (k) of
14 this section and Sections 4 and 6 of this Act, an employee is a group
15 A member of the pension system as a condition of employment if the
16 employee:

17 (1) is hired or rehired as an employee by the city, the
18 predecessor system, or the pension system on or after September 1,
19 1999, and before January 1, 2008;

20 (2) was a member of the predecessor system before
21 September 1, 1981, under the terms of Chapter 358, Acts of the 48th
22 Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas
23 Civil Statutes), and did not make an election before December 1,
24 1981, under Section 22(a) of that Act to receive a refund of
25 contributions and become a group B member;

26 (3) was a group A member who terminated employment
27 included in the predecessor system before May 3, 1991, elected

1 under Section 16, Chapter 358, Acts of the 48th Legislature,
2 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil
3 Statutes), to leave the member's contributions in that pension
4 fund, met the minimum service requirements for retirement at an
5 attained age, was reemployed in a position included in the
6 predecessor system before September 1, 1999, and elected, not later
7 than the 30th day after the date reemployment began, to continue as
8 a group A member;

9 (4) became a member of, or resumed membership in, the
10 predecessor system as an employee or elected official of the city
11 after January 1, 1996, and before September 1, 1999, and elected by
12 submission of a signed and notarized form in a manner determined by
13 the pension board to become a group A member and to contribute a
14 portion of the person's salary to the pension fund as required by
15 Chapter 358, Acts of the 48th Legislature, Regular Session, 1943
16 (Article 6243g, Vernon's Texas Civil Statutes); or

17 (5) met the requirements of Section 3B, Chapter 358,
18 Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g,
19 Vernon's Texas Civil Statutes), or Subsection (f) of this section
20 for membership in group A.

21 (e) Any member or former member of the pension system
22 elected to an office of the city on or after September 1, 1999, and
23 before January 1, 2008, is [~~becomes~~] a group A member and is
24 eligible to receive credit for all previous service on the same
25 conditions as reemployed group A members under Sections 7(c), (d),
26 (e), and (f) of this Act, except as otherwise provided by this Act.
27 For purposes of this subsection [~~Notwithstanding any other~~

1 ~~provision in this Act or in Chapter 358, Acts of the 48th~~
2 ~~Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas~~
3 ~~Civil Statutes)]~~, consecutive terms of office of any elected member
4 who is elected to an office of the city are considered to be
5 continuous employment for purposes of this Act.

6 (f) Each group B member of the pension system may make an
7 irrevocable election on a date and in a manner determined by the
8 pension board to change membership from group B to group A:

9 (1) for future service only; or

10 (2) for future service and to convert all past group B
11 service to group A service and comply with the requirements of
12 Subsection (h) of this section provided the service is converted
13 before December 31, 2005.

14 (g) Each group A member with service in group B may make an
15 irrevocable election not later than December 31, 2005, [on a date]
16 and in a manner determined by the pension board to convert all group
17 B service to group A service and to comply with the requirements of
18 Subsection (h) of this section.

19 (j) Except as provided by Subsection (k) of this section or
20 Section 4 of this Act, an employee is a group D member of the pension
21 system as a condition of employment if the employee is hired as an
22 employee by the city or the pension system on or after January 1,
23 2008.

24 (k) Notwithstanding any provision of this section, for
25 purposes of Subsection (j) of this section:

26 (1) consecutive terms of office of an elected member
27 who is elected to an office of the city are considered to be

1 continuous employment; and

2 (2) a former employee who is rehired as an employee by
3 the city or the pension system on or after January 1, 2008, is, as a
4 condition of employment, a member of the group in which that
5 employee participated at the time of the employee's immediately
6 preceding separation from service.

7 SECTION 3.07. Section 6, Chapter 88 (H.B. 1573), Acts of the
8 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
9 Texas Civil Statutes), is amended by adding Subsections (k) and (l)
10 to read as follows:

11 (k) Notwithstanding any other law, including Subsection
12 (b)(3) of this section, Subsections (a) through (j) of this section
13 do not apply to any employee on or after January 1, 2005. An
14 employee who meets the definition of "executive official" under
15 Subsection (b)(3) of this section is a group A member beginning
16 January 1, 2005, for credited service earned on or after January 1,
17 2005, or a member of the applicable group under Section 5 of this
18 Act. This subsection does not affect:

19 (1) any credited service or benefit percentage accrued
20 in group C before January 1, 2005;

21 (2) any group C benefit that a deferred participant or
22 retiree is eligible to receive that was earned before January 1,
23 2005; or

24 (3) the terms of any obligation to purchase service
25 credit or convert service credit to group C that was entered into
26 before January 1, 2005.

27 (l) A group C member who terminates employment before

1 January 1, 2005, is subject to the retirement eligibility
2 requirements in effect on the date of the member's termination from
3 employment. A group C member who becomes a group A member under
4 Subsection (k) of this section on January 1, 2005, is subject to the
5 retirement eligibility requirements under Section 10 of this Act.

6 SECTION 3.08. Section 7, Chapter 88 (H.B. 1573), Acts of the
7 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
8 Texas Civil Statutes), is amended by amending Subsections (a), (c),
9 (e), (f), (g), and (h) and adding Subsections (g-1), (g-2), (i),
10 (j), (k), and (l) to read as follows:

11 (a) Notwithstanding any other provision of this Act,
12 duplication of service or credited service in group A, B, ~~C~~, or
13 D of the pension system or in the pension system and any other
14 defined benefit pension plan to which the city contributes is
15 prohibited.

16 (c) Except as provided by Section 12 of this Act, a ~~[group A]~~
17 member may pay into the pension fund and obtain credit for any
18 service with the city or the pension system for which credit is
19 otherwise allowable ~~[in group A]~~ under this Act, except that:

20 (1) no required contributions were made by the member
21 for the service; or

22 (2) refunded contributions attributable to the
23 service have not been subsequently repaid.

24 (e) To establish service described by Subsection (c) of this
25 section that occurred on or after September 1, 1999, the member
26 shall pay a sum computed by multiplying the member's salary during
27 the service by the rate established ~~[by the pension board]~~ for

1 member contributions under Section 8 of this Act, and the city shall
2 pay into the pension fund an amount equal to the rate established
3 for city contributions under Section 8A [~~8~~] of this Act [~~multiplied~~
4 ~~by that member's salary for the same period~~].

5 (f) In addition to the amounts to be paid by the member under
6 Subsection (d) or (e) of this section, the member shall also pay
7 interest on those amounts at the current assumed rate of return [~~six~~
8 ~~percent~~] per year, not compounded, from the date the contributions
9 would have been deducted, if made, or from the date contributions
10 were refunded to the date of repayment of those contributions into
11 the pension fund.

12 (g) Before the year 2017 effective date, if [~~If~~] a group B or
13 group D member separates from service before completing five years
14 of credited service, the member's service credit is canceled at the
15 time of separation. If the member is reemployed by the city in a
16 position covered by the pension system before the first anniversary
17 of the date of separation, all credit for previous service is
18 restored. Any member whose service credit is canceled under this
19 subsection and who is reemployed by the city in a position covered
20 by the pension system after the first anniversary of the date of
21 separation receives one year of previous service credit in group B
22 or group D, as applicable, for each full year of subsequent service
23 up to the amount of the previous service that was canceled.

24 (g-1) On or after the year 2017 effective date, if a group B
25 or group D member who has made required member contributions
26 separates from service before completing five years of credited
27 service, the member's service credit is canceled at the time of

1 separation and the member is eligible to receive a refund of
2 required member contributions as provided by Section 17 of this
3 Act. If the member is reemployed before the first anniversary of
4 the date of separation:

5 (1) subject to Subdivision (2) of this subsection, all
6 credit for previous service for which no member contributions were
7 required is restored, along with credit for previous service for
8 which the member did not receive a refund of contributions; and

9 (2) if the member's service credit is canceled under
10 this subsection, the member is eligible to reinstate the canceled
11 credited service by paying the pension system the refund amount, if
12 any, plus interest on those amounts at the current assumed rate of
13 return per year, not compounded, from the date contributions were
14 refunded to the date of repayment of those contributions to the
15 pension fund.

16 (g-2) For purposes of Subsection (g-1)(2) of this section,
17 for any canceled service for which contributions were not required,
18 the member receives one year of previous service credit in group B
19 or group D, as appropriate, for each full year of subsequent service
20 up to the amount of the previous service that was canceled.

21 (h) A group B member who was a group A member before
22 September 1, 1981, and who was eligible to purchase credit for
23 previous service under Chapter 358, Acts of the 48th Legislature,
24 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil
25 Statutes), may purchase the service credit in group B by paying into
26 the pension fund an amount equal to the assumed rate of return [~~six~~
27 ~~percent~~] per year, not compounded, on any contributions previously

1 withdrawn for the period from the date of withdrawal to the date of
2 purchase.

3 (i) Under rules and procedures adopted by the pension board,
4 a group D member may effectuate a direct trustee-to-trustee
5 transfer from a qualifying code Section 457(b) plan to the pension
6 system to purchase an increased or enhanced benefit in accordance
7 with the provisions of code Sections 415(n) and 457(e)(17) of the
8 Internal Revenue Code of 1986. The amount transferred under this
9 subsection shall be held by the pension system and the pension
10 system may not separately account for the amount. The pension board
11 by rule shall determine the additional benefit that a member is
12 entitled to based on a transfer under this subsection.

13 (j) For purposes of this subsection and Subsection (k) of
14 this section, "furlough time" means the number of days a person has
15 been furloughed. A person who has been voluntarily or
16 involuntarily furloughed shall receive credited service for each
17 day that the person has been furloughed, provided that:

18 (1) the pension system receives all required city
19 contributions and member contributions for the credited service
20 attributable to the furlough time for the pay period in which the
21 furlough occurs, based on the regular salary that each furloughed
22 member would have received if the member had worked during the
23 furlough time;

24 (2) the member may receive not more than 10 days of
25 credited service in a fiscal year for furlough time; and

26 (3) credited service for furlough time may not be used
27 to meet the five-year requirement under Section 10(b) of this Act

1 for eligibility for a benefit.

2 (k) For purposes of Subsection (j) of this section, the city
3 shall establish a unique pay code for furlough time to provide for
4 timely payment of city contributions and member contributions for
5 furlough time and to allow the pension system to identify furlough
6 time for each furloughed employee.

7 (l) Notwithstanding any provision of this section, the
8 interest rate on any service purchase shall be the then current
9 assumed rate of return, not compounded.

10 SECTION 3.09. The heading to Section 8, Chapter 88 (H.B.
11 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
12 6243h, Vernon's Texas Civil Statutes), is amended to read as
13 follows:

14 Sec. 8. MEMBER CONTRIBUTIONS.

15 SECTION 3.10. Sections 8(a), (b), and (c), Chapter 88 (H.B.
16 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
17 6243h, Vernon's Texas Civil Statutes), are amended to read as
18 follows:

19 (a) Subject to adjustments authorized under Section 8E or 8F
20 of this Act, beginning on the year 2017 effective date, each [Each
21 ~~group A~~ member of the pension system shall make biweekly [monthly]
22 contributions during employment in an amount determined in
23 accordance with this section [by the pension board and expressed as
24 ~~a percentage of salary].~~ The contributions shall be deducted by the
25 employer from the salary of each member and paid to the pension
26 system for deposit in the pension fund. Member contributions under
27 this section shall be made as follows:

1 (1) each group A member shall contribute:

2 (A) seven percent of the member's salary
3 beginning with the member's first full biweekly pay period that
4 occurs on or after the year 2017 effective date; and

5 (B) a total of eight percent of the member's
6 salary beginning with the member's first full biweekly pay period
7 for the member that occurs on or after July 1, 2018;

8 (2) each group B member shall contribute:

9 (A) two percent of the member's salary beginning
10 with the member's first full biweekly pay period that occurs on or
11 after the year 2017 effective date; and

12 (B) a total of four percent of the member's
13 salary beginning with the member's first full biweekly pay period
14 for the member that occurs on or after July 1, 2018; and

15 (3) each group D member shall contribute two percent
16 of the member's salary beginning with the member's first full
17 biweekly pay period that occurs on or after the year 2017 effective
18 date.

19 (b) This section does not increase or decrease the
20 contribution obligation of any member that arose before the year
21 2017 effective date [~~September 1, 2001,~~] or give rise to any claim
22 for a refund for any contributions made before that date.

23 (c) The employer shall pick up the contributions required of
24 [~~group A~~] members by Subsection (a) of this section and
25 contributions required of group D members under Section 10A(a) of
26 this Act as soon as reasonably practicable under applicable rules
27 for all salaries earned by members after the year 2017 effective

1 date and by January 1, 2018, for contributions required by Section
2 10A(a) of this Act. The city shall pay the pickup contributions to
3 the pension system from the same source of funds that is used for
4 paying salaries to the members. The pickup contributions are in
5 lieu of contributions by [~~group A~~] members. The city may pick up
6 those contributions by a deduction from each [~~group A~~] member's
7 salary equal to the amount of the member's contributions picked up
8 by the city. Members may not choose to receive the contributed
9 amounts directly instead of having the contributed amounts paid by
10 the city to the pension system. An accounting of member
11 contributions picked up by the employer shall be maintained, and
12 the contributions shall be treated for all other purposes as if the
13 amount were a part of the member's salary and had been deducted
14 under this section. Contributions picked up under this subsection
15 shall be treated as employer contributions in determining tax
16 treatment of the amounts under the Internal Revenue Code of 1986, as
17 amended.

18 SECTION 3.11. 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 8A, 8B, 8C, 8D, 8E,
21 8F, 8G, 8H, and 8I to read as follows:

22 Sec. 8A. CITY CONTRIBUTIONS. (a) The city shall make
23 contributions to the pension system for deposit into the pension
24 fund as provided by this section and Section 8B, 8C, 8E, or 8F of
25 this Act, as applicable. The city shall contribute:

26 (1) beginning with the year 2017 effective date and
27 ending with the fiscal year ending June 30, 2018, an amount equal to

1 the sum of:

2 (A) the city contribution rate, as determined in
3 the initial risk sharing valuation study conducted under Section 8C
4 of this Act, multiplied by the pensionable payroll for the fiscal
5 year; and

6 (B) the city contribution amount for the fiscal
7 year; and

8 (2) for each fiscal year after the fiscal year ending
9 June 30, 2018, an amount equal to the sum of:

10 (A) the city contribution rate, as determined in
11 a subsequent risk sharing valuation study conducted under Section
12 8B of this Act and adjusted under Section 8E or 8F of this Act, as
13 applicable, multiplied by the pensionable payroll for the
14 applicable fiscal year; and

15 (B) except as provided by Subsection (e) of this
16 section, the city contribution amount for the applicable fiscal
17 year.

18 (b) Except by written agreement between the city and the
19 pension board under Section 3(n) of this Act providing for an
20 earlier contribution date, at least biweekly, the city shall make
21 the contributions required by Subsection (a) of this section by
22 depositing with the pension system an amount equal to the sum of:

23 (1) the city contribution rate multiplied by the
24 pensionable payroll for the biweekly period; and

25 (2) the city contribution amount for the applicable
26 fiscal year divided by 26.

27 (c) With respect to each fiscal year:

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

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

9 (d) In addition to the amounts required under this section,
10 the city may at any time contribute additional amounts to the
11 pension system for deposit in the pension fund by entering into a
12 written agreement with the pension board in accordance with Section
13 3(n) of this Act.

14 (e) If, in any given fiscal year, the funded ratio is
15 greater than or equal to 100 percent, the city contribution under
16 this section may no longer include the city contribution amount.

17 (f) Contributions shall be made under this section by the
18 city to the pension system in order to be credited against any
19 amortization schedule of payments due to the pension system under
20 this Act.

21 (g) Subsection (f) of this section does not affect the
22 exclusion of contribution amounts under Subsection (e) of this
23 section or changes to an amortization schedule of a liability layer
24 under Section 8B(a)(7)(F), 8C(i)-(j), or 8E(c)(3)-(4) of this Act.

25 (h) Notwithstanding any other law and except for the pension
26 obligation bond assumed under Section 8C(d)(2) of this Act, the
27 city may not issue a pension obligation bond to fund the city

1 contribution rate under Subsection (a)(1)(A) or (a)(2)(A) of this
2 section or the city contribution amount under Subsection (a)(1)(B)
3 or (a)(2)(B) of this section.

4 Sec. 8B. RISK SHARING VALUATION STUDIES. (a) The pension
5 system and the city shall separately cause their respective
6 actuaries to prepare a risk sharing valuation study in accordance
7 with this section and actuarial standards of practice. A risk
8 sharing valuation study must:

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

11 (2) be included in the annual valuation study prepared
12 under Section 2B of this Act;

13 (3) calculate the unfunded actuarial accrued
14 liability of the pension system;

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

18 (5) estimate the city contribution rate and the city
19 contribution amount, taking into account any adjustments required
20 under Section 8E or 8F of this Act for all applicable prior fiscal
21 years;

22 (6) detail the city contribution rate and the city
23 contribution amount, taking into account any adjustments required
24 under Section 8E or 8F of this Act for all applicable prior fiscal
25 years;

26 (7) subject to Subsection (g) of this section, be
27 based on the following assumptions and methods that are consistent

1 with actuarial standards of practice:

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

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

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

11 (ii) for the initial risk sharing valuation
12 study prepared under Section 8C of this Act, a marked-to-market
13 method applied as of June 30, 2016;

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

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

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

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

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

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

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

12 (H) the assumed rate of return, subject to
13 adjustment under Section 8E(c)(5) of this Act or, if Section 8C(g)
14 of this Act applies, adjustment in accordance with a written
15 agreement entered into under Section 3(n) of this Act, except that
16 the assumed rate of return may not exceed seven percent per annum;

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

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

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

1 (L) the city contribution rate calculated
2 without inclusion of the legacy liability; and

3 (8) be revised and restated, if appropriate, not later
4 than:

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

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

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

15 (c) Not later than October 31 following the end of the
16 fiscal year, the pension system shall provide to the city actuary,
17 under a confidentiality agreement with the pension board in which
18 the city actuary agrees to comply with the confidentiality
19 provisions of Section 8G of this Act, the actuarial data described
20 by Subsection (a)(4) of this section.

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

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

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

1 shall provide the proposed risk sharing valuation study prepared by
2 the city actuary under Subsection (b) of this section to the pension
3 system actuary.

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

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

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

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

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

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

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

11 (B) if, after 20 business days, the pension
12 system actuary and the city actuary are not able to reach a
13 reconciliation that reduces the difference to an amount less than
14 or equal to two 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 under Subparagraph (i) of this
25 paragraph that is a part of the final risk sharing valuation study
26 for the fiscal year for all purposes and reflects the arithmetic
27 average of the estimated city contribution rates for the fiscal

1 year stated by the city actuary and the pension system actuary in
2 the final risk sharing valuation study for purposes of Subsection
3 (a)(5) of this section, and for reporting purposes the pension
4 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 8C of this Act
10 shall be used to prepare each subsequent risk sharing valuation
11 study under this section, unless changed based on the actuarial
12 experience study conducted under Section 8D of this Act.

13 (h) The actuarial data provided under Subsection (a)(4) of
14 this section may not include the identifying information of
15 individual members.

16 Sec. 8C. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR
17 MIDPOINT AND CITY CONTRIBUTION AMOUNTS. (a) The pension system
18 and the city shall separately cause their respective actuaries to
19 prepare an initial risk sharing valuation study that is dated as of
20 July 1, 2016, in accordance with this section. An initial risk
21 sharing valuation study must:

22 (1) except as otherwise provided by this section, be
23 prepared in accordance with Section 8B of this Act, and for purposes
24 of Section 8B(a)(4) of this Act, be based on actuarial data as of
25 June 30, 2016, or, if actuarial data is not provided, on estimates
26 of actuarial data;

27 (2) project the corridor midpoint for 31 fiscal years

1 beginning with the fiscal year beginning July 1, 2017; and

2 (3) subject to Subsections (i) and (j) of this
3 section, include a schedule of city contribution amounts for 30
4 fiscal years beginning with the fiscal year beginning July 1, 2017.

5 (b) If the initial risk sharing valuation study has not been
6 prepared consistent with this section before the year 2017
7 effective date, as soon as practicable after the year 2017
8 effective date:

9 (1) the pension system shall provide to the city
10 actuary under a confidentiality agreement the necessary actuarial
11 data used by the pension system actuary to prepare the proposed
12 initial risk sharing valuation study; and

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

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

18 (B) the pension system actuary, at the direction
19 of the pension system, shall provide a proposed initial risk
20 sharing valuation study to the city actuary.

21 (c) If, after exchanging proposed initial risk sharing
22 valuation studies under Subsection (b)(2) of this section, it is
23 determined that the difference between the estimated total city
24 contribution divided by the pensionable payroll for any fiscal year
25 in the proposed initial risk sharing valuation study prepared by
26 the pension system actuary and in the proposed initial risk sharing
27 valuation study prepared by the city actuary is:

1 (1) less than or equal to two percentage points, the
2 estimated city contribution rate and the estimated city
3 contribution amount for that fiscal year recommended by the pension
4 system actuary will be the estimated city contribution rate and the
5 estimated city contribution amount, as applicable, for purposes of
6 Section 8B(a)(5) of this Act; or

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

10 (A) if, as a result of reconciliation efforts
11 under this subdivision, the difference in any fiscal year is
12 reduced to less than or equal to two percentage points, the city
13 contribution rate and the city contribution amount recommended by
14 the pension system actuary for that fiscal year will be the
15 estimated city contribution rate and the estimated city
16 contribution amount, as applicable, for purposes of Section
17 8B(a)(5) of this Act; or

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

22 (i) the city actuary at the direction of the
23 city and the pension system actuary at the direction of the pension
24 system each shall deliver to the finance director of the city and
25 the executive director of the pension system a final initial risk
26 sharing valuation study with any agreed-to changes, marked as the
27 final initial risk sharing valuation study for each actuary; and

1 (ii) the finance director and the executive
2 director shall execute a joint addendum to the final initial risk
3 sharing valuation study that is a part of each final initial risk
4 sharing valuation study for all purposes and that reflects the
5 arithmetic average of the estimated city contribution rate and the
6 estimated city contribution amount for each fiscal year in which
7 the difference was greater than two percentage points for purposes
8 of Section 8B(a)(5) of this Act, and for reporting purposes the
9 pension system may treat the pension system actuary's initial risk
10 sharing valuation study with the addendum as the final initial risk
11 sharing valuation study.

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

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

16 (2) assume the issuance of planned pension obligation
17 bonds by December 31, 2017, in accordance with Subsection (j)(2) of
18 this section; and

19 (3) assume benefit and contribution changes under this
20 Act as of the year 2017 effective date.

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

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

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

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

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

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

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

22 (i) If the city makes a contribution to the pension system
23 of at least \$5 million more than the amount that would be required
24 by Section 8A(a) of this Act, a liability gain layer with the same
25 remaining amortization period as the legacy liability is created.
26 In each subsequent risk sharing valuation study until the end of
27 that amortization period, the city contribution amount must be

1 decreased by the amortized amount in each fiscal year covered by the
2 liability gain layer.

3 (j) Notwithstanding any other provision of this Act,
4 including Section 8H of this Act:

5 (1) if the city fails to deliver the proceeds of
6 pension obligation bonds totaling \$250 million on or before March
7 31, 2018, the pension board shall have 30 days from March 31, 2018,
8 to rescind, prospectively, any or all benefit changes made
9 effective under S.B. No. 2190, Acts of the 85th Legislature,
10 Regular Session, 2017, as of the year 2017 effective date, or to
11 reestablish the deadline for the delivery of pension obligation
12 bond proceeds, reserving the right to rescind the benefit changes
13 authorized by this subdivision if the bond proceeds are not
14 delivered by the reestablished deadline; and

15 (2) subject to Subsection (k) of this section, if the
16 pension board rescinds benefit changes under Subdivision (1) of
17 this subsection or pension obligation bond proceeds are not
18 delivered on or before December 31, 2017, the initial risk sharing
19 valuation study shall be prepared again and restated without
20 assuming the delivery of the pension obligation bond proceeds, the
21 later delivery of pension obligation bond proceeds, or the
22 rescinded benefit changes, as applicable, including a
23 reamortization of the city contribution amount for the amortization
24 period remaining for the legacy liability, and the resulting city
25 contribution rate and city contribution amount will become
26 effective in the fiscal year following the completion of the
27 restated initial risk sharing valuation study.

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

4 (1) ending June 30, 2019, if the pension board does not
5 reestablish the deadline under Subsection (j)(1) of this section;
6 or

7 (2) immediately following the reestablished deadline,
8 if the pension board reestablishes the deadline under Subsection
9 (j)(1) of this section and the city fails to deliver the pension
10 obligation bond proceeds described by Subsection (j)(1) of this
11 section by the reestablished deadline.

12 Sec. 8D. ACTUARIAL EXPERIENCE STUDIES. (a) At least once
13 every four years, the pension system actuary, at the direction of
14 the pension system, shall conduct an actuarial experience study in
15 accordance with actuarial standards of practice. The actuarial
16 experience study required by this subsection must be completed not
17 later than September 30 of the year in which the study is required
18 to be conducted.

19 (b) Except as otherwise expressly provided by Sections
20 8B(a)(7)(A)-(I) of this Act, actuarial assumptions and methods used
21 in the preparation of a risk sharing valuation study, other than the
22 initial risk sharing valuation study, shall be based on the results
23 of the most recent actuarial experience study.

24 (c) Not later than the 180th day before the date the pension
25 board may consider adopting any assumptions and methods for
26 purposes of Section 8B of this Act, the pension system shall provide
27 the city actuary with a substantially final draft of the pension

1 system's actuarial experience study, including:

2 (1) all assumptions and methods recommended by the
3 pension system actuary; and

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

6 (d) Not later than the 60th day after the date the city
7 receives the final draft of the pension system's actuarial
8 experience study under Subsection (c) of this section, the city
9 actuary and pension system actuary may communicate concerning the
10 assumptions and methods used in the actuarial experience study.
11 During the period prescribed by this subsection, the pension system
12 actuary may modify the recommended assumptions in the draft
13 actuarial experience study to reflect any changes to assumptions
14 and methods to which the pension system actuary and the city actuary
15 agree.

16 (e) At the city actuary's written request, the pension
17 system shall provide additional actuarial data used by the pension
18 system actuary to prepare the draft actuarial experience study,
19 provided that confidential data may only be provided subject to a
20 confidentiality agreement entered into between the pension system
21 and the city actuary.

22 (f) The city actuary, at the direction of the city, shall
23 provide in writing to the pension system actuary and the pension
24 system:

25 (1) any assumptions and methods recommended by the
26 city actuary that differ from the assumptions and methods
27 recommended by the pension system actuary; and

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

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

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

16 (1) is not already engaged by the city, the pension
17 system, or any other pension system or fund authorized under
18 Article 6243e.2(1) or 6243g-4, Revised Statutes, to provide
19 actuarial services to the city, the pension system, or another
20 pension system or fund referenced in this subdivision;

21 (2) is a member of the American Academy of Actuaries;
22 and

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

26 (i) Not later than the 20th day after the date the city
27 receives the list of three independent actuaries under Subsection

1 (g) of this section, the city shall identify and the pension system
2 shall hire one of the listed independent actuaries on terms
3 acceptable to the city and the pension system to perform a scope of
4 work acceptable to the city and the pension system. The city and
5 the pension system each shall pay 50 percent of the cost of the
6 independent actuary engaged under this subsection. The city shall
7 be provided the opportunity to participate in any communications
8 between the independent actuary and the pension system concerning
9 the engagement, engagement terms, or performance of the terms of
10 the engagement.

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

14 (1) the pension system's draft actuarial experience
15 study, including all assumptions and methods recommended by the
16 pension system actuary;

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

19 (3) the city actuary's specific recommended
20 assumptions and methods together with the city actuary's written
21 rationale for each recommendation;

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

24 (5) if requested by the independent actuary and
25 subject to a confidentiality agreement between the pension system
26 and the independent actuary, additional confidential actuarial
27 data.

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

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

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

24 (n) If the pension board does not adopt an assumption or
25 method recommended by the city actuary to which the independent
26 actuary agrees, or recommended by the pension system actuary, the
27 city actuary is authorized to use that recommended assumption or

1 method in connection with preparation of a subsequent risk sharing
2 valuation study under Section 8B of this Act until the risk sharing
3 valuation study following the next actuarial experience study is
4 prepared.

5 Sec. 8E. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY
6 CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT; AUTHORIZATION FOR
7 CERTAIN ADJUSTMENTS. (a) This section governs the determination
8 of the city contribution rate applicable in a fiscal year if the
9 estimated city contribution rate is lower than the corridor
10 midpoint.

11 (b) If the funded ratio is:

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

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

16 (A) equal to or greater than the minimum
17 contribution rate, the estimated city contribution rate is the city
18 contribution rate for the fiscal year; or

19 (B) except as provided by Subsection (e) of this
20 section, less than the minimum contribution rate for the
21 corresponding fiscal year, the city contribution rate for the
22 fiscal year equals the minimum contribution rate achieved in
23 accordance with Subsection (c) of this section.

24 (c) For purposes of Subsection (b)(2)(B) of this section,
25 the following adjustments shall be applied sequentially to the
26 extent required to increase the estimated city contribution rate to
27 equal the minimum contribution rate:

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

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

10 (3) third, accelerate the payoff year of the legacy
11 liability by offsetting the remaining legacy liability by the
12 amount of the new liability loss layer, provided that during the
13 accelerated period the city will continue to pay the city
14 contribution amount as scheduled in the initial risk sharing
15 valuation study, subject to Section 8C(i) or (j) of this Act;

16 (4) fourth, accelerate the payoff year of existing
17 liability loss layers, excluding the legacy liability, by
18 accelerating the oldest liability loss layers first, to an
19 amortization period of not less than 20 years from the first day of
20 the fiscal year beginning 12 months after the date of the risk
21 sharing valuation study in which the liability loss layer is first
22 recognized; and

23 (5) fifth, under a written agreement between the city
24 and the pension board under Section 3(n) of this Act entered into
25 not later than the 30th day before the first day of the next fiscal
26 year, the city and the pension board may agree to reduce the assumed
27 rate of return.

1 (d) If the funded ratio is:

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

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

5 (B) the city contribution amount may no longer be
6 included in the city contribution under Section 8A of this Act; and

7 (C) the city and the pension system may mutually
8 agree to change assumptions in a written agreement entered into
9 between the city and the pension board under Section 3(n) of this
10 Act; and

11 (2) greater than 100 percent in a written agreement
12 between the city and the pension system entered into under Section
13 3(n) of this Act, the pension system may reduce member
14 contributions or increase pension benefits if as a result of the
15 action:

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

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

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

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

6 Sec. 8F. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY
7 CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR MIDPOINT;
8 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs
9 the determination of the city contribution rate in a fiscal year
10 when the estimated city contribution rate is equal to or greater
11 than the corridor midpoint.

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

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

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

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

25 (1) first, adjust the actuarial value of assets to the
26 current market value of assets, if making the adjustment causes the
27 city contribution rate to decrease;

1 (2) second, if the payoff year of the legacy liability
2 was accelerated under Section 8E(c) of this Act:

3 (A) extend the payoff year of the legacy
4 liability by increasing the legacy liability by the amount of the
5 new liability gain layer to a maximum amount; and

6 (B) during the extended period provided by
7 Paragraph (A) of this subdivision, the city shall continue to pay
8 the city contribution amount for the extended period in accordance
9 with the schedule included in the initial risk sharing valuation
10 study, subject to Section 8C(i) or (j) of this Act; and

11 (3) third, if the payoff year of a liability loss layer
12 other than the legacy liability was previously accelerated under
13 Section 8E(c) of this Act, extend the payoff year of existing
14 liability loss layers, excluding the legacy liability, by extending
15 the most recent loss layers first, to a payoff year not later than
16 30 years from the first day of the fiscal year beginning 12 months
17 after the date of the risk sharing valuation study in which the
18 liability loss layer is first recognized.

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, the city contribution rate equals the third quarter line
22 rate. To the extent necessary to comply with this subsection, the
23 city and the pension board shall enter into a written agreement
24 under Section 3(n) of this Act to increase member contributions and
25 make other benefit or plan changes not otherwise prohibited by
26 applicable federal law or regulations.

27 (e) Gains resulting from adjustments made as the result of a

1 written agreement between the city and the pension board under
2 Subsection (d) of this section may not be used as a direct offset
3 against the city contribution amount in any fiscal year.

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

10 (1) increase member contributions; and

11 (2) decrease cost-of-living adjustments.

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

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

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

25 (2) under a written agreement entered into between the
26 city and the pension board under Section 3(n) of this Act:

27 (A) increasing member contributions; and

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

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

8 (1) increase member contributions; and

9 (2) decrease cost-of-living adjustments.

10 Sec. 8G. CONFIDENTIALITY. (a) The information, data, and
11 document exchanges under Sections 8A through 8F of this Act have all
12 the protections afforded by applicable law and are expressly exempt
13 from the disclosure requirements under Chapter 552, Government
14 Code, except as may be agreed to by the city and pension system in a
15 written agreement under Section 3(n) of this Act.

16 (b) Subsection (a) of this section does not apply to:

17 (1) a proposed risk sharing valuation study prepared
18 by the pension system actuary and provided to the city actuary or
19 prepared by the city actuary and provided to the pension system
20 actuary under Section 8B(d) or 8C(b)(2) of this Act; or

21 (2) a final risk sharing valuation study prepared
22 under Section 8B or 8C of this Act.

23 (c) A risk sharing valuation study prepared by either the
24 city actuary or the pension system actuary under Sections 8A
25 through 8F of this Act may not:

26 (1) include information in a form that includes
27 identifiable information relating to a specific individual; 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 Sec. 8H. UNILATERAL DECISIONS AND ACTIONS PROHIBITED. No
6 unilateral decision or action by the pension board is binding on the
7 city and no unilateral decision or action by the city is binding on
8 the pension system with respect to the application of Sections 8A
9 through 8F of this Act unless expressly provided by a provision of
10 those sections. Nothing in this section is intended to limit the
11 powers or authority of the pension board.

12 Sec. 8I. STATE PENSION REVIEW BOARD; REPORT. (a) After
13 preparing a final risk sharing valuation study under Section 8B or
14 8C of this Act, the pension system and the city shall jointly submit
15 a copy of the study or studies, as appropriate, to the State Pension
16 Review Board for a determination that the pension system and city
17 are in compliance with this Act.

18 (b) Not later than the 30th day after the date an action is
19 taken under Section 8E or 8F of this Act, the pension system shall
20 submit a report to the State Pension Review Board regarding any
21 actions taken under those sections.

22 (c) The State Pension Review Board shall notify the
23 governor, the lieutenant governor, the speaker of the house of
24 representatives, and the legislative committees having principal
25 jurisdiction over legislation governing public retirement systems
26 if the State Pension Review Board determines the pension system or
27 the city is not in compliance with Sections 8A through 8H of this

1 Act.

2 SECTION 3.12. Section 9(c), Chapter 88 (H.B. 1573), Acts of
3 the 77th Legislature, Regular Session, 2001 (Article 6243h,
4 Vernon's Texas Civil Statutes), is amended to read as follows:

5 (c) If a member dies and there are no eligible survivors to
6 receive the allowance provided for in Section 14 of this Act, the
7 member's spouse [~~beneficiary~~] or, if there is no spouse
8 [~~beneficiary~~], the member's estate shall receive the refund amount.

9 SECTION 3.13. Section 10, Chapter 88 (H.B. 1573), Acts of
10 the 77th Legislature, Regular Session, 2001 (Article 6243h,
11 Vernon's Texas Civil Statutes), is amended by amending Subsections
12 (b), (d), (e), (g), and (h) and adding Subsections (c-1), (d-1), and
13 (e-1) to read as follows:

14 (b) A group A or group B member of the pension system who
15 terminates employment is eligible for a normal retirement pension
16 beginning on the member's effective retirement date after the date
17 the member completes at least five years of credited service and
18 attains either:

19 (1) 62 years of age; or

20 (2) a combination of years of age and years of credited
21 service, including parts of years, the sum of which equals or is
22 greater than the number:

23 (A) 75, provided the member is at least 50 years
24 of age; or

25 (B) 70, provided the member attained a
26 combination of years of age and years of credited service,
27 including parts of years, the sum of which equals or is greater than

1 the number 68 before January 1, 2005.

2 (c-1) A group D member who terminates employment is eligible
3 for a normal retirement pension beginning on the member's effective
4 retirement date after the date the member completes at least five
5 years of credited service and attains 62 years of age.

6 (d) Subject to Section 17 of this Act, the ~~[The]~~ amount of
7 the monthly normal retirement pension payable to an eligible:

8 (1) [retired] group A or group B member who retires
9 before January 1, 2005, shall be determined under the law in effect
10 on the member's last day of credited service;

11 (2) group A member who retires on or after January 1,
12 2005, is equal to the sum of:

13 (A) the member's average monthly salary
14 multiplied by the percentage rate accrued under the law in effect on
15 December 31, 2004, for each year of the member's years of credited
16 service in group A that is earned before January 1, 2005;

17 (B) the member's average monthly salary
18 multiplied by 2.5 [3-1/4] percent for each year of the member's
19 years of credited service in group A during the member's first 20
20 [10] years of service that is earned on or after January 1, 2005;~~[7~~
21 ~~3-1/2 percent for each of the member's years of credited service in~~
22 ~~group A during the member's next 10 years of service,]~~ and

23 (C) the member's average monthly salary
24 multiplied by 3.25 [4-1/4] percent for each year of credited
25 service of the member in group A during the member's years of
26 service in excess of the 20 years described under Paragraph (B) of
27 this subdivision that is earned on or after January 1, 2005;

1 (3) group B member who retires on or after January 1,
2 2005, is equal to the sum of:

3 (A) the member's average monthly salary
4 multiplied by the percentage rate accrued under the law in effect on
5 December 31, 2004, for each year of the member's years of credited
6 service in group B that is earned before January 1, 2005;

7 (B) the member's average monthly salary
8 multiplied by 1.75 percent for each year of the member's years of
9 credited service in group B during the member's first 10 years of
10 service that is earned on or after January 1, 2005;

11 (C) the member's average monthly salary
12 multiplied by two percent for each of the member's years of credited
13 service in group B in excess of the 10 years described under
14 Paragraph (B) of this subdivision that is earned on or after January
15 1, 2005; and

16 (D) the member's average monthly salary
17 multiplied by 2.5 percent for each year of credited service of the
18 member in group B during the member's years of service in excess of
19 20 years that is earned on or after January 1, 2005; or

20 (4) group D member who retires on or after January 1,
21 2008, is equal to the sum of:

22 (A) the member's average monthly salary
23 multiplied by 1.8 percent for each year of the member's years of
24 credited service during the member's first 25 years of service; and

25 (B) the member's average monthly salary
26 multiplied by 1 percent for each year of credited service of the
27 member in group D during the member's years of service in excess of

1 25 years.

2 (d-1) For purposes of Subsection (d) of this section,
3 service credit is rounded to the nearest one-twelfth of a year [~~For~~
4 ~~purposes of this subsection, service credit is rounded to the~~
5 ~~nearest one-twelfth of a year. The normal retirement pension of a~~
6 ~~retired group A member may not exceed 90 percent of the member's~~
7 ~~average monthly salary].~~

8 (e) A group D member who terminates employment with the city
9 or the pension system may elect to receive an early retirement
10 pension payable as a reduced benefit if the member has attained:

11 (1) at least 10 years of credited service and is at
12 least 55 years of age; or

13 (2) five years of credited service and a combination
14 of years of age and years of credited service, including parts of
15 years, the sum of which equals or is greater than the number 75.

16 (e-1) The amount of the early retirement pension payable to
17 a retired group D member under Subsection (e) of this section shall
18 be equal to the monthly normal retirement pension reduced by 0.25
19 percent for each month the member is less than 62 years of age at
20 retirement [~~monthly normal retirement pension payable to an~~
21 ~~eligible retired group B member equals the member's average monthly~~
22 ~~salary multiplied by 1-3/4 percent for each year of the member's~~
23 ~~years of credited service in group B during the member's first 10~~
24 ~~years of service, 2 percent for each of the member's years of~~
25 ~~credited service in group B during the member's next 10 years of~~
26 ~~service, and 2-3/4 percent for each year of credited service of the~~
27 ~~member in group B during the member's years of service in excess of~~

1 ~~20 years. For purposes of this subsection, service credit is~~
 2 ~~rounded to the nearest one-twelfth of a year. The normal retirement~~
 3 ~~pension of a retired group B member may not exceed 90 percent of the~~
 4 ~~member's average monthly salary].~~

5 (g) Notwithstanding any other provision of this Act, the
 6 total normal retirement pension of a retired member with credited
 7 service in group A, group B, ~~[or]~~ group C, or group D may not exceed
 8 90 percent of the member's average monthly salary.

9 (h) On or after February 1, 2018, and for [For] future
 10 payments only, pension benefits for all group A retirees and group B
 11 retirees, and for all group D retirees who terminated employment on
 12 or after the year 2017 effective date with at least five years of
 13 credited service, and survivor benefits for ~~[all retirees and]~~
 14 eligible survivors of a former member of group A or group B, or of a
 15 former member of group D who terminated employment on or after the
 16 year 2017 effective date with at least five years of credited
 17 service, shall be increased annually by the cost-of-living
 18 adjustment percentage [four percent], not compounded, for all such
 19 eligible persons receiving a pension or survivor benefit as of
 20 January 1 of the year in which the increase is made.

21 SECTION 3.14. Chapter 88 (H.B. 1573), Acts of the 77th
 22 Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's Texas
 23 Civil Statutes), is amended by adding Section 10A to read as
 24 follows:

25 Sec. 10A. GROUP D MEMBER HYBRID COMPONENT. (a) On and
 26 after January 1, 2018, in addition to the group D member
 27 contributions under Section 8 of this Act, each group D member shall

1 contribute one percent of the member's salary for each biweekly pay
2 period beginning with the member's first full biweekly pay period
3 after the later of January 1, 2018, or the group D member's first
4 date of employment. The contribution required by this subsection:

5 (1) shall be picked up and paid in the same manner and
6 at the same time as group D member contributions required under
7 Section 8(a)(3) of this Act, subject to applicable rules;

8 (2) is separate from and in addition to the group D
9 member contribution under Section 8(a)(3) of this Act; and

10 (3) is not subject to reduction or increase under
11 Sections 8A through 8F of this Act or a refund under Section 17 of
12 this Act.

13 (b) For each biweekly pay period of a group D member's
14 service for which the group D member makes the contribution
15 required under Subsection (a) of this section, the following
16 amounts shall be credited to a notional account, known as a cash
17 balance account, for the group D member:

18 (1) the amount of the contributions paid under
19 Subsection (a) of this section for that biweekly pay period; and

20 (2) interest on the balance of the group D member's
21 cash balance account determined by multiplying:

22 (A) an annual rate that is one-half the pension
23 system's five-year investment return based on a rolling
24 five-fiscal-year basis and net of investment expenses, with a
25 minimum annual rate of 2.5 percent and a maximum annual rate of 7.5
26 percent, and divided by 26; and

27 (B) the amount credited to the group D member's

1 cash balance account as of the end of the biweekly pay period.

2 (c) The pension system may not pay interest on amounts
3 credited to a cash balance account but not received by the pension
4 system under Subsection (b) of this section.

5 (d) On separation from service, a group D member is eligible
6 to receive only a distribution of the contributions credited to
7 that group D member's cash balance account, without interest, if
8 the group D member has attained less than one year of service while
9 contributing to the cash balance account. If a group D member
10 attains at least one year of service while contributing to the cash
11 balance account, the group D member is fully vested in the accrued
12 benefit represented by that group D member's cash balance account,
13 including interest.

14 (e) In a manner and form prescribed by the pension board, a
15 group D member who terminates employment is eligible to elect to
16 receive the group D member's cash balance account benefit in a
17 lump-sum payment, in substantially equal periodic payments, in a
18 partial lump-sum payment followed by substantially equal periodic
19 payments, or in partial payments from the group D member's cash
20 balance account.

21 (f) Contributions may not be made to a group D member's cash
22 balance account for a period that occurs after the date the group D
23 member terminates employment, except that interest at a rate that
24 is not greater than the rate under Subsection (b)(2) of this
25 section, as determined by the pension board, may be credited based
26 on the former group D member's undistributed cash balance account
27 after the date the group D member terminates employment.

1 (g) On the death of a group D member or former group D member
2 before the full distribution of the member's cash balance account,
3 the deceased member's cash balance account shall be payable in a
4 single lump-sum payment to:

5 (1) the deceased member's surviving spouse;

6 (2) if there is no surviving spouse, each designated
7 beneficiary of the deceased member, designated in the manner and on
8 a form prescribed by the pension board; or

9 (3) if there is no designated beneficiary, the
10 deceased member's estate.

11 (h) The lump-sum payment described by Subsection (g) of this
12 section shall be made within a reasonable time after the pension
13 board has determined that the individual or estate is eligible for
14 the distribution.

15 (i) Subject to the other provisions of this section, the
16 pension board may adopt rules necessary to implement this section,
17 including rules regarding the payment of the cash balance account
18 and limitations on the timing and frequency of payments. All
19 distributions and changes in the form of distribution must be made
20 in a manner and at a time that complies with the Internal Revenue
21 Code of 1986.

22 SECTION 3.15. Section 11, Chapter 88 (H.B. 1573), Acts of
23 the 77th Legislature, Regular Session, 2001 (Article 6243h,
24 Vernon's Texas Civil Statutes), is amended to read as follows:

25 Sec. 11. OPTION-ELIGIBLE PARTICIPANTS [~~GROUP B RETIREMENT~~
26 ~~OPTIONS~~]. (a) In this section, "J&S Annuity" means payment of a
27 normal retirement pension or early retirement pension under one of

1 the options provided by Subsection (b) of this section.

2 (a-1) For purposes of this section, an option-eligible
3 participant is:

4 (1) a former group A or group B member who terminates
5 employment with the city or the pension system on or after June 30,
6 2011, and who is eligible to receive a normal retirement pension,
7 provided the member was not married as of the date of the member's
8 termination of employment;

9 (2) a former group B member who terminated employment
10 with the city or the predecessor system before September 1, 1997,
11 and who is eligible to receive a normal retirement pension; or

12 (3) a former group D member who terminated employment
13 with the city or the pension system and who is eligible to receive a
14 normal retirement pension or an early retirement pension.

15 (a-2) The pension board, in its sole discretion, shall make
16 determinations regarding an individual's status as an
17 option-eligible participant.

18 (a-3) Before the date an option-eligible participant
19 commences receipt of a benefit, that option-eligible participant [A
20 group B member who terminated employment with the city or the
21 predecessor system before September 1, 1997,] must elect, in a
22 manner and at a time determined by the pension board, [before the
23 member's effective retirement date] whether to receive [have] the
24 participant's [member's] normal retirement pension or early
25 retirement pension, as applicable, or to have the option-eligible
26 participant's normal retirement pension or early retirement
27 pension, as applicable, paid under one of the options provided by

1 Subsection (b) of this section. The election may be revoked, in a
2 manner and at a time established by the pension board, not later
3 than the 60th day before the date the participant commences receipt
4 of a benefit [~~member's effective retirement date~~].

5 (b) The normal retirement pension or early retirement
6 pension may be one of the following actuarially equivalent amounts:

7 (1) option 1: a reduced pension payable to the
8 participant [~~member~~], then on the participant's [~~member's~~] death
9 one-half of the amount of that reduced pension is payable to the
10 participant's [~~member's~~] designated survivor, for life;

11 (2) option 2: a reduced pension payable to the
12 participant [~~member~~], then on the participant's [~~member's~~] death
13 that same reduced pension is payable to the participant's
14 [~~member's~~] designated survivor, for life; and

15 (3) option 3: a reduced pension payable to the
16 participant [~~member~~], and if the participant [~~member~~] dies within
17 10 years, the pension is paid to the participant's [~~member's~~]
18 designated survivor for the remainder of the 10-year period
19 beginning on the participant's benefit commencement [~~member's~~
20 ~~effective retirement~~] date.

21 (c) If an option-eligible participant [~~a former group B~~
22 ~~member~~] who has made the election provided by Subsection (b) of this
23 section dies after terminating employment with at least five years
24 of credited service but before attaining the age required to begin
25 receiving a normal or early retirement pension, the person's
26 designated survivor is eligible for the J&S Annuity [~~benefits~~]
27 provided by the option selected by the option-eligible participant

1 ~~[former member]~~ at the time of separation from service. The
 2 benefits first become payable to an eligible designated survivor on
 3 the date the option-eligible participant ~~[former member]~~ would have
 4 become eligible to begin receiving a pension. If the designated
 5 survivor elects for earlier payment, in a time and manner
 6 determined by the pension board, the actuarial equivalent of that
 7 amount shall be payable at that earlier date.

8 (d) A survivor benefit under Subsection (c) of this section
 9 or a J&S Annuity is not payable if:

10 (1) except as provided by Subsection (e) of this
 11 section, an option-eligible participant ~~[If a former group B member~~
 12 ~~under Subsection (a) of this section]~~ does not elect one of the J&S
 13 Annuity options under Subsection (b) of this section and dies
 14 before retirement has commenced;

15 (2) an option-eligible participant elects a normal
 16 retirement pension or early retirement pension and dies before
 17 retirement has commenced; or

18 (3) an option-eligible participant dies after
 19 retirement has commenced and that option-eligible participant:

20 (A) elects a normal retirement pension or early
 21 retirement pension;

22 (B) did not make a valid election under
 23 Subsection (b) of this section; or

24 (C) made an election that is void ~~[, a survivor~~
 25 ~~benefit is not payable]~~.

26 (e) An option-eligible participant described by Subsection
 27 (a-1)(3) of this section who did not elect one of the J&S Annuity

1 options under Subsection (b) of this section is considered to have
2 elected a J&S Annuity option under Subsection (b)(1) of this
3 section and to have designated the participant's surviving spouse
4 as the optional annuitant if the participant:

5 (1) was not in service with the city or the pension
6 system at the time of the participant's death;

7 (2) is survived by a surviving spouse; and

8 (3) dies before the participant's retirement has
9 commenced.

10 (f) If the option-eligible participant described by
11 Subsection (e) of this section has no surviving spouse, a survivor
12 benefit or J&S Annuity is not payable. If a J&S Annuity is paid
13 under Subsection (e) of this section, a survivor benefit is not
14 payable under this subsection or under Section 14 of this Act.

15 (g) If Subsection (d) of this section would otherwise apply
16 to prohibit the payment of a survivor benefit or J&S Annuity, but
17 there is one or more dependent children of the deceased
18 option-eligible participant, the provisions of Section 14 of this
19 Act control the payment of survivor benefits to the dependent child
20 or children. The pension system may not pay both a J&S Annuity
21 under this section and a survivor benefit under Section 14 of this
22 Act with respect to any option-eligible participant. If a J&S
23 Annuity is paid under Subsection (e) of this section, a survivor
24 benefit is not payable.

25 (h) If an option-eligible participant has previously
26 elected a J&S Annuity for a previous period of service, no benefits
27 have been paid under that previous election, and the

1 option-eligible participant terminates employment on or after
2 January 1, 2012, the previous election is void and the
3 option-eligible participant shall make an election under
4 Subsection (b) of this section to apply to all periods of service.

5 (i) If a former group B member with service before September
6 1, 1997, was rehired in a covered position and converted the group B
7 service covered by a J&S Annuity to group A service, and that member
8 terminates employment on or after January 1, 2012, and is not an
9 option-eligible participant at the time of the member's subsequent
10 termination, the previous election is void and survivor benefits
11 for an eligible survivor, if any, are payable as provided by Section
12 14 of this Act, provided benefits were not paid under the previous
13 election.

14 (j) If an option-eligible participant who elects a J&S
15 Annuity under this section designates the participant's spouse as a
16 designated survivor and the marriage is later dissolved by divorce,
17 annulment, or a declaration that the marriage is void before the
18 participant's retirement, the designation is void unless the
19 participant reaffirms the designation after the marriage was
20 dissolved.

21 (k) A J&S Annuity payable to a designated survivor of a
22 retired option-eligible participant is effective on the first day
23 of the month following the month of the option-eligible
24 participant's death and ceases on the last day of the month of the
25 designated survivor's death or on the last day of the month in which
26 the survivor otherwise ceases to be eligible to receive a J&S
27 Annuity.

1 SECTION 3.16. Section 12(a)(5), Chapter 88 (H.B. 1573),
2 Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h,
3 Vernon's Texas Civil Statutes), is amended to read as follows:

4 (5) "DROP entry date" means the date a member ceases to
5 earn service credit and begins earning credit for the member's DROP
6 account, which is the later of the date the member is eligible to
7 participate in the DROP, the date requested by the member, or
8 October 1, 1997, as approved by the pension board. The DROP entry
9 date is the first day of a month and is determined by the normal
10 retirement eligibility requirements of this Act or of Chapter 358,
11 Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g,
12 Vernon's Texas Civil Statutes), as applicable, in effect on the
13 requested DROP entry date. A member who enters DROP on or after
14 January 1, 2005, may not have a DROP entry date that occurs before
15 the date the pension system receives the member's request to
16 participate in DROP.

17 SECTION 3.17. Section 12, Chapter 88 (H.B. 1573), Acts of
18 the 77th Legislature, Regular Session, 2001 (Article 6243h,
19 Vernon's Texas Civil Statutes), is amended by adding Subsections
20 (b-1), (d-1), (o-1), (r), (s), and (t) and amending Subsections
21 (d), (f), (g), (h), (j), (k), (m), (o), and (p) to read as follows:

22 (b-1) Notwithstanding Subsection (b) of this section, for
23 DROP participation beginning on or after January 1, 2005, a member
24 must meet the normal retirement eligibility requirements under
25 Section 10(b) or (c) of this Act to be eligible to elect to
26 participate in DROP. This subsection does not apply to a member
27 who:

1 (1) met the eligibility requirements under Section
2 10(b) of this Act in effect before January 1, 2005; or

3 (2) before January 1, 2005, had at least five years of
4 credited service and a combination of years of age and years of
5 credited service, including parts of years, the sum of which
6 equaled or was greater than 68.

7 (d) Credited service and normal retirement benefits cease
8 to accrue on the day preceding the member's DROP entry date. The
9 period of a member's DROP participation, unless revoked as provided
10 by Subsection (j) of this section, begins on the DROP participant's
11 DROP entry date and ends on the date of the DROP participant's last
12 day of active service with the city or the pension system. On the
13 first day of the month following the month in which the pension
14 board approves the member's DROP election, the DROP election
15 becomes effective and the pension board shall establish a DROP
16 account for the DROP participant. For each month during the period
17 of DROP participation before a DROP participant's termination of
18 employment, the following amounts shall be credited to the DROP
19 participant's DROP account, including prorated amounts for partial
20 months of service:

21 (1) an amount equal to what would have been the DROP
22 participant's monthly normal retirement benefit if the DROP
23 participant had retired on the DROP participant's DROP entry date,
24 except that the monthly amount shall be computed based on the DROP
25 participant's credited service and average monthly salary as of the
26 DROP entry date and the benefit accrual rates and maximum allowable
27 benefit applicable on the DROP election date, with the

1 cost-of-living adjustments payable under Subsection (s) of this
2 section, if any, that would apply if the DROP participant had
3 retired on the DROP participant's DROP entry date; and

4 (2) subject to Subsection (d-1) of this section, [~~for~~
5 ~~a group A member, the member's contributions to the pension fund~~
6 ~~required under Section 8 of this Act during the member's~~
7 ~~participation in the DROP; and~~

8 [~~3~~] interest on the DROP participant's DROP account
9 balance computed at a rate determined by the pension board and
10 compounded at intervals designated by the pension board, but at
11 least once in each 13-month period.

12 (d-1) Beginning January 1, 2018, the pension board shall
13 establish the interest rate applicable under Subsection (d)(2) of
14 this section as of January 1 of each year at a rate:

15 (1) except as provided by Subdivision (2) of this
16 subsection, equal to half the pension system's five-year investment
17 return based on a rolling five-fiscal-year basis and net of
18 investment expenses; and

19 (2) that may not be less than 2.5 percent or more than
20 7.5 percent.

21 (f) The period for credits to a DROP participant's DROP
22 account includes each month beginning with the DROP participant's
23 DROP entry date through the date the DROP participant terminates
24 employment with the city or the pension system. Credits may not be
25 made to a DROP participant's DROP account for a period that occurs
26 after the date the DROP participant terminates employment, except
27 that interest at a rate determined by the pension board may be paid

1 on the person's undistributed DROP account balance after the date
2 the person terminates employment. A DROP participant must pay
3 required contributions to the pension system for all time in DROP
4 that would otherwise constitute service in order to receive
5 allowable credits to the DROP participant's DROP account.

6 (g) A DROP participant who terminates employment is
7 eligible to elect to receive the DROP participant's DROP benefit in
8 a lump sum, in substantially equal periodic payments, ~~[or]~~ in a
9 partial lump sum followed by substantially equal periodic payments,
10 or in partial payments from the participant's DROP account, in a
11 manner and form determined by the pension board. The pension board
12 may establish procedures concerning partial payments under this
13 subsection, including limitations on the timing and frequency of
14 those payments. A participant who elects partial payments may
15 elect to receive the participant's entire remaining DROP account
16 balance in a single lump-sum payment. The pension board shall
17 determine a reasonable time for lump-sum and periodic payments of
18 the DROP benefit. ~~[An election concerning single lump-sum or~~
19 ~~partial payments as provided by this subsection must satisfy the~~
20 ~~requirements of Section 401(a)(9), Internal Revenue Code of 1986,~~
21 ~~as amended.]~~ All distributions and changes in the form of
22 distribution must be made in a manner and at a time that complies
23 with that provision of the Internal Revenue Code of 1986, as
24 amended.

25 (h) If a DROP participant dies before the full distribution
26 of the DROP participant's DROP account balance, the undistributed
27 DROP account balance shall be distributed to the DROP participant's

1 surviving spouse, if any, in a lump-sum payment within a reasonable
2 time after the pension board has determined that the surviving
3 spouse is eligible for the distribution. If there is no surviving
4 spouse, each beneficiary of the DROP participant [~~participant's~~
5 ~~beneficiary~~], as designated in the manner and on a form established
6 by the pension board, is eligible to receive the beneficiary's
7 applicable portion of the deceased DROP participant's
8 undistributed DROP account balance in a lump-sum payment within a
9 reasonable time after the pension board has determined that the
10 beneficiary is eligible for the distribution. If no beneficiary is
11 designated, the undistributed DROP account balance shall be
12 distributed to the deceased participant's [~~member's~~] estate.

13 (j) An election to participate in the DROP is irrevocable,
14 except that:

15 (1) if a DROP participant is approved for a service
16 disability pension, the DROP participant's DROP election is
17 automatically revoked; and

18 (2) if a DROP participant dies, the surviving spouse,
19 if any, or the beneficiary, if any, may elect to revoke the DROP
20 participant's DROP election, at a time and in a manner determined by
21 the pension board, only if the revocation occurs before a
22 distribution from the DROP participant's DROP account or the
23 payment of a survivor benefit under this Act or Chapter 358, Acts of
24 the 48th Legislature, Regular Session, 1943 (Article 6243g,
25 Vernon's Texas Civil Statutes) [~~and~~

26 [~~(3) a DROP participant approved by the pension board~~
27 ~~of the predecessor system before September 1, 1999, to participate~~

1 ~~in the DROP may make a one-time, irrevocable election before~~
2 ~~termination of employment, on a date and in a manner determined by~~
3 ~~the pension board, to revoke the DROP election and waive any and all~~
4 ~~rights associated with the DROP election].~~

5 (k) On revocation of a DROP election under Subsection (j) of
6 this section, the DROP account balance becomes zero, and a
7 distribution of DROP benefits may not be made to the participant
8 ~~[member]~~, the participant's ~~[member's]~~ surviving spouse, or the
9 participant's ~~[member's]~~ beneficiaries. In the event of
10 revocation, the benefits based on the participant's ~~[member's]~~
11 service are determined as if the participant's ~~[member's]~~ DROP
12 election had never occurred.

13 (m) If an unanticipated actuarial cost occurs in
14 administering the DROP, the pension board, on the advice of the
15 pension system ~~[system's]~~ actuary, may take action necessary to
16 mitigate the unanticipated cost, including refusal to accept
17 additional elections to participate in the DROP ~~[plan]~~. The
18 pension system shall continue to administer the DROP ~~[plan]~~ for the
19 DROP participants participating in the DROP ~~[plan]~~ before the date
20 of the mitigating action.

21 (o) Except as provided by Subsection (o-1) of this section,
22 on ~~[On]~~ termination of employment, a DROP participant shall receive
23 a normal retirement pension under Section 10 of this Act or under
24 Section 11, 22A, or 24 of Chapter 358, Acts of the 48th Legislature,
25 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil
26 Statutes), as those sections read on the day preceding the
27 participant's DROP entry date, as applicable, except that the

1 credited service under that section is the member's credited
2 service as of the day before the member's DROP entry date, the
3 benefit accrual rate applicable to the credited service shall be
4 the benefit accrual rate in effect on the member's DROP election
5 date, the maximum allowable benefit shall be the maximum allowable
6 benefit in effect on the member's DROP election date, and the
7 member's average monthly salary is the average monthly salary
8 determined as of the later [date] of the member's DROP entry date or
9 January 1, 2005, as applicable [~~termination of employment~~]. The
10 DROP participant's normal retirement pension is increased by any
11 cost-of-living adjustments applied to the monthly credit to the
12 member's DROP account under Subsection (d)(1) of this section
13 during the member's participation in the DROP. Cost-of-living
14 adjustments applicable to periods after the date of the DROP
15 participant's termination of employment are based on the DROP
16 participant's normal retirement pension computed under this
17 subsection or Subsection (o-1) of this section, as applicable,
18 excluding any cost-of-living adjustments.

19 (o-1) On termination of employment, and before any benefit
20 or DROP payment, a DROP participant who is an option-eligible
21 participant shall make the required election under Section 11 of
22 this Act. If the option-eligible participant elects a J&S Annuity,
23 the DROP account, including all DROP credits, shall be recalculated
24 from the DROP entry date to termination of employment as provided by
25 Subsection (o) of this section as if the J&S Annuity was selected to
26 be effective as of the DROP entry date.

27 (p) If a DROP election is not revoked under Subsection (j)

1 of this section, the survivor benefit payable to an eligible
2 survivor of a deceased DROP participant under Section 14 of this Act
3 is computed as a percentage of the monthly ordinary disability
4 pension that the member would have been eligible to receive had the
5 member suffered a disability the day before the member's DROP entry
6 date, except that the ordinary disability pension is computed based
7 on the DROP participant's credited service as of the day before the
8 DROP participant's DROP entry date, the benefit accrual rate
9 applicable to the credited service as of the DROP participant's
10 DROP election date, and the DROP participant's average monthly
11 salary as of the later [date] of the DROP participant's DROP entry
12 date or January 1, 2005, as applicable [death]. A surviving spouse,
13 if any, of a DROP participant who dies from a cause directly
14 resulting from a specific incident in the performance of the DROP
15 participant's duties for the city or the pension system is
16 ineligible to receive enhanced survivor benefits under Section
17 14(c) of this Act unless the DROP election is revoked under
18 Subsection (j)(2) of this section and the surviving spouse receives
19 a survivor benefit as otherwise provided by this subsection.

20 (r) Except as provided by Subsection (s) of this section,
21 the pension system may not credit a DROP account with a
22 cost-of-living adjustment percentage on or after February 1, 2018.

23 (s) On or after February 1, 2018, and for future credit
24 only, the pension system shall credit a cost-of-living adjustment
25 percentage, not compounded, to the DROP account of a DROP
26 participant who was at least 62 years of age as of January 1 of the
27 year in which the increase is made.

1 (t) The pension board may establish deadlines for the
2 submission of any information, document, or other record pertaining
3 to DROP.

4 SECTION 3.18. Sections 13(a), (b), and (c), Chapter 88
5 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001
6 (Article 6243h, Vernon's Texas Civil Statutes), are amended to read
7 as follows:

8 (a) A member who has completed five or more years of
9 credited service and who becomes disabled is eligible, regardless
10 of age, for an ordinary disability retirement and shall receive a
11 monthly disability pension computed in accordance with Section
12 10(d) of this Act [~~for group A members and Section 10(e) for group B~~
13 ~~members~~].

14 (b) A member who is disabled by reason of a personal injury
15 sustained or a hazard undergone as a result of, and while in the
16 performance of, the member's employment duties at some definite
17 place and at some definite time on or after the date of becoming a
18 member, without serious and wilful misconduct on the member's part,
19 is eligible for a service disability retirement and shall receive a
20 monthly disability pension equal to the greater of:

21 (1) the monthly normal retirement pension computed
22 under Section 10(d) of this Act [~~for a group A member or Section~~
23 ~~10(e) for a group B member~~]; or

24 (2) 20 percent of the member's monthly salary on the
25 date the injury occurred or the hazard was undergone.

26 (c) In addition to the monthly disability pension under
27 Subsection (b)(2) of this section, a group A member shall receive

1 one percent of the salary under Subsection (b)(2) of this section
2 for each year of credited service. The total disability pension
3 computed under Subsection (b)(2) of this section may not exceed the
4 greater of:

- 5 (1) 40 percent of that monthly salary; or
6 (2) the monthly normal retirement pension computed in
7 accordance with Section 10(d) of this Act [~~for a group A member or~~
8 ~~Section 10(e) for a group B member~~].

9 SECTION 3.19. Section 14, Chapter 88 (H.B. 1573), Acts of
10 the 77th Legislature, Regular Session, 2001 (Article [6243h](#),
11 Vernon's Texas Civil Statutes), is amended by amending Subsections
12 (a), (b), (c), (d), (e), and (h) and adding Subsection (b-1) to read
13 as follows:

14 (a) Except as provided by Section 11 or [~~Section~~] 12 of this
15 Act, the pension board shall order survivor benefits to be paid to
16 an eligible survivor in the form of a monthly allowance under this
17 section if:

18 (1) a member or former member of group A or group B
19 dies from any cause after the completion of five years of credited
20 service with the city or the pension system;

21 (2) while in the service of the city or the pension
22 system, a member dies from any cause directly resulting from a
23 specific incident in the performance of the member's duty; [~~or~~]

24 (3) a member of group A or group B dies after the date
25 the member retires on a pension because of length of service or a
26 disability and the member leaves an eligible survivor; or

27 (4) a member of group D dies from any cause after the

1 completion of five years of credited service with the city or the
2 pension system if the member on the date of the member's death was
3 still in service with the city or the pension system.

4 (b) A surviving spouse of a member described by Subsection
5 (a)(1) or (4) of this section [~~or former member~~] who dies while
6 still in [~~dies after having completed five years of credited~~]
7 service with the city or the pension system[~~, but before beginning~~
8 ~~to receive retirement benefits,~~] is eligible for a sum equal to the
9 following applicable percentage [~~100 percent~~] of the retirement
10 benefits to which the deceased member or former member would have
11 been eligible had the member been totally disabled with an ordinary
12 disability at the time of the member's last day of credited service:

13 (1) 80 percent, if the member's death occurs on or
14 after the year 2017 effective date and the spouse was married to the
15 member for at least one continuous year as of the member's date of
16 death, except that the allowance payable to the surviving spouse
17 may not be less than \$100 a month; or

18 (2) 50 percent, if the member's death occurs on or
19 after the year 2017 effective date and the spouse was married to the
20 member for less than one continuous year as of the date of the
21 member's death.

22 (b-1) A surviving spouse of a former member described by
23 Subsection (a)(1) of this section who dies on or after the year 2017
24 effective date while not in the service of the city or the pension
25 system and before the member's retirement commenced, is eligible
26 for a sum equal to 50 percent of the deceased former member's normal
27 accrued pension at the time of the deceased former member's last day

1 of credited service. Benefits under this subsection first become
2 payable on the date the former member would have become eligible to
3 begin receiving a pension. If the surviving spouse elects for
4 earlier payment, in a time and manner determined by the pension
5 board, the actuarial equivalent of that amount shall be payable at
6 that earlier date.

7 (c) A surviving spouse of a member described by Subsection
8 (a)(2) of this section who dies from a cause directly resulting from
9 a specific incident in the performance of the member's duty with the
10 city or the pension system, without serious or wilful misconduct on
11 the member's part, is eligible for a sum equal to 80 [~~100~~] percent
12 of the deceased member's final average salary.

13 (d) A surviving spouse of a retiree described by Subsection
14 (a)(3) of this section who dies after having received retirement
15 benefits is eligible for a sum equal to the following applicable
16 percentage [~~100 percent~~] of the retirement benefits being received
17 at the time of the retiree's death, including any applicable [~~The~~]
18 cost-of-living adjustment in the survivor benefit under Section
19 10(h) of this Act [~~is~~] computed based on the unadjusted normal
20 retirement pension of the deceased retiree:

21 (1) 80 percent, if the retiree's death occurs on or
22 after the year 2017 effective date and the retiree separated from
23 service with the city or pension system before the year 2017
24 effective date;

25 (2) 80 percent, if the retiree's death occurs on or
26 after the year 2017 effective date and the retiree separated from
27 service with the city or pension system on or after the year 2017

1 effective date, provided the surviving spouse was married to the
2 retiree at the time of the retiree's death and for at least one
3 continuous year as of the date of the retiree's separation from
4 service; or

5 (3) 50 percent, if both the retiree's separation from
6 service and death occur on or after the year 2017 effective date and
7 the surviving spouse was married to the retiree at the time of the
8 retiree's death for less than one continuous year as of the date of
9 the retiree's separation from service.

10 (e) If there is a surviving spouse, each dependent child
11 shall receive a survivor benefit equal to 10 percent of the pension
12 the member would have received if the member had been disabled at
13 the time of death up to a maximum of 20 percent for all dependent
14 children, except that if the total amount payable to the surviving
15 spouse and dependent children is greater than 80 [~~100~~] percent of
16 the benefit the member would have received, the percentage of
17 benefits payable to the surviving spouse shall be reduced so that
18 the total amount is not greater than 80 [~~100~~] percent of the benefit
19 the member would have received, and the reduction shall continue
20 until the total amount payable to the surviving spouse and
21 dependent child, if any, would not be greater than 80 [~~100~~] percent
22 of the benefit the member would have received.

23 (h) If a retiree dies and there is no eligible survivor, the
24 retiree's spouse, if any, or if there is no spouse, the retiree's
25 estate, is eligible to receive a lump-sum payment of the
26 unamortized balance of the retiree's accrued employee
27 contributions, if any, other than contributions after the DROP

1 entry date, as determined by an amortization schedule and method
2 approved by the pension board. A pension payable to a retiree
3 ceases on the last day of the month [~~preceding the month~~] of the
4 retiree's death. A survivor benefit payable to an eligible
5 survivor is effective on the first day of the month following the
6 month of the retiree's death and ceases on the last day of [~~month~~
7 ~~preceding~~] the month of the eligible survivor's death or on the last
8 day of the month in which the survivor otherwise ceases to be
9 eligible to receive a survivor's benefit.

10 SECTION 3.20. Sections 16(a) and (e), Chapter 88 (H.B.
11 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
12 [6243h](#), Vernon's Texas Civil Statutes), are amended to read as
13 follows:

14 (a) Notwithstanding any other provision of this Act, the
15 pension board may pay to a member, deferred participant, eligible
16 survivor, alternate payee, or beneficiary in a lump-sum payment the
17 present value of any benefit payable to such a person that is less
18 than \$20,000 [~~\$10,000~~] instead of paying any other benefit payable
19 under this Act. If the lump-sum present value of the benefit is at
20 least \$1,000 [~~\$5,000~~] but less than \$20,000 [~~\$10,000~~], the pension
21 board may make a lump-sum payment only on written request by the
22 member, deferred participant, eligible survivor, alternate payee,
23 or other beneficiary. The pension board shall make any payment
24 under this subsection as soon as practicable after eligibility
25 under this section has been determined by the pension board.

26 (e) A member who is reemployed by the city or the pension
27 system and who has at least two years of continuous credited service

1 after reemployment may reinstate service for which the member
2 received a lump-sum payment under this section by paying into the
3 pension fund the amount of the lump-sum payment, plus interest on
4 that amount at the applicable assumed rate of return [~~six percent~~
5 ~~per year~~], not compounded, from the date the lump-sum payment was
6 made to the member until the date of repayment to the pension fund.

7 SECTION 3.21. Section 17, Chapter 88 (H.B. 1573), Acts of
8 the 77th Legislature, Regular Session, 2001 (Article [6243h](#),
9 Vernon's Texas Civil Statutes), is amended by amending Subsections
10 (a), (c), (d), (e), (f), (g), (h), (i), (j), (k), and (l) and adding
11 Subsections (c-1), (c-2), (q), (r), and (s) to read as follows:

12 (a) A member who terminates employment with the city
13 involuntarily due to a reduction in workforce, as determined by the
14 pension board, before the member becomes eligible for a normal
15 retirement pension or attains five years of credited service, is
16 eligible to [~~by written notice to the pension board, may make an~~
17 ~~irrevocable election to~~] leave the person's contributions in the
18 pension fund until the first anniversary of the date of
19 termination. If during that period the person is reemployed by the
20 city and has not withdrawn the person's contributions, all rights
21 and service credit as a member shall be immediately restored
22 without penalty. If reemployment with the city does not occur
23 before the first anniversary of the date of termination, all
24 payments made by the person into the pension fund by salary
25 deductions or other authorized contributions shall be refunded to
26 the person without interest. If the person is subsequently
27 reemployed, the person may have credit restored, subject to the

1 provisions applicable at the time of reemployment.

2 (c) A former member of group A or group B whose employment is
3 terminated for a reason other than death or receipt of a retirement
4 or disability pension after the completion of five years of
5 credited service may elect, in a manner determined by the pension
6 board, to receive a deferred retirement pension that begins on the
7 member's effective retirement date after the member attains the
8 eligibility requirements for normal retirement under Section 10 of
9 this Act as it existed on the member's last day of credited service
10 ~~[either 62 years of age or a combination of years of age and years of~~
11 ~~credited service, including parts of years, the sum of which equals~~
12 ~~the number 70]~~. The amount of monthly benefit shall be computed in
13 the same manner as for a normal retirement pension, but based on
14 average monthly salary and credited service as of the member's last
15 day of credited service and subject to the provisions of this Act or
16 Chapter 358, Acts of 48th Legislature, Regular Session, 1943
17 (Article 6243g, Vernon's Texas Civil Statutes), in effect on the
18 former member's last day of credited service.

19 (c-1) A former member of group D whose employment is
20 terminated for a reason other than death or receipt of a retirement
21 or disability pension after the completion of five years of
22 credited service may elect, in a manner determined by the pension
23 board, to receive a deferred normal retirement pension that begins
24 on the former member's effective retirement date after the member
25 attains 62 years of age. The amount of a monthly benefit under this
26 subsection shall be computed in the same manner as a normal
27 retirement pension, except the benefit shall be based on the

1 average monthly salary and credited service of the former member as
2 of the former member's last day of credited service and subject to
3 the provisions of this Act in effect on the former member's last day
4 of credited service.

5 (c-2) A former member of group D whose employment is
6 terminated for a reason other than death or receipt of a retirement
7 or disability pension and who has met the minimum years of credited
8 service to receive an early reduced retirement pension under
9 Section 10(e) of this Act on attaining the required age, may elect,
10 in a manner determined by the pension board, to receive a deferred
11 early retirement pension that begins on the former member's
12 effective retirement date after the member attains the required age
13 under Section 10(e) of this Act. The amount of monthly benefit
14 shall be computed in the same manner as for an early retirement
15 pension under Section 10(e) of this Act, except that the benefit
16 shall be based on the average monthly salary and credited service of
17 the former member as of the former member's last day of credited
18 service and subject to the provisions of this Act in effect on the
19 former member's last day of credited service.

20 (d) If a member dies while still employed by the city,
21 whether eligible for a pension or not, and Sections 12 and 14 of
22 this Act do not apply, all of the member's rights in the pension
23 fund shall be satisfied by the refund to the member's spouse
24 [~~designated beneficiary~~], if any, or if there is no spouse
25 [~~designated beneficiary~~], to the member's estate, of all eligible
26 payments, if any, made by the member into the pension fund, without
27 interest.

1 (e) ~~[The provisions of Section 14 of this Act concerning~~
2 ~~payments to eligible survivors apply in the case of any former~~
3 ~~member who has made the election permitted by Subsection (c) of this~~
4 ~~section and who dies before reaching the age at which the former~~
5 ~~member would be eligible to receive a pension.]~~ If there is no
6 eligible survivor of the former member, all of the former member's
7 rights in the pension fund shall be satisfied by the refund to the
8 former member's spouse ~~[designated beneficiary]~~, if any, or if
9 there is no spouse ~~[designated beneficiary]~~, to the former member's
10 estate, of all eligible payments made by the former member into the
11 pension fund by way of employee contributions, without interest.

12 (f) This Act does not change the status of any former member
13 of the predecessor system whose services with the city or the
14 pension system were terminated under Chapter 358, Acts of the 48th
15 Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas
16 Civil Statutes), except as otherwise expressly provided. Refunds
17 of contributions made under this section shall be paid to the
18 departing member, the member's spouse ~~[beneficiary]~~, or the
19 member's estate on written request and approval by the pension
20 board in a lump sum, except that if the pension board determines
21 that funds are insufficient to justify the lump-sum payment, the
22 payment shall be refunded on a monthly basis in amounts determined
23 by the pension board.

24 (g) If a deferred participant is reemployed by the city or
25 the pension system before receiving a deferred retirement pension
26 or if a retiree is reemployed by the city or the pension system,
27 Subsections (h) and (j) of this section apply to the computation of

1 the member's pension following the member's subsequent separation
2 from service if the member was a member on or after May 11, 2001, and
3 is not otherwise subject to Subsection (g) of this section.

4 (h) If a member described in Subsection (g) of this section
5 accrues not more than two years of continuous credited service
6 after reemployment:

7 (1) the portion of the member's deferred or normal
8 retirement pension attributable to the member's period of credited
9 service accrued before the date of the member's original or
10 previous separation from service is computed on the basis of the
11 applicable provisions of this Act or the predecessor system that
12 were in effect on the member's last day of credited service for the
13 original or previous period of credited service;

14 (2) the portion of the member's deferred or normal
15 retirement pension attributable to the member's period of credited
16 service accrued after the date of the member's reemployment by the
17 city or the pension system is computed on the basis of the
18 applicable provisions of this Act or the predecessor system in
19 effect on the member's last day of credited service for the
20 subsequent period of credited service; and

21 (3) the disability pension or survivor benefit
22 attributable to the member's period of credited service accrued
23 both before the date of the member's original or previous
24 separation from service and after the date of the member's
25 reemployment by the city or the pension system is computed on the
26 basis of the applicable provisions of this Act or the predecessor
27 system that were in effect on the member's last day of credited

1 service for the original or previous period of credited service.

2 (i) Subject to Subsection (1) of this section, the
3 disability pension or survivor benefit under Subsection (h)(3) of
4 this section is computed by adding the following amounts:

5 (1) the amount of the benefit derived from the member's
6 credited service accrued after the date of reemployment based on
7 the benefit accrual rate in effect on the member's last day of
8 original or previous credited service in the group in which the
9 member participated on the member's last day of subsequent credited
10 service; and

11 (2) the amount of the benefit the member, beneficiary,
12 or eligible survivor was eligible to receive based on the member's
13 original or previous credited service and the provisions in effect
14 on the member's last day of original or previous credited service.

15 (j) If a [the] member described by Subsection (g) of this
16 section accrues more than two years of continuous credited service
17 after reemployment, for purposes of future payment only, a deferred
18 retirement pension, normal retirement pension, disability pension,
19 or survivor benefit is computed on the basis of the applicable
20 provisions of this Act or the predecessor system in effect on the
21 member's last day of credited service for the subsequent service.

22 (k) Notwithstanding any other provision of this Act, if a
23 retiree is reemployed by the city or the pension system and becomes
24 a member, the retiree's pension under this Act ceases on the day
25 before the date the retiree is reemployed. Payment of the pension
26 shall be suspended during the period of reemployment and may not
27 begin until the month following the month in which the reemployed

1 retiree subsequently terminates employment. On subsequent
2 separation, benefits payable are computed under Subsections (h) and
3 (j) of this section, as applicable. If the reemployed retiree
4 receives any pension during the period of reemployment, the retiree
5 shall return all of the pension received during that period to the
6 pension system not later than the 30th day after the date of
7 receipt. If the reemployed retiree does not timely return all of
8 the pension, the pension board shall offset the amount not returned
9 against the payment of any future retirement pension, disability
10 pension, DROP balance, or survivor benefit payable on behalf of the
11 reemployed retiree, plus interest on the disallowed pension at the
12 applicable assumed rate of return, not compounded, from the date
13 the reemployed retiree received the disallowed pension to the date
14 of the offset on the disallowed pension.

15 (1) Except as provided by Section 14 of this Act, if [~~if~~] a
16 member is covered by Subsection (h) of this section and has made an
17 election or was eligible to make an election under Section 11 of
18 this Act or an optional annuity election under Section 29, Chapter
19 358, Acts of the 48th Legislature, Regular Session, 1943 (Article
20 6243g, Vernon's Texas Civil Statutes), or has received a pension
21 computed on the basis of an optional annuity election, the optional
22 annuity election, including any designation of an eligible
23 designated survivor, governs the payment of any pension or benefit
24 for the period of service covered by the optional annuity election,
25 and no other survivor benefit is payable for that period of service.
26 If a member meets the requirements of Subsection (j) of this section
27 and has made an optional annuity election or has received a pension

1 computed on the basis of an optional annuity election, the optional
2 annuity election, including any designation of an eligible
3 designated survivor, shall control the payment of any pension or
4 benefit, and no other survivor benefit is payable unless the member
5 elects, not later than the 90th day after the date of the separation
6 of employment and before payment of a pension, to revoke the
7 optional annuity election for future payment of benefits. If
8 revocation occurs, any survivor benefit is paid under Subsection
9 (j) of this section.

10 (q) Subsections (g) through (l) of this section do not apply
11 to the calculation of any benefit for or attributable to the period
12 of service following:

13 (1) the employment or reemployment of a member hired
14 or rehired on or after January 1, 2005; or

15 (2) the reemployment of a deferred retiree or retiree
16 who is reemployed in a pension system covered position before
17 January 1, 2005, but for a period of two years or less of continuous
18 credited service.

19 (r) If a deferred retiree or retiree subject to Subsection
20 (q)(2) of this section is reemployed in a pension system covered
21 position, the retiree's pension due on the retiree's subsequent
22 retirement shall be computed as follows:

23 (1) the portion of the retiree's pension attributable
24 to the retiree's periods of credited service that accrued before
25 the retiree's reemployment shall be calculated on the basis of the
26 schedule of benefits for retiring members that was in effect at the
27 time of the member's previous termination or terminations of

1 employment; and

2 (2) the portion of the member's pension attributable
3 to the member's period of credited service that accrued after the
4 member's reemployment shall be calculated on the basis of the
5 schedule of benefits for retiring members that is in effect at the
6 time of the member's subsequent retirement.

7 (s) The computation under Subsection (r) of this section may
8 not result in a lower pension benefit amount for the previous
9 service of the retiree than the pension benefit amount the retiree
10 was eligible to receive for the retiree's previous service before
11 the date of reemployment.

12 SECTION 3.22. Section 18(d), Chapter 88 (H.B. 1573), Acts
13 of the 77th Legislature, Regular Session, 2001 (Article 6243h,
14 Vernon's Texas Civil Statutes), is amended to read as follows:

15 (d) The military service credited under Subsection (c) of
16 this section:

17 (1) may not exceed a total of 60 months; and

18 (2) may be claimed as service solely in the group in
19 which the member participates [~~A only if the member is a group A~~
20 ~~member or group C member~~] at the time the member claims the
21 service[, ~~and~~

22 [~~(3) may be claimed as service in group B only if the~~
23 ~~member is a group B member at the time the member claims the~~
24 ~~service~~].

25 SECTION 3.23. Sections 24(h) and (i), Chapter 88 (H.B.
26 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
27 6243h, Vernon's Texas Civil Statutes), are amended to read as

1 follows:

2 (h) Contributions may not accumulate under the excess
3 benefit plan to pay future retirement benefits. The executive
4 director shall reduce each payment of employer contributions that
5 would otherwise be made to the pension fund under Section 8A [~~8~~] of
6 this Act by the amount determined to be necessary to meet the
7 requirements for retirement benefits under the plan, including
8 reasonable administrative expenses, until the next payment of
9 municipal contributions is expected to be made to the pension fund.
10 The employer shall pay to the plan, from the withheld
11 contributions, not earlier than the 30th day before the date each
12 distribution of monthly retirement benefits is required to be made
13 from the plan, the amount necessary to satisfy the obligation to pay
14 monthly retirement benefits from the plan. The executive director
15 shall satisfy the obligation of the plan to pay retirement benefits
16 from the employer contributions transferred for that month.

17 (i) Employer contributions otherwise required to be made to
18 the pension fund under Section 8A [~~8~~] of this Act and to any other
19 qualified plan shall be divided into those contributions required
20 to pay retirement benefits under this section and those
21 contributions paid into and accumulated to pay the maximum benefits
22 required under the qualified plan. Employer contributions made to
23 provide retirement benefits under this section may not be
24 commingled with the money of the pension fund or any other qualified
25 plan.

26 SECTION 3.24. Section 8(d), Chapter 88 (H.B. 1573), Acts of
27 the 77th Legislature, Regular Session, 2001 (Article [6243h](#),

1 Vernon's Texas Civil Statutes), is repealed.

2 SECTION 3.25. (a) The change in law made by this Act to
3 Section 2, Chapter 88 (H.B. 1573), Acts of the 77th Legislature,
4 Regular Session, 2001 (Article 6243h, Vernon's Texas Civil
5 Statutes), applies only to the appointment or election of a trustee
6 of the board of trustees of the pension system established under
7 that law that occurs on or after the effective date of this Act.

8 (b) A person who is serving as a trustee immediately before
9 the effective date of this Act may continue to serve for the
10 remainder of the trustee's term, and that trustee's qualifications
11 for serving as a trustee for that term are governed by the law in
12 effect immediately before the effective date of this Act.

13 SECTION 3.26. The pension system established under Chapter
14 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001
15 (Article 6243h, Vernon's Texas Civil Statutes), shall require the
16 pension system actuary to prepare the first actuarial experience
17 study required under Section 8D, Chapter 88 (H.B. 1573), Acts of the
18 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
19 Texas Civil Statutes), as added by this Act, not later than
20 September 30, 2021.

21 ARTICLE 4. PROVISIONS APPLICABLE TO EACH PUBLIC RETIREMENT SYSTEM

22 SUBJECT TO ACT

23 SECTION 4.01. Chapter 107, Local Government Code, is
24 amended by adding Section 107.0036 to read as follows:

25 Sec. 107.0036. VOTER APPROVAL REQUIRED FOR CERTAIN PENSION
26 FUND OBLIGATIONS. (a) This section applies only to a public
27 pension fund subject to:

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

2 (2) Chapter 88 (H.B. 1573), Acts of the 77th
3 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
4 Civil Statutes); and

5 (3) Article 6243g-4, Revised Statutes.

6 (b) A municipality may issue an obligation under Section
7 107.003 to fund all or any part of the unfunded liability of a
8 public pension fund subject to this section only if the issuance is
9 approved by a majority of the qualified voters of the municipality
10 voting at an election held for that purpose.

11 SECTION 4.02. Section 107.0036, Local Government Code, as
12 added by this Act, applies only to obligations for which the
13 governing body of a municipality executes an agreement under
14 Section 107.003(b), Local Government Code, on or after the
15 effective date of this Act.

16 ARTICLE 5. CONFLICTING LEGISLATION; EFFECTIVE DATE

17 SECTION 5.01. If this Act conflicts with any other Act of
18 the 85th Legislature, Regular Session, 2017, this Act controls
19 unless the conflict is expressly resolved by the legislature by
20 reference to this Act.

21 SECTION 5.02. This Act takes effect July 1, 2017, if it
22 receives a vote of two-thirds of all the members elected to each
23 house, as provided by Section 39, Article III, Texas Constitution.
24 If this Act does not receive the vote necessary for effect on that
25 date, this Act takes effect September 1, 2017.