

1-1 By: Rodriguez, et al. (Senate Sponsor - Buckingham) H.B. No. 4368  
 1-2 (In the Senate - Received from the House May 17, 2021;  
 1-3 May 17, 2021, read first time and referred to Committee on Finance;  
 1-4 May 22, 2021, reported adversely, with favorable Committee  
 1-5 Substitute by the following vote: Yeas 10, Nays 0; May 22, 2021,  
 1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	X			
1-10			X	
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15			X	
1-16			X	
1-17	X			
1-18	X			
1-19	X			
1-20			X	
1-21	X			
1-22	X			
1-23			X	

1-24 COMMITTEE SUBSTITUTE FOR H.B. No. 4368 By: Buckingham

1-25 A BILL TO BE ENTITLED  
 1-26 AN ACT

1-27 relating to participation in, contributions to, and the benefits  
 1-28 and administration of retirement systems for police officers in  
 1-29 certain municipalities.

1-30 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-31 SECTION 1. Section 1.02, Chapter 452 (S.B. 738), Acts of the  
 1-32 72nd Legislature, Regular Session, 1991 (Article 6243n-1, Vernon's  
 1-33 Texas Civil Statutes), is amended by amending Subdivisions (2) and  
 1-34 (4) and adding Subdivisions (1-a), (2-a), (3-a), (3-b), (6-a),  
 1-35 (6-b), (6-c), (6-d), (6-e), (10-a), (11-a), (13-a), (13-b), (13-c),  
 1-36 (15-a), (15-b), (15-c), (15-d), (15-e), (17-a), (18-a), (18-b),  
 1-37 (19-a), (19-b), (23-a), (29-a), and (29-b) to read as follows:

1-38 (1-a) "Actuarial accrued liability" means the portion  
 1-39 of the actuarial present value of projected benefits of the police  
 1-40 retirement system attributed to past periods of member service  
 1-41 based on the cost method used in the risk sharing valuation study  
 1-42 prepared under Section 8.03 or 8.04 of this Act, as applicable.

1-43 (2) "Actuarial equivalent" means any benefit of equal  
 1-44 present value to a standard benefit when computed as specified by  
 1-45 this Act, based on the actuarial assumptions adopted by the police  
 1-46 retirement board for that purpose.

1-47 (2-a) "Actuarial value of assets" means the value of  
 1-48 the police retirement system's investments as calculated using the  
 1-49 asset smoothing method used in the risk sharing valuation study  
 1-50 prepared under Section 8.03 or 8.04 of this Act, as applicable.

1-51 (3-a) "Amortization period" means:

1-52 (A) the period necessary to fully pay a liability  
 1-53 layer; or

1-54 (B) if referring to the amortization period of  
 1-55 the police retirement system as a whole, the number of years  
 1-56 incorporated in a weighted average amortization factor for the sum  
 1-57 of the legacy liability and all liability layers as determined in  
 1-58 each annual actuarial valuation of assets and liabilities of the  
 1-59 system.

1-60 (3-b) "Amortization rate" means, for a given calendar

2-1 year, the percentage rate determined by:  
2-2 (A) adding the scheduled amortization payments  
2-3 required to pay off the then-existing liability layers;  
2-4 (B) subtracting the city legacy contribution  
2-5 amount for the same calendar year, as determined in the risk sharing  
2-6 valuation study prepared under Section 8.03 or 8.04 of this Act, as  
2-7 applicable, from the sum under Paragraph (A); and  
2-8 (C) dividing the sum under Paragraph (B) by the  
2-9 projected pensionable payroll for the same calendar year.  
2-10 (4) "Average final compensation" means the monthly  
2-11 average of basic hourly earnings of a member during, as applicable:  
2-12 (A) if the member has 120 months or more of  
2-13 service during which the member made contributions to the system or  
2-14 the predecessor system, the 36 months for a group A member or 60  
2-15 months for a group B member which yielded the highest average during  
2-16 the last 120 months of membership service during which the member  
2-17 contributed to the system or the predecessor system;  
2-18 (B) if the member has less than 120 months of  
2-19 membership service during which the member contributed to the  
2-20 system or the predecessor system, but has at least 36 months of  
2-21 membership service for a group A member or 60 months of membership  
2-22 service for a group B member during which the member made  
2-23 contributions to the system or the predecessor system, the average  
2-24 of the 36 months or 60 months, as applicable, which yielded the  
2-25 highest average; or  
2-26 (C) if the member does not have 36 months of  
2-27 membership service for a group A member or 60 months of membership  
2-28 service for a group B member during which the member contributed to  
2-29 the system or the predecessor system, the average of the member's  
2-30 months of membership service during which the member made  
2-31 contributions to the system or the predecessor system.  
2-32 (6-a) "City contribution rate" means, for a given  
2-33 calendar year, a percentage rate equal to the sum of the employer  
2-34 normal cost rate and the amortization rate, as adjusted under  
2-35 Section 8.05 or 8.06 of this Act, if applicable.  
2-36 (6-b) "City legacy contribution amount" means, for  
2-37 each calendar year, a predetermined payment amount expressed in  
2-38 dollars in accordance with a payment schedule amortizing the legacy  
2-39 liability for the calendar year ending December 31, 2020, that is  
2-40 included in the initial risk sharing valuation study under Section  
2-41 8.03 of this Act.  
2-42 (6-c) "Corridor" means the range of city contribution  
2-43 rates that are:  
2-44 (A) equal to or greater than the minimum city  
2-45 contribution rate; and  
2-46 (B) equal to or less than the maximum city  
2-47 contribution rate.  
2-48 (6-d) "Corridor margin" means five percentage points.  
2-49 (6-e) "Corridor midpoint" means the projected city  
2-50 contribution rate specified for each calendar year for 30 years as  
2-51 provided by the initial risk sharing valuation study under Section  
2-52 8.03 of this Act, rounded to the nearest hundredths decimal place.  
2-53 (10-a) "Employer normal cost rate" means, for a given  
2-54 calendar year, the normal cost rate minus the applicable member  
2-55 contribution rate determined under Section 8.01 of this Act.  
2-56 (11-a) "Estimated city contribution rate" means, for a  
2-57 given calendar year, the city contribution rate that would be  
2-58 required to maintain an amortization period for the retirement  
2-59 system as a whole of no more than 30 years as determined by the  
2-60 system's actuary in a risk sharing valuation study under Section  
2-61 8.03 or 8.04 of this Act, as applicable, and before any adjustment  
2-62 to the rate under Section 8.05 or 8.06 of this Act, as applicable.  
2-63 (13-a) "Funded ratio" means the ratio of the actuarial  
2-64 value of assets divided by the actuarial accrued liability.  
2-65 (13-b) "Group A member" means a member included in  
2-66 group A membership under Section 4.01(e-1) of this Act.  
2-67 (13-c) "Group B member" means a member included in  
2-68 group B membership under Section 4.01(e-1) of this Act.  
2-69 (15-a) "Legacy liability" means the unfunded

3-1 actuarial accrued liability determined as of December 31, 2020, and  
 3-2 for each subsequent calendar year, adjusted as follows:  
 3-3 (A) reduced by the city legacy contribution  
 3-4 amount for the calendar year allocated to the amortization of the  
 3-5 legacy liability; and  
 3-6 (B) adjusted by the assumed rate of return  
 3-7 adopted by the police retirement board for the calendar year.  
 3-8 (15-b) "Level percent of payroll method" means the  
 3-9 amortization method that defines the amount of the liability layer  
 3-10 recognized each calendar year as a level percent of pensionable  
 3-11 payroll until the amount of the liability layer remaining is  
 3-12 reduced to zero.  
 3-13 (15-c) "Liability gain layer" means a liability layer  
 3-14 that decreases the unfunded actuarial accrued liability.  
 3-15 (15-d) "Liability layer" means:  
 3-16 (A) the legacy liability established in the  
 3-17 initial risk sharing valuation study under Section 8.03 of this  
 3-18 Act; or  
 3-19 (B) for calendar years after December 31, 2020,  
 3-20 the amount that the police retirement system's unfunded actuarial  
 3-21 accrued liability increases or decreases, as applicable, due to the  
 3-22 unanticipated change for the calendar year as determined in each  
 3-23 subsequent risk sharing valuation study prepared under Section 8.04  
 3-24 of this Act.  
 3-25 (15-e) "Liability loss layer" means a liability layer  
 3-26 that increases the unfunded actuarial accrued liability. For  
 3-27 purposes of this Act, the legacy liability is a liability loss  
 3-28 layer.  
 3-29 (17-a) "Maximum city contribution rate" means, for a  
 3-30 given calendar year, the rate equal to the corridor midpoint plus  
 3-31 the corridor margin.  
 3-32 (18-a) "Minimum city contribution rate" means, for a  
 3-33 given calendar year, the rate equal to the corridor midpoint minus  
 3-34 the corridor margin.  
 3-35 (18-b) "Normal cost rate" means, for a given calendar  
 3-36 year, the salary weighted average of the individual normal cost  
 3-37 rates determined for the current active member population, plus the  
 3-38 assumed administrative expenses determined in the most recent  
 3-39 actuarial experience study.  
 3-40 (19-a) "Payoff year" means the year a liability layer  
 3-41 is fully amortized under the amortization period. A payoff year may  
 3-42 not be extended or accelerated for a period that is less than one  
 3-43 month.  
 3-44 (19-b) "Pensionable payroll" means the aggregate  
 3-45 basic hourly earnings of all members in active service for a  
 3-46 calendar year or pay period, as applicable.  
 3-47 (23-a) "Projected pensionable payroll" means the  
 3-48 estimated pensionable payroll for the calendar year beginning 12  
 3-49 months after the date of the risk sharing valuation study prepared  
 3-50 under Section 8.03 or 8.04 of this Act, at the time of calculation  
 3-51 by:  
 3-52 (A) projecting the prior calendar year's  
 3-53 pensionable payroll forward two years using the current payroll  
 3-54 growth rate assumption adopted by the police retirement board; and  
 3-55 (B) adjusting, if necessary, for changes in  
 3-56 population or other known factors, provided those factors would  
 3-57 have a material impact on the calculation, as determined by the  
 3-58 board.  
 3-59 (29-a) "Unanticipated change" means, with respect to  
 3-60 the unfunded actuarial accrued liability in each subsequent risk  
 3-61 sharing valuation study prepared under Section 8.04 of this Act,  
 3-62 the difference between:  
 3-63 (A) the remaining balance of all then-existing  
 3-64 liability layers as of the date of the risk sharing valuation study;  
 3-65 and  
 3-66 (B) the actual unfunded actuarial accrued  
 3-67 liability as of the date of the risk sharing valuation study.  
 3-68 (29-b) "Unfunded actuarial accrued liability" means  
 3-69 the difference between the actuarial accrued liability and the

4-1 actuarial value of assets.

4-2 SECTION 2. Section 3.02, Chapter 452 (S.B. 738), Acts of the  
 4-3 72nd Legislature, Regular Session, 1991 (Article 6243n-1, Vernon's  
 4-4 Texas Civil Statutes), is amended to read as follows:

4-5 Sec. 3.02. COMPOSITION OF BOARD; TRUSTEE QUALIFICATIONS.

4-6 (a) The police retirement board shall be composed of 11 members as  
 4-7 follows:

4-8 (1) one council member designated by the city council;

4-9 (2) the city manager or the city manager's designee;

4-10 (3) the director of finance or the director's  
 4-11 designee;

4-12 (4) four [~~five~~] police officer members elected by the  
 4-13 police officer members of the system, each of whom serves for a term  
 4-14 of four years;

4-15 (5) one legally qualified voter of the city, who is a  
 4-16 resident and has been a resident for the preceding five years, is  
 4-17 not an employee of the city or a member of the system, and has  
 4-18 demonstrated experience in the field of finance or investments, to  
 4-19 be appointed by the police retirement board to serve for a term of  
 4-20 four years and until the member's successor is duly selected and  
 4-21 qualified; [~~and~~]

4-22 (6) one legally qualified voter of the city, who is a  
 4-23 resident and has been a resident for the preceding five years, is  
 4-24 not an employee of the city or a member of the system, and has  
 4-25 demonstrated experience in the field of finance or investments, to  
 4-26 be appointed by the city council to serve for a term of four years  
 4-27 and until the member's successor is duly selected and qualified;  
 4-28 and

4-29 (7) two retired members to be elected by the retired  
 4-30 members to serve for a term of four years, with the term of one  
 4-31 member expiring each odd-numbered year.

4-32 (b) The terms of two members elected as described by  
 4-33 Subsection (a)(4) of this section expire in 2023 [~~2001~~] and every  
 4-34 fourth subsequent year, and the terms of two [~~three~~] members  
 4-35 elected as described by Subsection (a)(4) of this section expire in  
 4-36 2025 [~~2003~~] and every fourth subsequent year.

4-37 (b-1) A member of the police retirement board appointed  
 4-38 under Subsection (a)(5) or (a)(6) of this section must:

4-39 (1) have, at the time of taking office, the  
 4-40 qualifications required for the trustee's position; and

4-41 (2) maintain during service on the board the  
 4-42 qualifications required for the trustee's position.

4-43 (c) A vacancy occurring by the death, resignation, or  
 4-44 removal of the member appointed under:

4-45 (1) Subsection (a)(5) of this section shall be filled  
 4-46 by appointment by the remaining members of the police retirement  
 4-47 board; and

4-48 (2) Subsection (a)(6) of this section shall be filled  
 4-49 by appointment by the city council.

4-50 SECTION 3. Section 3.09(b), Chapter 452 (S.B. 738), Acts of  
 4-51 the 72nd Legislature, Regular Session, 1991 (Article 6243n-1,  
 4-52 Vernon's Texas Civil Statutes), is amended to read as follows:

4-53 (b) From time to time on the advice of the actuary and at the  
 4-54 direction of the board and as provided by Section 3.091 of this Act,  
 4-55 the actuary shall make an actuarial investigation of the mortality,  
 4-56 service, and compensation experience of members, retired members,  
 4-57 and beneficiaries of the system and shall recommend for adoption by  
 4-58 the board the tables and rates required by the system. The board  
 4-59 shall adopt the tables and rates to be used by the system.

4-60 SECTION 4. Article III, Chapter 452 (S.B. 738), Acts of the  
 4-61 72nd Legislature, Regular Session, 1991 (Article 6243n-1, Vernon's  
 4-62 Texas Civil Statutes), is amended by adding Section 3.091 to read as  
 4-63 follows:

4-64 Sec. 3.091. PROCESS FOR EXPERIENCE STUDIES AND CHANGES TO  
 4-65 ACTUARIAL ASSUMPTIONS. (a) At least once every five years, the  
 4-66 police retirement board shall have the system's actuary designated  
 4-67 under Section 3.09 of this Act conduct an experience study to review  
 4-68 the actuarial assumptions and methods adopted by the board for the  
 4-69 purposes of determining the actuarial liabilities and actuarially

5-1 determined contribution rates of the system. The system shall  
5-2 notify the city at the beginning of an upcoming experience study by  
5-3 the system's actuary.

5-4 (b) In connection with the system's experience study, the  
5-5 city will inform the system if it will:

5-6 (1) conduct the city's own experience study using the  
5-7 city's own actuary;

5-8 (2) have the city's actuary review the experience  
5-9 study of the system's actuary; or

5-10 (3) accept the experience study of the system's  
5-11 actuary.

5-12 (c) If the city chooses to:

5-13 (1) have the city's own experience study performed  
5-14 under Subsection (b)(1) of this section, the city must complete the  
5-15 study not later than three months after the date the system notified  
5-16 the city of the system's intent to conduct an experience study; or

5-17 (2) have the city's actuary review the system's  
5-18 experience study under Subsection (b)(2) of this section, the city  
5-19 must complete the review not later than one month after the date the  
5-20 preliminary results of the experience study are presented to the  
5-21 board.

5-22 (d) If the city chooses to have the city's own experience  
5-23 study performed under Subsection (b)(1) of this section, or to have  
5-24 the city's actuary review the system's experience study under  
5-25 Subsection (b)(2) of this section, the system's actuary and the  
5-26 city's actuary shall determine what the hypothetical city  
5-27 contribution rate would be using the proposed actuarial assumptions  
5-28 from the experience studies and data from the most recent actuarial  
5-29 valuation.

5-30 (e) If the difference between the hypothetical city  
5-31 contribution rates determined by the system's actuary and the  
5-32 city's actuary under Subsection (d) of this section:

5-33 (1) is less than or equal to two percent of pensionable  
5-34 payroll, then no further action is needed and the board shall use  
5-35 the experience study performed by the system's actuary in  
5-36 determining assumptions; or

5-37 (2) is greater than two percent of pensionable  
5-38 payroll, then the system's actuary and the city's actuary shall have  
5-39 20 business days to reconcile the difference in actuarial  
5-40 assumptions or methods causing the different hypothetical city  
5-41 contribution rates, and:

5-42 (A) if, as a result of the reconciliation efforts  
5-43 under this subdivision, the difference between the city  
5-44 contribution rates determined by the system's actuary and the  
5-45 city's actuary is reduced to less than or equal to two percentage  
5-46 points, then no further action is needed and the board shall use the  
5-47 experience study performed by the system's actuary in determining  
5-48 actuarial assumptions; or

5-49 (B) if, after 20 business days, the system's  
5-50 actuary and the city's actuary are not able to reach a  
5-51 reconciliation that reduces the difference in the hypothetical city  
5-52 contribution rates to an amount less than or equal to two percentage  
5-53 points, a third-party actuary shall be retained to opine on the  
5-54 differences in the assumptions made and actuarial methods used by  
5-55 the system's actuary and the city's actuary.

5-56 (f) The independent third-party actuary retained in  
5-57 accordance with Subsection (e)(2)(B) of this section shall be  
5-58 chosen by the city from a list of three actuarial firms provided by  
5-59 the system.

5-60 (g) If a third-party actuary is retained under Subsection  
5-61 (e)(2)(B) of this section, the third-party actuary's findings will  
5-62 be presented to the board along with the experience study conducted  
5-63 by the system's actuary and, if applicable, the city's actuary. If  
5-64 the board adopts actuarial assumptions or methods contrary to the  
5-65 third-party actuary's findings:

5-66 (1) the system shall provide a formal letter  
5-67 describing the rationale for the board's action to the city council  
5-68 and State Pension Review Board; and

5-69 (2) the system's actuary and executive director shall

6-1 be made available at the request of the city council or the State  
 6-2 Pension Review Board to present in person the rationale for the  
 6-3 board's action.

6-4 (h) If the board proposes a change to actuarial assumptions  
 6-5 or methods that is not in connection with an experience study  
 6-6 described in Subsection (a) of this section, the system and the city  
 6-7 shall follow the same process prescribed by this section with  
 6-8 respect to an experience study in connection with the proposed  
 6-9 change.

6-10 SECTION 5. Section 3.10, Chapter 452 (S.B. 738), Acts of the  
 6-11 72nd Legislature, Regular Session, 1991 (Article [6243n-1](#), Vernon's  
 6-12 Texas Civil Statutes), is amended to read as follows:

6-13 Sec. 3.10. INVESTMENT MANAGERS. The police retirement  
 6-14 board may hire an investment manager or investment managers who  
 6-15 shall have full authority to invest the assets and manage any  
 6-16 portion of the portfolio of the system, as specified by the  
 6-17 manager's [~~employment~~] contract.

6-18 SECTION 6. Section 4.01, Chapter 452 (S.B. 738), Acts of the  
 6-19 72nd Legislature, Regular Session, 1991 (Article [6243n-1](#), Vernon's  
 6-20 Texas Civil Statutes), is amended by amending Subsections (c) and  
 6-21 (e) and adding Subsections (e-1) and (e-2) to read as follows:

6-22 (c) Any person who becomes an employee of the city or the  
 6-23 system, if eligible for membership, shall become a member as a  
 6-24 condition of employment and shall make the required deposits  
 6-25 commencing with the first pay period following a probationary  
 6-26 period of six continuous months from date of employment, if  
 6-27 applicable, or eligibility, if later.

6-28 (e) [~~(1)~~] Membership in the police retirement system shall  
 6-29 consist of the following groups:

6-30 (1) [~~(A)~~] Active--Contributory: the member who is in a  
 6-31 status which allows payroll contributions to the police retirement  
 6-32 system (working a normal work week, holding a full-time position,  
 6-33 and, if applicable, having completed a continuous period of six  
 6-34 months of service initially, to attain membership).

6-35 (2) [~~(B)~~] Active--Noncontributory: the member whose  
 6-36 current employment status does not allow contributions to the  
 6-37 system (working less than a normal work week or on a leave of  
 6-38 absence under Subsection (f)(6)(A) of this section) and on return  
 6-39 to working a normal work week, the member will again be given  
 6-40 creditable service, with contributions resumed at time of status  
 6-41 change.

6-42 (3) [~~(C)~~] Inactive--Contributory: the member who is  
 6-43 on a uniformed service leave of absence under Subsection (f)(6)(B)  
 6-44 of this section, who is allowed to make deposits to the system  
 6-45 during the member's absence.

6-46 (4) [~~(D)~~] Vested--Noncontributory: the terminated  
 6-47 member who, being vested, leaves the member's accumulated deposits  
 6-48 in the system.

6-49 (5) [~~(E)~~] Retired: the member who is receiving a  
 6-50 service or disability retirement annuity.

6-51 (e-1) Each member is either a group A member or a group B  
 6-52 member, as follows:

6-53 (1) a member is a group A member if the member was:

6-54 (A) retired from or employed by the city or the  
 6-55 system on December 31, 2021;

6-56 (B) a vested--noncontributory member as of  
 6-57 December 31, 2021, who has not withdrawn the member's accumulated  
 6-58 deposits; or

6-59 (C) formerly employed by the city or the system  
 6-60 before December 31, 2021, returned to employment with the city or  
 6-61 system on or after January 1, 2022, and:

6-62 (i) did not withdraw the member's  
 6-63 accumulated deposits from the system; or

6-64 (ii) withdrew the member's accumulated  
 6-65 deposits from the system, but reinstated all of the previously  
 6-66 forfeited creditable service; and

6-67 (2) a member is a group B member if the member:

6-68 (A) first became employed by the city or the  
 6-69 system on or after January 1, 2022; or

7-1 (B) was formerly employed by the city or the  
 7-2 system before December 31, 2021, returned to employment with the  
 7-3 city or system on or after January 1, 2022, and:

7-4 (i) while the member was separated from  
 7-5 service, withdrew the member's accumulated deposits from the  
 7-6 system; and

7-7 (ii) has not reinstated all of the member's  
 7-8 previously forfeited creditable service.

7-9 (e-2) [(2)] It shall be the duty of the police retirement  
 7-10 board to determine the membership group to which each police  
 7-11 officer or employee of the system who becomes a member of the police  
 7-12 retirement system properly belongs under Subsections (e) and (e-1)  
 7-13 of this section.

7-14 SECTION 7. Section 5.03(a), Chapter 452 (S.B. 738), Acts of  
 7-15 the 72nd Legislature, Regular Session, 1991 (Article 6243n-1,  
 7-16 Vernon's Texas Civil Statutes), is amended to read as follows:

7-17 (a) An eligible member or eligible surviving spouse may  
 7-18 establish creditable service for probationary service performed as  
 7-19 provided under this section according to the following conditions,  
 7-20 limitations, and restrictions:

7-21 (1) Probationary service creditable in the system is  
 7-22 any probationary service following the member's commission date or  
 7-23 the member's first date of employment with the system for which the  
 7-24 member does not have creditable service.

7-25 (2) An eligible member or eligible surviving spouse  
 7-26 may establish creditable service under this section by contributing  
 7-27 to the system a single payment equal to the contribution the member  
 7-28 would have made to the system for that service at the time the  
 7-29 service was performed and an interest charge based on the  
 7-30 contribution amount to be repaid times an interest factor. The  
 7-31 interest factor is eight percent per year for the period that begins  
 7-32 with the beginning of the month and year at the end of the  
 7-33 probationary period for which creditable service is being  
 7-34 established to the beginning of the month and year payment is made  
 7-35 to the system for the purpose of establishing said service.

7-36 (3) After the eligible member or eligible surviving  
 7-37 spouse makes the deposit required by Subdivision (2) of this  
 7-38 subsection, the system shall grant the member one month of  
 7-39 creditable service for each month of probationary service  
 7-40 established under this section.

7-41 SECTION 8. Section 5.04(a), Chapter 452 (S.B. 738), Acts of  
 7-42 the 72nd Legislature, Regular Session, 1991 (Article 6243n-1,  
 7-43 Vernon's Texas Civil Statutes), is amended to read as follows:

7-44 (a) Under irrevocable action taken by the city council on  
 7-45 February 12, 1998, police ~~[This section does not take effect unless~~  
 7-46 ~~the city council authorizes the city to begin making contributions~~  
 7-47 ~~to the police retirement system in accordance with Section 8.01(a)~~  
 7-48 ~~of this Act for police cadets during their employment as cadets~~  
 7-49 ~~while members of a cadet class. Police]~~ cadets whose cadet class  
 7-50 begins after April 1, 1998, ~~[the city council makes the~~  
 7-51 ~~authorization]~~ shall make deposits to the police retirement system  
 7-52 in accordance with Section 8.01(a) of this Act, and those cadets  
 7-53 shall be members of the police retirement system and shall receive  
 7-54 creditable service for employment as cadets while members of a  
 7-55 cadet class, notwithstanding Sections 1.02(7), (18), and (21) of  
 7-56 this Act.

7-57 SECTION 9. Section 6.01, Chapter 452 (S.B. 738), Acts of the  
 7-58 72nd Legislature, Regular Session, 1991 (Article 6243n-1, Vernon's  
 7-59 Texas Civil Statutes), is amended by amending Subsections (a) and  
 7-60 (f) to read as follows:

7-61 (a) On retirement after having reached the member's normal  
 7-62 retirement date, members entitled thereto shall receive a service  
 7-63 retirement benefit in the form of a life annuity (modified cash  
 7-64 refund). Each monthly payment of the life annuity (modified cash  
 7-65 refund) shall be equal to one-twelfth of:

7-66 (1) for a group A member, the product of 3.2 [2.88]  
 7-67 percent of a member's average final compensation multiplied by the  
 7-68 number of months of creditable service; or

7-69 (2) for a group B member, the product of 2.5 percent of

8-1 a member's average final compensation multiplied by the number of  
 8-2 months of creditable service. ~~[The retirement benefit percent~~  
 8-3 ~~specified by this section to calculate the amount of the monthly~~  
 8-4 ~~payment of the life annuity (modified cash refund) may be changed~~  
 8-5 ~~after 1997 if:~~

8-6 ~~[(1) the change is approved by the board's actuary;~~  
 8-7 ~~[(2) the change is adopted by the board as a board~~  
 8-8 ~~rule;~~

8-9 ~~[(3) the change applies to all present members, all~~  
 8-10 ~~retired members, and all who become members after the effective~~  
 8-11 ~~date of the change in the retirement benefit percent;~~

8-12 ~~[(4) a member's vested interest as of the last day of~~  
 8-13 ~~the month immediately preceding the effective date of the change in~~  
 8-14 ~~the retirement benefit percent is not reduced; and~~

8-15 ~~[(5) a retirement annuity being paid by the police~~  
 8-16 ~~retirement system to members or to the surviving spouses or~~  
 8-17 ~~beneficiaries of members who retired before the effective date of~~  
 8-18 ~~the change in the retirement benefit percent is changed as~~  
 8-19 ~~prescribed by Subsection (d)(6) of this section, except that a~~  
 8-20 ~~reduction in annuities may not cause the member's, surviving~~  
 8-21 ~~spouse's, or beneficiary's annuity payment to be reduced below the~~  
 8-22 ~~base retirement amount calculated under this Act.]~~

8-23 (f) For purposes of this section, compensation of each  
 8-24 noneligible member taken into account under this Act may not exceed  
 8-25 the maximum amount allowed under ~~[\$200,000 per calendar year,~~  
 8-26 ~~indexed pursuant to]~~ Section 401(a)(17) of the Internal Revenue  
 8-27 Code of 1986 (26 U.S.C. Section 401). The ~~[\$200,000]~~ limit  
 8-28 prescribed by this subsection does not apply to an eligible member.  
 8-29 For purposes of this subsection, an eligible member is any  
 8-30 individual who first became a member before January 1, 1996. For  
 8-31 purposes of this subsection, a noneligible member is any other  
 8-32 member.

8-33 SECTION 10. Section 6.02, Chapter 452 (S.B. 738), Acts of  
 8-34 the 72nd Legislature, Regular Session, 1991 (Article 6243n-1,  
 8-35 Vernon's Texas Civil Statutes), is amended by amending Subsection  
 8-36 (a) and adding Subsection (a-1) to read as follows:

8-37 (a) A group A ~~[Any]~~ member shall be eligible for service  
 8-38 retirement if the member has attained the age of 55 years and  
 8-39 completed at least 20 years of creditable service with the city, or  
 8-40 has completed 23 years of creditable service, excluding any  
 8-41 military service established under Section 5.02 of this Act.

8-42 (a-1) A group B member shall be eligible for service  
 8-43 retirement if the member has attained the age of 50 years and  
 8-44 completed at least 25 years of creditable service with the city,  
 8-45 excluding any military service established under Section 5.02 of  
 8-46 this Act.

8-47 SECTION 11. Section 6.04(b), Chapter 452 (S.B. 738), Acts  
 8-48 of the 72nd Legislature, Regular Session, 1991 (Article 6243n-1,  
 8-49 Vernon's Texas Civil Statutes), is amended to read as follows:

8-50 (b) If a member who has attained the applicable age for the  
 8-51 minimum distribution required under Section 401(a)(9) of the  
 8-52 Internal Revenue Code of 1986 (26 U.S.C. Section 401(a)(9)) ~~[age~~  
 8-53 ~~70-1/2]~~ separates or has separated from service without applying  
 8-54 for retirement or a refund of accumulated deposits, the police  
 8-55 retirement system shall attempt to send to that member a written  
 8-56 notice as soon as practicable after the later of the date the member  
 8-57 attains the applicable age ~~[70-1/2]~~ or the date the member  
 8-58 separates from service. The written notice must advise the member  
 8-59 of the requirement under Section 401(a)(9) of the Internal Revenue  
 8-60 Code of 1986 (26 U.S.C. Section 401(a)(9)) to retire and begin  
 8-61 receiving a monthly retirement benefit. If, before the 91st day  
 8-62 after the date the police retirement system sends the notice, the  
 8-63 member has not filed an application for retirement or a refund, the  
 8-64 member is considered to have retired on the last day of the third  
 8-65 month following the later of the two dates specified by this  
 8-66 subsection. If applicable, the retirement option shall be  
 8-67 determined in accordance with the member's written selection of  
 8-68 optional benefit and designation of beneficiary under Section  
 8-69 6.06(a)(1) of this Act. Otherwise, the member shall receive the

9-1 life annuity under Section 6.01 of this Act.

9-2 SECTION 12. Section 6.07(e), Chapter 452 (S.B. 738), Acts  
9-3 of the 72nd Legislature, Regular Session, 1991 (Article 6243n-1,  
9-4 Vernon's Texas Civil Statutes), is amended to read as follows:

9-5 (e) The first monthly annuity amount that would have been  
9-6 paid during the RETRO DROP benefit accumulation period is the  
9-7 amount defined by Subsection (c) of this section. [~~Subsequent~~  
9-8 ~~monthly annuity amounts that would have been paid during the RETRO~~  
9-9 ~~DROP benefit accumulation period must include any cost-of-living~~  
9-10 ~~increases or special ad hoc increases in annuity amounts granted in~~  
9-11 ~~accordance with Sections 6.01(c) and (d) of this Act.~~]

9-12 SECTION 13. Section 7.02, Chapter 452 (S.B. 738), Acts of  
9-13 the 72nd Legislature, Regular Session, 1991 (Article 6243n-1,  
9-14 Vernon's Texas Civil Statutes), is amended by amending Subsection  
9-15 (a) and adding Subsection (a-1) to read as follows:

9-16 (a) On award of disability retirement benefits, the member  
9-17 shall receive a disability retirement benefit computed in the same  
9-18 manner that a service retirement benefit would be computed at the  
9-19 member's normal retirement date, based on average final  
9-20 compensation and creditable service at date of disability  
9-21 retirement without reduction for early retirement. If the  
9-22 disability is a direct or proximate result of the performance of the  
9-23 member's employment duties with the system or the city, then the  
9-24 disability retirement benefit will be subject to a minimum benefit  
9-25 determined in accordance with Section 6.01(a)(1) or (2) of this  
9-26 Act, as applicable, based on:

9-27 (1) average final compensation at date of disability  
9-28 retirement; and

9-29 (2) for:

9-30 (A) a group A member, 20 years of creditable  
9-31 service; or

9-32 (B) a group B member, 25 years of creditable  
9-33 service.

9-34 (a-1) The options allowed under this section are life  
9-35 annuity or its actuarial equivalent payable in the form described  
9-36 as Option I, Option II, Option III, Option IV, or Option V in  
9-37 Section 6.03 of this Act. The disability benefits paid to the  
9-38 member will be paid from Fund No. 1 until the amount received equals  
9-39 the member's accumulated deposits; thereafter the benefits will be  
9-40 paid from Fund No. 2.

9-41 SECTION 14. Article VIII, Chapter 452 (S.B. 738), Acts of  
9-42 the 72nd Legislature, Regular Session, 1991 (Article 6243n-1,  
9-43 Vernon's Texas Civil Statutes), is amended by amending Section 8.01  
9-44 and adding Sections 8.02 through 8.13 to read as follows:

9-45 Sec. 8.01. MEMBER CONTRIBUTIONS [~~METHOD OF FINANCING~~]. (a)  
9-46 [~~(1)~~] Deposits by the members to the police retirement system shall  
9-47 be made at a rate of at least:

9-48 (1) 13 percent of the basic hourly earnings of the  
9-49 [each] member, for each pay period beginning before January 1,  
9-50 2022; and

9-51 (2) 15 percent of the basic hourly earnings of the  
9-52 member, for each pay period beginning on or after January 1, 2022,  
9-53 unless a different member contribution rate is required in  
9-54 accordance with Section 8.04(b)(4) of this Act, as adjusted, if  
9-55 applicable, under Section 8.065 of this Act, except that the rate  
9-56 may not exceed 17 percent.

9-57 (a-1) Deposits required to be made by members under  
9-58 Subsection (a) of this section shall be deducted from payroll each  
9-59 pay period.

9-60 (a-2) On recommendation of the board, the  
9-61 Active--Contributory members may by a majority of those voting  
9-62 increase the rate of member deposits above the minimum rate of  
9-63 deposit established by Subsection (a) of this section [13 percent]  
9-64 to whatever amount the board has recommended. If the deposit rate  
9-65 for members has been increased to a rate above the rate established  
9-66 by Subsection (a) of this section in accordance with this  
9-67 subsection [13 percent], the rate may be decreased to a rate not  
9-68 lower than the rate prescribed by Subsection (a)(2) of this section  
9-69 if the board recommends the decrease, the board's actuary approves

10-1 the decrease, and a majority of the Active--Contributory members  
 10-2 voting on the matter approve the decrease. If an increase in the  
 10-3 member contribution rate is made solely as the result of an  
 10-4 adjustment under Section 8.065 of this Act, that increase may not be  
 10-5 decreased under this subsection.

10-6 Sec. 8.02. CITY CONTRIBUTIONS. (a) [~~(2)~~] The city shall  
 10-7 contribute amounts equal to [~~18 percent of the basic hourly~~  
 10-8 earnings of each member employed by the city for all periods on or  
 10-9 before September 30, 2010, subject to additional amounts as  
 10-10 provided by Subdivision (3) of this subsection. The city shall  
 10-11 contribute amounts equal to 19 percent of the basic hourly earnings  
 10-12 of each member employed by the city for all periods after September  
 10-13 30, 2010, and before October 1, 2011, subject to additional amounts  
 10-14 as provided by Subdivision (3) of this subsection. The city shall  
 10-15 contribute amounts equal to 20 percent of the basic hourly earnings  
 10-16 of each member employed by the city for all periods after September  
 10-17 30, 2011, and before October 1, 2012, subject to additional amounts  
 10-18 as provided by Subdivision (3) of this subsection. The city shall  
 10-19 contribute amounts equal to] 21 percent of the basic hourly  
 10-20 earnings of each member employed by the city for all pay periods  
 10-21 beginning after September 30, 2012, and before January 1, 2022,  
 10-22 subject to additional amounts as provided by Section 8.07 of this  
 10-23 Act [~~Subdivision (3) of this subsection~~]. For all pay periods  
 10-24 beginning on or after January 1, 2022, the city shall make  
 10-25 contributions to the police retirement system in accordance with  
 10-26 Subsections (b) and (c) of this section and Sections 8.03, 8.04,  
 10-27 8.05, and 8.06 of this Act, as applicable, and subject to additional  
 10-28 amounts as provided by Section 8.07 of this Act. The city council  
 10-29 may also authorize the city to make additional contributions to the  
 10-30 police retirement system in whatever amount the city council may  
 10-31 determine. Contributions by the city shall be made each pay period.

10-32 (b) For each pay period that begins on or after January 1,  
 10-33 2022, and before January 1, 2023, the city shall contribute an  
 10-34 amount equal to the sum of:

10-35 (1) the city contribution rate, as determined in the  
 10-36 initial risk sharing valuation study conducted under Section 8.03  
 10-37 of this Act, multiplied by the pensionable payroll for the  
 10-38 applicable pay period; and

10-39 (2) 1/26 of the city legacy contribution amount for  
 10-40 the 2022 calendar year, as determined and adjusted in the initial  
 10-41 risk sharing valuation study conducted under Section 8.03 of this  
 10-42 Act.

10-43 (c) For each pay period that begins on or after January 1,  
 10-44 2023, the city shall contribute an amount equal to the sum of:

10-45 (1) the city contribution rate for the applicable  
 10-46 calendar year, as determined in a subsequent risk sharing valuation  
 10-47 study conducted under Section 8.04 of this Act and adjusted under  
 10-48 Section 8.05 or 8.06 of this Act, as applicable, multiplied by the  
 10-49 pensionable payroll for the applicable pay period; and

10-50 (2) 1/26 of the city legacy contribution amount for  
 10-51 the applicable calendar year, as determined and adjusted in the  
 10-52 initial risk sharing valuation study conducted under Section 8.03  
 10-53 of this Act.

10-54 Sec. 8.03. INITIAL RISK SHARING VALUATION STUDY. (a) The  
 10-55 police retirement system shall cause the system's actuary to  
 10-56 prepare an initial risk sharing valuation study that is dated as of  
 10-57 December 31, 2020, in accordance with this section.

10-58 (b) The initial risk sharing valuation study must:

10-59 (1) except as otherwise provided by this section, be  
 10-60 prepared in accordance with the requirements of Section 8.04 of  
 10-61 this Act;

10-62 (2) be based on the actuarial assumptions that were  
 10-63 used by the system's actuary in the valuation completed for the year  
 10-64 ended December 31, 2020;

10-65 (3) project the corridor midpoint for the next 30  
 10-66 calendar years beginning with the calendar year that begins on  
 10-67 January 1, 2022; and

10-68 (4) include a schedule of city legacy contribution  
 10-69 amounts for 30 calendar years beginning with the calendar year that

11-1 begins on January 1, 2022.

11-2 (c) For purposes of Subsection (b)(4) of this section, the  
 11-3 schedule of city legacy contribution amounts must be determined in  
 11-4 such a manner that the total annual city legacy contribution amount  
 11-5 for the first three calendar years will result in a phase-in of the  
 11-6 anticipated increase in the city's contribution rate from the  
 11-7 calendar year that begins on January 1, 2021, in accordance with  
 11-8 Subsection (a) of this section, to the rate equal to the sum of the  
 11-9 estimated contribution rate for the calendar year that begins on  
 11-10 January 1, 2022, and the rate of pensionable payroll equal to the  
 11-11 city legacy contribution amount for January 1, 2022, determined as  
 11-12 if there was no phase-in of the increase to the city legacy  
 11-13 contribution amount. The phase-in must reflect approximately  
 11-14 one-third of the increase each year over the three-year phase-in  
 11-15 period. The city's contribution under Section 8.02 of this Act for:

11-16 (1) the calendar years that begin on January 1, 2022,  
 11-17 January 1, 2023, and January 1, 2024, must be adjusted to reflect  
 11-18 the impact of the phase-in prescribed by this section; and

11-19 (2) each calendar year that begins on January 1, 2025,  
 11-20 through January 1, 2051, must reflect a city legacy contribution  
 11-21 amount that is three percent greater than the city legacy  
 11-22 contribution amount for the preceding calendar year.

11-23 (d) The estimated city contribution rate for the calendar  
 11-24 year that begins on January 1, 2022, must be based on the projected  
 11-25 pensionable payroll, as determined under the initial risk sharing  
 11-26 valuation study required by this section, assuming a payroll growth  
 11-27 rate of three percent.

11-28 Sec. 8.04. SUBSEQUENT RISK SHARING VALUATION STUDIES. (a)  
 11-29 For each calendar year beginning after December 31, 2020, the  
 11-30 police retirement system shall cause the system's actuary to  
 11-31 prepare a risk sharing valuation study in accordance with this  
 11-32 section and actuarial standards of practice.

11-33 (b) Each risk sharing valuation study must:

11-34 (1) be dated as of the last day of the calendar year  
 11-35 for which the study is required to be prepared;

11-36 (2) calculate the unfunded actuarial accrued  
 11-37 liability of the system as of the last day of the applicable  
 11-38 calendar year, including the liability layer, if any, associated  
 11-39 with the most recently completed calendar year;

11-40 (3) calculate the estimated city contribution rate for  
 11-41 the following calendar year;

11-42 (4) determine the city contribution rate and the  
 11-43 member contribution rate for the following calendar year, taking  
 11-44 into account any adjustments required under Section 8.05, 8.06, or  
 11-45 8.065 of this Act, as applicable; and

11-46 (5) except as provided by Subsection (d) of this  
 11-47 section, be based on the assumptions and methods adopted by the  
 11-48 board in accordance with Section 3.091 of this Act, if applicable,  
 11-49 and that are consistent with actuarial standards of practice and  
 11-50 the following principles:

11-51 (A) closed layered amortization of liability  
 11-52 layers to ensure that the amortization period for each liability  
 11-53 layer begins 12 months after the date of the risk sharing valuation  
 11-54 study in which the liability layer is first recognized;

11-55 (B) each liability layer is assigned an  
 11-56 amortization period;

11-57 (C) each liability loss layer will be amortized  
 11-58 over a period of 30 years from the first day of the calendar year  
 11-59 beginning 12 months after the date of the risk sharing valuation  
 11-60 study in which the liability loss layer is first recognized, except  
 11-61 that the legacy liability must be amortized over a 30-year period  
 11-62 beginning January 1, 2022;

11-63 (D) each liability gain layer will be amortized  
 11-64 over:

11-65 (i) a period equal to the remaining  
 11-66 amortization period on the largest remaining liability loss layer,  
 11-67 and the two layers must be treated as one layer such that if the  
 11-68 payoff year of the liability loss layer is accelerated or extended,  
 11-69 the payoff year of the liability gain layer is also accelerated or

12-1 extended; or  
12-2 (ii) if there is no liability loss layer, a  
12-3 period of 30 years from the first day of the calendar year beginning  
12-4 12 months after the date of the risk sharing valuation study in  
12-5 which the liability gain layer is first recognized;  
12-6 (E) liability layers will be funded according to  
12-7 the level percent of payroll method;  
12-8 (F) payroll for purposes of determining the  
12-9 corridor midpoint, city contribution rate, and city legacy  
12-10 contribution amount must be projected using the annual payroll  
12-11 growth rate assumption adopted by the board; and  
12-12 (G) the city contribution rate will be calculated  
12-13 each calendar year without inclusion of the legacy liability.  
12-14 (c) The city and the board may agree on a written transition  
12-15 plan for resetting the corridor midpoint:  
12-16 (1) if at any time the funded ratio of the system is  
12-17 equal to or greater than 100 percent; or  
12-18 (2) for any calendar year after the payoff year of the  
12-19 legacy liability.  
12-20 (d) Subject to Section 3.091 of this Act, the board may by  
12-21 rule adopt actuarial principles other than those required under  
12-22 Subsection (b)(5) of this section, provided the actuarial  
12-23 principles:  
12-24 (1) are consistent with actuarial standards of  
12-25 practice;  
12-26 (2) are approved by the system's actuary; and  
12-27 (3) do not operate to change the city legacy  
12-28 contribution amount.  
12-29 Sec. 8.05. ADJUSTMENT TO CITY CONTRIBUTION RATE IF LOWER  
12-30 THAN CORRIDOR MIDPOINT. (a) This section governs the  
12-31 determination of the city contribution rate applicable in a  
12-32 calendar year under Section 8.04(b)(4) of this Act if the estimated  
12-33 city contribution rate determined under Section 8.04(b)(3) of this  
12-34 Act is lower than the corridor midpoint.  
12-35 (b) If the estimated city contribution rate is lower than  
12-36 the corridor midpoint and the funded ratio is:  
12-37 (1) less than 90 percent, the city contribution rate  
12-38 for the applicable year equals the corridor midpoint; or  
12-39 (2) equal to or greater than 90 percent and the city  
12-40 contribution rate is:  
12-41 (A) equal to or greater than the minimum city  
12-42 contribution rate, the estimated city contribution rate is the city  
12-43 contribution rate for the calendar year; or  
12-44 (B) less than the minimum city contribution rate  
12-45 for the corresponding calendar year, the city contribution rate for  
12-46 the calendar year equals the minimum city contribution rate.  
12-47 (c) If the funded ratio is equal to or greater than 100  
12-48 percent:  
12-49 (1) all existing liability layers, including the  
12-50 legacy liability, are considered fully amortized and paid; and  
12-51 (2) the city legacy contribution amount may no longer  
12-52 be included in the city contribution under Section 8.02 of this Act.  
12-53 Sec. 8.06. ADJUSTMENT TO CITY CONTRIBUTION RATE IF EQUAL TO  
12-54 OR GREATER THAN CORRIDOR MIDPOINT. (a) This section governs the  
12-55 determination of the city contribution rate applicable in a  
12-56 calendar year under Section 8.04(b)(4) of this Act if the estimated  
12-57 city contribution rate determined under Section 8.04(b)(3) of this  
12-58 Act is equal to or greater than the corridor midpoint.  
12-59 (b) If the estimated city contribution rate is equal to or  
12-60 greater than the corridor midpoint and:  
12-61 (1) less than or equal to the maximum city  
12-62 contribution rate for the corresponding calendar year, the  
12-63 estimated city contribution rate is the city contribution rate; or  
12-64 (2) greater than the maximum city contribution rate  
12-65 for the corresponding calendar year, the city contribution rate is  
12-66 the maximum city contribution rate.  
12-67 Sec. 8.065. INCREASED MEMBER CONTRIBUTION RATE IF ESTIMATED  
12-68 CITY CONTRIBUTION RATE GREATER THAN MAXIMUM CITY CONTRIBUTION RATE.  
12-69 (a) This section governs the determination of the member

13-1 contribution rate applicable in a calendar year under Section  
 13-2 8.04(b)(4) of this Act if the estimated city contribution rate  
 13-3 determined under Section 8.04(b)(3) of this Act is greater than the  
 13-4 maximum city contribution rate.

13-5 (b) Except as provided by Subsection (c) of this section, if  
 13-6 the estimated city contribution rate is greater than the corridor  
 13-7 maximum, the member contribution rate will increase by an amount  
 13-8 equal to the difference between the following:

13-9 (1) the estimated city contribution rate; and

13-10 (2) the maximum city contribution rate.

13-11 (c) The member contribution rate may not be increased by  
 13-12 more than two percentage points under this section.

13-13 (d) If the estimated city contribution rate is more than two  
 13-14 percent of pensionable payroll greater than the maximum city  
 13-15 contribution rate, the city and the board shall enter into  
 13-16 discussions to determine additional funding solutions.

13-17 Sec. 8.07. ADDITIONAL CITY CONTRIBUTIONS FOR PROPORTIONATE

13-18 RETIREMENT PROGRAM PARTICIPATION. (a) [~~3~~] The city shall

13-19 contribute amounts in addition to the amounts described by Section

13-20 8.02 of this Act [~~Subdivision (2) of this subsection~~] as required by

13-21 Section 803.101(h), Government Code, to fund the additional

13-22 liabilities incurred by the police retirement system as a result of

13-23 participating in the proportionate retirement program. The rate at

13-24 which the city shall contribute additional amounts under this

13-25 section [~~subdivision~~] is equal to 0.737 [~~0.25~~] percent of the basic

13-26 hourly earnings of each member employed by the city for all pay

13-27 periods commencing on or after October 1, 2020, subject to

13-28 adjustment under Subsection (b) of this section [~~from January 4,~~

13-29 ~~2009, through September 30, 2009. The rate at which the city shall~~

13-30 ~~contribute additional amounts under this subdivision is equal to~~

13-31 ~~0.63 percent of the basic hourly earnings of each member employed by~~

13-32 ~~the city for all periods after September 30, 2009, subject to~~

13-33 ~~adjustment under Subdivision (4) of this subsection].~~

13-34 (b) [~~4~~] The additional contribution rate under Subsection

13-35 (a) of this section [~~Subdivision (3) of this subsection~~] shall

13-36 increase or decrease as considered necessary by the actuary for the

13-37 police retirement system after each five-year period of

13-38 participation by the system in the proportionate retirement program

13-39 in order to update the amount necessary to fund the additional

13-40 liabilities incurred by the system as a result of participating in

13-41 the proportionate retirement program and of the consolidation of

13-42 the city's public safety and emergency management department with

13-43 the police department on January 4, 2009. The system's actuary

13-44 shall perform an experience study that shall be the basis for a

13-45 contribution rate adjustment under this subsection [~~subdivision~~].

13-46 The effective date of the initial contribution rate adjustment

13-47 under this subsection [~~subdivision~~] is October 1, 2015. Each later

13-48 contribution rate adjustment under this subsection [~~subdivision~~]

13-49 takes effect October 1 of every fifth year after the effective date

13-50 of the initial contribution rate adjustment. The system's actuary

13-51 shall present to the police retirement board the experience study

13-52 on which any contribution rate adjustment under this subsection

13-53 [~~subdivision~~] is based not later than 45 days before the effective

13-54 date of the adjustment, and the city's actuary shall have the

13-55 opportunity to review and comment on the study. An adjustment in

13-56 the additional contribution rate under this subsection

13-57 [~~subdivision~~] may not cause the additional contribution rate under

13-58 Subsection (a) of this section [~~Subdivision (3) of this subsection~~]

13-59 to be less than zero.

13-60 Sec. 8.08. PUBLICATION OF CHANGES TO CONTRIBUTION RATES.

13-61 [~~b~~] Any change of the rates of deposit and the rates of

13-62 contribution shall be published when approved by the board.

13-63 Sec. 8.09. EXPENSES. (a) [~~c~~] Contributions by the city

13-64 shall be paid to the system after appropriation by the city council.

13-65 [~~d~~] Expenses involved in administration and operation of

13-66 the police retirement system shall be paid from the assets of the

13-67 police retirement system subject to approval by the board. Such

13-68 expenses shall include actuarial valuations of the system no less

13-69 frequently than on a biennial basis, annual audits and/or actuarial

14-1 studies, preparation of annual reports, and staff assistance.  
 14-2 Additional consulting may be authorized by the board and paid for  
 14-3 from the assets of the police retirement system as deemed necessary  
 14-4 from time to time by the board.

14-5 (b) [~~(e)~~] Expenses incurred from investment advice,  
 14-6 counsel, and management shall be paid from the assets of the police  
 14-7 retirement system.

14-8 Sec. 8.10. PAYMENT OF CONTRIBUTIONS. (a) Contributions by  
 14-9 the city shall be paid to the system after appropriation by the city  
 14-10 council.

14-11 (b) [~~(f)~~] The city shall make the police officer  
 14-12 contributions to the system required by Section 8.02 of this Act  
 14-13 [~~Subsection (a) of this section~~].

14-14 (c) The system shall make the administrative staff's  
 14-15 contributions to the system.

14-16 (d) Member contributions will be made by a reduction in  
 14-17 their monetary compensation. Contributions made shall be treated  
 14-18 as employer contributions in accordance with Section 414(h)(2),  
 14-19 Internal Revenue Code (26 U.S.C. Section 414(h)(2)), for the  
 14-20 purpose of determining tax treatment of the amounts under the  
 14-21 federal Internal Revenue Code. These contributions are not  
 14-22 includible in the gross income of the member until such time as they  
 14-23 are distributed or made available to the member.

14-24 (e) Member contributions made as provided by Subsection (d)  
 14-25 of this section [~~subsection~~] shall be deposited to the individual  
 14-26 account of each affected member and shall be treated as  
 14-27 compensation of members for all other purposes of this Act and for  
 14-28 the purpose of determining contributions to the federal Old-Age,  
 14-29 Survivors, and Disability Insurance System (Social Security). The  
 14-30 provisions of this subsection shall remain in effect as long as the  
 14-31 plan covering members is a qualified retirement plan under Section  
 14-32 401(a), Internal Revenue Code (26 U.S.C. Section 401(a)), and its  
 14-33 related trust is tax exempt under Section 501(a), Internal Revenue  
 14-34 Code (26 U.S.C. Section 501(a)).

14-35 Sec. 8.11. EFFECT OF SYSTEM TERMINATION ON CONTRIBUTIONS.  
 14-36 [~~(g)~~] If the police retirement system is terminated, further  
 14-37 contributions may not be made by the city or the system, and further  
 14-38 deposits may not be made by the members for service after the date  
 14-39 of termination. Members do not accrue any additional benefits  
 14-40 after the date of termination. The benefit accrued by each member  
 14-41 on the termination of the plan or the complete discontinuance of  
 14-42 contributions under the plan and the benefit of any affected member  
 14-43 on the partial termination of the plan, to the extent funded, become  
 14-44 nonforfeitable notwithstanding the length of a member's service.  
 14-45 The benefit accrued by a member also becomes nonforfeitable, if not  
 14-46 already nonforfeitable, at the normal retirement date.

14-47 Sec. 8.12. EFFECT OF FORFEITURE. [~~(h)~~] A forfeiture from a  
 14-48 member terminating employment and withdrawing the member's  
 14-49 accumulated deposits may not be applied to increase the benefit  
 14-50 that any other member would receive from the system. The actuary  
 14-51 shall anticipate the effect of forfeitures in determining the costs  
 14-52 under the system.

14-53 Sec. 8.13. SYSTEM ASSETS. [~~(i)~~] The assets of the police  
 14-54 retirement system shall be held in trust for the exclusive benefit  
 14-55 of the members and their beneficiaries. The corpus or income may  
 14-56 not be used for or diverted to a purpose other than the exclusive  
 14-57 benefit of members or their beneficiaries, whether by operation or  
 14-58 natural termination of the system, by power of revocation or  
 14-59 amendment, by the happening of a contingency, by collateral  
 14-60 arrangement, or by other means.

14-61 SECTION 15. Section 13.02, Chapter 452 (S.B. 738), Acts of  
 14-62 the 72nd Legislature, Regular Session, 1991 (Article 6243n-1,  
 14-63 Vernon's Texas Civil Statutes), is amended to read as follows:

14-64 Sec. 13.02. MANDATORY DISTRIBUTIONS PROHIBITED. A member  
 14-65 or former member who has separated from service may not be required  
 14-66 to receive an eligible rollover distribution, as defined in Section  
 14-67 13.01(b)(1) of this Act, without the member's consent unless the  
 14-68 member or former member has attained the applicable age for minimum  
 14-69 distributions required under Section 401(a)(9) of the Internal

15-1 Revenue Code of 1986 (26 U.S.C. Section 401(a)(9)) [~~is at least~~  
15-2 ~~70-1/2 years of age~~].

15-3 SECTION 16. The following provisions of Chapter 452 (S.B.  
15-4 738), Acts of the 72nd Legislature, Regular Session, 1991 (Article  
15-5 6243n-1, Vernon's Texas Civil Statutes), are repealed:

- 15-6 (1) Section 5.04(b);
- 15-7 (2) Sections 6.01(c), (d), and (e);
- 15-8 (3) Section 6.02(b); and
- 15-9 (4) Section 7.02(b).

15-10 SECTION 17. (a) In this section, "police retirement board"  
15-11 has the meaning assigned by Section 1.02, Chapter 452 (S.B. 738),  
15-12 Acts of the 72nd Legislature, Regular Session, 1991 (Article  
15-13 6243n-1, Vernon's Texas Civil Statutes).

15-14 (b) Section 3.02, Chapter 452 (S.B. 738), Acts of the 72nd  
15-15 Legislature, Regular Session, 1991 (Article 6243n-1, Vernon's  
15-16 Texas Civil Statutes), does not affect the term of a member of the  
15-17 police retirement board appointed or elected under that section, as  
15-18 that section existed immediately before the effective date of this  
15-19 Act, and serving on the board on the effective date of this Act.

15-20 (c) When the terms of:

15-21 (1) the two members of the police retirement board  
15-22 elected under Section 3.02(a)(4), Chapter 452 (S.B. 738), Acts of  
15-23 the 72nd Legislature, Regular Session, 1991 (Article 6243n-1,  
15-24 Vernon's Texas Civil Statutes), as that section existed immediately  
15-25 before the effective date of this Act, who have terms that expire in  
15-26 December 2021, expire:

15-27 (A) one of the resulting vacancies on the board  
15-28 shall be filled by appointment by the city council in accordance  
15-29 with Section 3.02(a)(6), Chapter 452 (S.B. 738), Acts of the 72nd  
15-30 Legislature, Regular Session, 1991 (Article 6243n-1, Vernon's  
15-31 Texas Civil Statutes), as amended by this Act; and

15-32 (B) the other resulting vacancy shall be filled  
15-33 by election of the members in accordance with Sections 3.02(a)(4)  
15-34 and 3.03, Chapter 452 (S.B. 738), Acts of the 72nd Legislature,  
15-35 Regular Session, 1991 (Article 6243n-1, Vernon's Texas Civil  
15-36 Statutes), as applicable; and

15-37 (2) the three members of the police retirement board  
15-38 elected under Section 3.02(a)(4), Chapter 452 (S.B. 738), Acts of  
15-39 the 72nd Legislature, Regular Session, 1991 (Article 6243n-1,  
15-40 Vernon's Texas Civil Statutes), as that section existed immediately  
15-41 before the effective date of this Act, who have terms that expire in  
15-42 December 2023, expire, the resulting vacancies on the board shall  
15-43 be filled by an election of the members in accordance with that  
15-44 section and Section 3.03, Chapter 452 (S.B. 738), Acts of the 72nd  
15-45 Legislature, Regular Session, 1991 (Article 6243n-1, Vernon's  
15-46 Texas Civil Statutes), as applicable, except that the member  
15-47 receiving the third highest number of votes in that election shall  
15-48 serve for a term of only two years with the member's term expiring  
15-49 in December 2025.

15-50 SECTION 18. This Act takes effect September 1, 2021.

15-51 \* \* \* \* \*