**BILL ANALYSIS**

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| Senate Research Center | S.B. 2190 |
|  | By: Huffman |
|  | State Affairs |
|  | 6/15/2017 |
|  | Enrolled |

**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The three Houston pension systems face serious funding shortfalls and rising costs that jeopardize their long-term sustainability. S.B. 2190 addresses these challenges by making significant changes to the Houston Firefighters' Relief and Retirement Fund, Houston Municipal Employees Pension System, and Houston Police Officers' Pension System. The bill reduces certain benefits to lower current liabilities, increases employee contributions and strengthens employer contributions to better fund the systems, codifies more conservative actuarial assumptions to improve the transparency of obligations owed, and establishes clear funding policies with a mechanism for sharing risk and controlling costs in the future. S.B. 2190 also provides for voter approval should pension obligation bonds be issued to fund any part of the systems' unfunded liabilities. (Original Author's / Sponsor's Statement of Intent)

S.B. 2190 amends current law relating to the public retirement systems of certain municipalities.

**RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the board of trustees of the police officers' pension system in SECTION 2.19 (Section 17, Article 6243g-4, Revised Statutes) of this bill.

Rulemaking authority is expressly granted to the board of trustees of the municipal pension system in SECTION 3.08 (Section 7, Chapter 88, Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas Civil Statutes (V.T.C.S.), and SECTION 3.14 (Section 10A, Chapter 88, Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.) of this bill.

**SECTION BY SECTION ANALYSIS**

ARTICLE 1. FIREFIGHTERS' RELIEF AND RETIREMENT FUND

SECTION 1.01. Amends Section 1, Article 6243e.2(1), Revised Statutes, by amending Subdivisions (1-a), (1-b), (3), (13-a), (15-a), (15-b), and (16) and adding Subdivisions (1-c), (1-d), (1-e), (1-f), (1-g), (3-a), (3-b), (3-c), (3-d), (10-a), (10-b), (11-a), (12-a), (12-b), (12-c), (12-d), (12-e), (12-f), (12-g), (13-b), (13-c), (13-d), (13-e), (15-c), (15-d), (15-e), (15-f), (16-a), (16-b), (16-c), (16-d), (16-e), and (16-f), to define "actuarial data," "actuarial experience study," "amortization period," "amortization rate," "assumed rate of return," “average monthly salary,” “beneficiary adult child,” “confidentiality agreement,” "corridor," "corridor margin," "corridor midpoint," "employer normal cost rate," "estimated municipal contribution rate," "fiscal year," "funded ratio," "legacy liability," "level percent of payroll method," "liability gain layer," "liability layer," "liability loss layer," "maximum contribution rate," "minimum contribution rate," "municipality," "municipal contribution rate," "normal cost rate," "normal retirement age," "payoff year," "pensionable payroll," "price inflation assumption," "projected pensionable payroll," “PROP,” "PROP account," "third quarter line rate," "ultimate entry age normal," "unfunded actuarial accrued liability," "unanticipated change," “unused leave pay,” and "year 2017 effective date," redefine "code" and "salary," and delete existing definitions of "average monthly salary," "beneficiary adult child," "normal retirement age," "PROP," and "PROP account."

SECTION 1.02. Amends Article 6243e.2(1), Revised Statutes, by adding Sections 1A, 1B, 1C, 1D, and 1E, as follows:

Sec. 1A. INTERPRETATION OF ARTICLE. Provides that this article (Firefighters' Relief and Retirement Fund in Municipalities of at Least 1,600,000 Population), including Sections 2(p) (relating to certain powers of the board of trustees of a firefighters' relief and retirement fund (board; FRRF) to manage the FRRF) and (p-1) (relating to providing that a rule, policy, or procedure adopted by the board is final and binding with respect to any matter within the board's jurisdiction and authority) of this article, does not and is prohibited from being interpreted to:

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

(2) reduce or modify the rights of the municipality, the board, or the FRRF, including any officer or employee of the municipality, board, or the FRRF, to enforce obligations described by Subdivision (1);

(3) relieve the municipality, including any official or employee of the municipality, from paying or directing to pay required contributions to the FRRF under Section 13 or 13A of this article or carrying out the provisions of Sections 13A through 13F of this article or reducing or modifying the rights of the board and any officer or employee of the board or FRRF to enforce obligations described by Subdivision (1);

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

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

Sec. 1B. FISCAL YEAR. Authorizes the FRRF and the municipality, if either party changes its respective fiscal year, to enter into a written agreement to change the fiscal year for purposes of this article. Requires the FRRF and municipality, if the parties enter into an agreement, to, in the agreement, adjust the provisions of Sections 13A through 13F of this article to reflect that change.

Sec. 1C. ALTERNATIVE RETIREMENT PLANS. (a) Defines “salary-based benefit plan.”

(b) Authorizes the board and the municipality, notwithstanding any other law, including Section 13G of this article, to enter into a written agreement to offer an alternative retirement plan or plans, including a cash balance retirement plan (CBRP) or plans, if both parties consider it appropriate.

(c) Requires the board and the municipality, notwithstanding any other law, including Section 13G of this article, if, beginning with the final risk sharing valuation study (RSVS) prepared under Section 13B of this article on or after July 1, 2021, either the funded ratio of the FRRF is less than 65 percent as determined in the final RSVS without making any adjustments under Section 13E or 13F of this article, or the funded ratio of the FRRF is less than 65 percent as determined in a revised and restated RSVS prepared under Section 13B(a)(7) of this article to, as soon as practicable but not later than the 60th day after the date the determination is made:

(1) enter into a written agreement to establish a CBRP that complies with Section 1D of this article; and

(2) require each firefighter first hired by the municipality on or after the 90th day after the date the CBRP is established to participate in the CBRP established under this subsection instead of participating in the salary-based benefit plan (SBBP), provided the firefighter would have otherwise been eligible to participate in the SBBP.

Sec. 1D. REQUIREMENTS FOR CERTAIN CASH BALANCE RETIREMENT PLANS. (a) Defines “cash balance plan participant,” “cash balance retirement plan,” “interest,” and “salary-based benefit plan.”

(b) Sets forth certain requirements for the written agreement establishing a CBRP.

(c) Provides that, notwithstanding any other law, including Section 13 of this article, a firefighter who participates in a CBRP:

(1) subject to Subsection (d) of this section, is not eligible to be a member of and is prohibited from participating in the FRRF's SBBP; and

(2) is prohibited from accruing years of participation or establishing service credit in the SBBP during the period the firefighter is participating in the CBRP.

(d) Provides that a cash balance plan participant (CBPP) is considered a member for purposes of Section 13A through 13H of this article.

(e) Prohibits the employer normal cost rate of the CBRP, at the time the CBRP is implemented, from exceeding the employer normal cost rate for the SBBP.

Sec. 1E. CONFLICT OF LAW. Provides that, to the extent of a conflict between this article and any other law, this article prevails.

SECTION 1.03. Amends Section 2, Article 6243e.2(1), Revised Statutes, by amending Subsection (b) and adding Subsection (t), as follows:

(b) Requires that the board be known as the "(name of municipality) Firefighters' Relief and Retirement Fund Board of Trustees" and the FRRF be known as the "(name of municipality) Firefighters' Relief and Retirement Fund." Provides that the board consists of 10 trustees, including:

(1) makes no changes to this subdivision;

(2) the director of finance or the director of finance's designee of the municipality or, if there is not a director of finance, the highest ranking employee of the municipality, excluding elected officials, with predominately financial responsibilities, as determined by the mayor, or that employee's designee, rather than the treasurer of the municipality or, if there is not a treasurer, the secretary, clerk, or other person who by law, charter provision, or ordinance performs the duty of treasurer of the municipality;

(3) through (5) makes no changes to these subdivisions.

(t) Provides that the officers and employees of the municipality are fully protected and free of liability for any action taken or omission made or any action or omission suffered by them in good faith, objectively determined, in the performance of their duties related to the FRRF. Provides that the protection from liability provided by this subsection is cumulative of and in addition to any other constitutional, statutory, or common law official or governmental immunity, defense, and civil or procedural protection provided to the municipality as a governmental entity and to a municipal official or employee as an official or employee of a governmental entity. Provides that, except for a waiver expressly provided by this article, this article does not grant an implied waiver of any immunity.

SECTION 1.04. Amends Article 6243e.2(1), Revised Statutes, by adding Sections 2A and 2B, as follows:

Sec. 2A. QUALIFICATIONS OF MUNICIPAL ACTUARY. (a) Requires an actuary hired by the municipality for purposes of this article to be an actuary from a professional service firm who meets certain criteria.

(b) Provides that, notwithstanding Subsection (a), the municipal actuary does not need to meet any greater qualifications than those required by the board for the FRRF actuary.

Sec. 2B. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT CONSULTANT. Requires the board, at least once every three years, to hire an independent investment consultant to conduct a review of FRRF investments and submit a report to the board and the municipality concerning the review or demonstrate in the FRRF's annual financial report that the review was conducted. Requires the independent investment consultant to review and report on at least the following:

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

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

(3) the FRRF's portfolio structure, including certain specified portions of the portfolio;

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

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

(6) an evaluation of fees and trading costs;

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

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

SECTION 1.05. Amends Section 3(d), Article 6243e.2(1), Revised Statutes, as follows:

(d) Authorizes the board to have an actuarial valuation performed each year, and for determining the municipality's contribution rate as provided by Section 13A, rather than 13(d), of this article, to adopt a new actuarial valuation each year. Deletes existing text authorizing an exception for an actuarial valuation that will result in an increased municipal contribution rate (MCR) that is above the statutory minimum to be adopted only once every three years, unless the governing body of the municipality consents to a more frequent increase.

SECTION 1.06. Amends Article 6243e.2(1), Revised Statutes, by adding Section 3A, as follows:

Sec. 3A. CERTAIN ALTERATIONS BY LOCAL AGREEMENT. (a) Provides that, except as provided by Subsection (b), the board is authorized, on behalf of the members or beneficiaries of the FRRF, to alter benefit types or amounts, the means of determining contribution rates, or the contribution rates provided under this article if the alteration is included in a written agreement between the board and municipality. Provides that an agreement entered into under this section:

(1) must, if the agreement concerns benefit increases, other than benefit increases that are the result of Section 13E of this article, adhere to the processes and standards set forth in Section 10 of this article, and must operate prospectively only; and

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

(b) Prohibits the municipality and the board, in a written agreement entered into between the parties, from:

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

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

(3) extending the amortization period of a liability layer to more than 30 years from a certain date; or

(4) allowing an MCR in any year that is less than or greater than the MCR required under Section 13E or 13F of this article, as applicable.

(c) Provides that, if the board is directed or authorized in Sections 13A through 13F of this article to effect an increase or decrease to benefits or contributions, this article delegates the authority to alter provisions concerning benefits and contributions otherwise stated in accordance with the direction or authorization only to the extent the alteration is set forth in an order or other written instrument and is consistent with this section, the code, and other applicable federal law and regulations. Requires that the order or other written instrument be included in each applicable RSVS under Section 13B or 13C of this article, as applicable, adopted by the board, and published in a manner that makes the order or other written instrument accessible to the members.

SECTION 1.07. Amends Section 4, Article 6243e.2(1), Revised Statutes, by amending Subsections (a), (b), and (d) and adding Subsections (b-1) and (b-2), as follows:

(a) Provides that a member, rather than a member with at least 20 years of participation, who terminates active service for any reason other than death is entitled to receive a service pension provided by this section if the member meets certain criteria relating to the member's age, years of service, and years of participation in the FRRF.

(b) Sets forth the amounts of the monthly service pension for a member described by Subsections (a)(1) and (2), except as otherwise provided by Subsection (d).

(b-1) Requires that, for purposes of Subsection (b), partial years be computed to the nearest one-twelfth of a year.

(b-2) Prohibits a certain member's monthly service pension from exceeding 80 percent of the member's average monthly salary. Deletes existing text providing that a member who terminates active service on or after November 1, 1997, and who has completed at least 20 years of participation in the FRRF on the effective date of termination of service is entitled to a monthly service pension, beginning after the effective date of termination of active service, in a specified amount, for a maximum total benefit of 80 percent of the member's average monthly salary.

(d) Prohibits certain additional benefits from being increased under Section 11(c) (relating to the increase of certain benefits), (c-1), or (c-2) of this article.

SECTION 1.08. Amends Section 5, Article 6243e.2(1), Revised Statutes, by amending Subsections (a), (b), (c), (d), and (m) and adding Subsections (a-1), (b-1), (b-2), (d-1), (d-2), and (e-1), as follows:

(a) Changes reference to Section (4) of this article to Section 4(a)(1) of this article. Prohibits a member who is eligible to receive a service pension under Section 4(a)(2) of this article from electing to participate in the provided deferred retirement option plan (DROP).

(a-1) Creates this subsection from existing text. Provides that the monthly benefit of a DROP participant who has at least 20 years of participation on the year 2017 effective date is increased at retirement by a certain amount for every full year of participation in the DROP by the member for up to 10 years of participation in the DROP, rather than providing that a DROP participant's monthly benefit at retirement is increased by a certain amount for every full year of participation in the DROP by the member.

(b) Requires that amounts equal to the deductions made from the member's salary under Section 13(c) of this article, beginning on the first day of the month following the month in which the member makes an election to participate in DROP, subject to board approval, and ending on the year 2017 effective date, rather than beginning on the effective date of the member's DROP election, be credited to the member's DROP account. Prohibits amounts equal to the deductions made from the member's salary under Section 13(c) of this article, beginning after the year 2017 effective date, from being credited to the member's DROP account. Makes a conforming change. Deletes existing text providing that the election becomes effective on the first day of the month following the month in which the board approves the member's DROP election.

(b-1) Creates this subsection from existing text. Prohibits an active member, on or after the year 2017 effective date, from participating in the DROP for more than 13, rather than 10, years. Provides that if a DROP participant remains in active service after the 13th, rather than 10th, anniversary of the effective date of the member's DROP election:

(1) subsequent deductions from the member’s salary under Section 13(c) of this article, except for unused leave pay, are prohibited from being credited to the member’s DROP account. Creates this subdivision from existing text and makes nonsubstantive changes; and

(2) the account shall continue to be credited with earnings in accordance with Subsection (d). Deletes existing text prohibiting the account from otherwise increasing any benefit payable from the FRRF for the member's service.

(b-2) Requires that the FRRF, for a member who is a DROP participant, credit to the member’s DROP account, in accordance with Section 13(c-1) of this article, the amount of unused leave pay otherwise payable to the member and received as a contribution to the FRRF from the municipality.

(c) Requires that an amount equal to the monthly service pension the member would have received under Section 4 of this article, rather than under Section 4 of this article and Section 11(c) of this article, if applicable, had the member terminated active service on the effective date of the member's DROP election, after a member's DROP election becomes effective, be credited to a DROP account maintained for the member. Requires that monthly credit to the member's DROP account continue until the earlier of the date the member terminates active service or the 13th, rather than 10th, anniversary of the date of the first credit to the member's DROP account, rather than anniversary of the effective date of the member's DROP election.

(d) Requires that a member's DROP account be credited with earnings at an annual rate equal to 65 percent of the compounded average annual return, rather than an annual rate equal to the average annual return, earned by the FRRF over the five years preceding, but not including, the year during which the credit is given. Requires that the credit to the member's DROP account, notwithstanding the preceding, however, be at an annual rate of not less than 2.5 percent, rather than not less than five percent nor greater than 10 percent, irrespective of actual earnings.

(d-1) Creates this subsection from existing text. Requires that earnings credited to a member's DROP account under Subsection (d), rather than those earnings, be computed and credited at a time and in a manner determined by the board, except that earnings are required to be credited at not less than a certain frequency and to take into account partial years of participation in the DROP. Deletes existing text prohibiting the member's DROP account, if the member has not terminated active service, from being credited with earnings after the 10th anniversary of the effective date of the member's DROP election.

(d-2) Prohibits a member from rolling over accumulated unused sick or vacation time paid to the member as a lump-sum payment after termination of active service into the member's DROP account.

(e-1) Authorizes a retired member who has been a DROP participant or, if termination from active service was due to the DROP participant's death, the surviving spouse of the DROP participant, in lieu of receiving a lump-sum payment on termination from active service, to elect to leave the retired member's DROP account with the FRRF and receive earnings credited to the DROP account in the manner described by Subsection (d).

(m) Authorizes a DROP participant with a break in service to receive service credit within DROP for days worked after the regular expiration of the maximum DROP participation period prescribed by this section, rather than after the regular expiration of the permitted DROP period. Requires that the service credit be limited to the number of days in which the participant experienced a break in service or the number of days required to constitute 13, rather than 10, years of DROP participation, whichever is smaller.

SECTION 1.09. Amends Section 5A, Article 6243e.2(1), Revised Statutes, by adding Subsection (o), as follows:

(o) Provides that, notwithstanding any other provision of this article, on or after the year 2017 effective date:

(1) a PROP participant is prohibited from having any additional amounts that the participant would otherwise receive as a monthly service pension or other benefits under this article credited to the participant's PROP account; and

(2) a person, including a member or surviving spouse, is prohibited from electing to participate in the PROP.

SECTION 1.10. Amends Section 8, Article 6243e.2(1), Revised Statutes, as follows:

Sec. 8. DEFERRED PENSION AT AGE 50; REFUND OF CONTRIBUTIONS. (a) Provides that, on or after the year 2017 effective date, a member who is hired as a firefighter before the year 2017 effective date, including a member who was hired before the year 2017 effective date and who involuntarily separated from service but has been retroactively reinstated in accordance with an arbitration, civil service, or court ruling, terminates active service for any reason other than death with a certain number of years of participation, is entitled to a monthly deferred pension benefit, beginning at age 50, in a certain amount.

(b) Authorizes a member meeting certain criteria, in lieu of the deferred pension benefit provided under Subsection (a), to elect to receive a lump-sum refund of the member's contributions to the FRRF with interest computed at five percent, not compounded, for the member's contributions to the FRRF made before the year 2017 effective date and without interest for the member's contributions to the FRRF made on or after the year 2017 effective date.

(c) Provides that, except as provided by Subsection (a), a member who is hired or rehired as a firefighter on or after the year 2017 effective date or a member who terminates employment for any reason other than death before the member has completed 10 years of participation is entitled only to a refund of the member's contributions without interest and is not entitled to a deferred pension benefit under this section or to any other benefit under this article.

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

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

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

(c-2) Requires that the members described by Subsection (c-1), subject to Subsection (c-3) and except as provided by Subsection (c-4), for the FRRF's fiscal year ending June 30, 2020, receive the increase provided under Subsection (c).

(c-3) Prohibits the percentage rate prescribed by Subsections (c), (c-1), and (c-2) from being less than zero percent or more than four percent, irrespective of the return rate of the FRRF's investment portfolio.

(c-4) Prohibits a member who elects to participate in the DROP under Section 5 of this article, each year after the year 2017 effective date, from receiving the increase provided under Subsection (c), (c-1), or (c-2) in any October during which the member participates in the DROP.

SECTION 1.12. Amends the heading to Section 13, Article 6243e.2(1), Revised Statutes, to read as follows:

Sec. 13. MEMBERSHIP AND MEMBER CONTRIBUTIONS.

SECTION 1.13. Amends Section 13, Article 6243e.2(1), Revised Statutes, by amending Subsection (c) and adding Subsections (c-1) and (c-2), as follows:

(c) Requires each member in active service, subject to adjustments authorized by Section 13E or 13F of this article, to make contributions to the FRRF in an amount equal to 10.5 percent of the member's salary at the time of the contribution, rather than equal to 8.35 percent of the member's salary at the time of the contribution, and as of July 1, 2004, in an amount equal to nine percent of the member's salary at the time of the contribution.

(c-1) Requires each DROP participant, as identified by the FRRF to the municipality for purposes of this subsection, in addition to the contribution under Subsection (c), to contribute to the FRRF an amount equal to 100 percent of the participant’s unused leave pay that would otherwise be payable to the member. Requires that the FRRF credit any unused leave pay amount contributed by a DROP participant to the participant’s DROP account.

(c-2) Creates this subsection from existing text. Requires the governing body of the municipality to deduct from the salary of each member the contribution required by this section, rather than deduct the contributions from the member’s salary, and to forward the contributions to the FRRF as soon as practicable.

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

Sec. 13A. MUNICIPAL CONTRIBUTIONS. (a) Requires the municipality, beginning with the year 2017 effective date, to make contributions to the FRRF as provided by this section and Section 13B, 13C, 13E, or 13F of this article, as applicable. Requires the municipality to contribute:

(1) beginning with the year 2017 effective date and ending with the fiscal year ending June 30, 2018, an amount equal to the MCR, as determined in the initial RSVS conducted under Section 13C of this article and adjusted under Section 13E or 13F of this article, as applicable, multiplied by the pensionable payroll for the fiscal year; and

(2) for each fiscal year after the fiscal year ending June 30, 2018, an amount equal to the MCR, as determined in a subsequent RSVS conducted under Section 13B of this article and adjusted under Section 13E or 13F of this article, as applicable, multiplied by the pensionable payroll for the applicable fiscal year.

(b) Requires the municipality, except by written agreement between the municipality and the board providing for an earlier contribution date, to make the contributions required by Subsection (a) at least biweekly by depositing with the FRRF an amount equal to the MCR multiplied by the pensionable payroll for the applicable biweekly period.

(c) Provides that, with respect to each fiscal year:

(1) the first contribution by the municipality for the fiscal year is required to be made not later than the date payment is made to firefighters for their first full biweekly pay period beginning on or after the first day of the fiscal year; and

(2) the final contribution by the municipality for the fiscal year is required to be made not later than the date payment is made to firefighters for the final biweekly pay period of the fiscal year.

(d) Authorizes the municipality, in addition to the required amounts, to at any time contribute additional amounts for deposit in the FRRF by entering into a written agreement with the board.

(e) Prohibits the municipality, notwithstanding any other law, from issuing a pension obligation bond to fund the MCR under this section.

Sec. 13B. RISK SHARING VALUATION STUDIES. (a) Requires the FRRF and the municipality to separately cause their respective actuaries to prepare an RSVS in accordance with this section and actuarial standards of practice. Sets forth certain requirements for an RSVS.

(b) Requires the FRRF actuary at the direction of the FRRF and the municipal actuary at the direction of the municipality, as soon as practicable after the end of a fiscal year, to separately prepare a proposed RSVS based on the fiscal year that just ended.

(c) Requires that the FRRF, not later than September 30 following the end of the fiscal year, provide to the municipal actuary, under a confidentiality agreement in which the municipal actuary agrees to comply with the confidentiality provisions of Section 17 of this article, the actuarial data described by Subsection (a)(4) (relating to requiring that an RSVS be based on certain actuarial data or estimates of actuarial data).

(d) Requires, not later than the 150th day after the last day of the fiscal year, the FRRF actuary and the municipal actuary to exchange the proposed RSVSs prepared under Subsection (b).

(e) Authorizes each actuary described by Subsection (d) to provide copies of the proposed RSVSs to the municipality or to the FRRF, as appropriate.

(f) Provides that if, after exchanging proposed RSVSs, it is found that the difference between the estimated MCR recommended in the proposed RSVS prepared by the FRRF actuary and the estimated MCR recommended in the proposed RSVS prepared by the municipal actuary for the corresponding fiscal year is:

(1) less than or equal to two percentage points, the estimated MCR recommended by the FRRF actuary will be the estimated MCR for certain purposes, and the proposed RSVS prepared for the FRRF is considered to be the final RSVS for the fiscal year for the purposes of this article; or

(2) greater than two percentage points, the municipal actuary and the FRRF actuary are required to have 20 business days to reconcile the difference, provided that, without the mutual agreement of both actuaries, the difference in the estimated MCR recommended by the municipal actuary and the estimated MCR recommended by the FRRF actuary may not be further increased and:

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

(i) subject to any adjustments under Section 13E or 13F of this article, as applicable, the estimated MCR proposed under the reconciliation by the FRRF actuary will be the estimated MCR for certain purposes; and

(ii) the FRRF's RSVS is considered to be the final RSVS for the fiscal year for the purposes of this article; or

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

(i) the municipal actuary at the direction of the municipality and the FRRF actuary at the direction of the FRRF each is required to deliver to the finance director of the municipality and the executive director of the FRRF a final RSVS with any agreed-to changes, marked as the final RSVS for each actuary; and

(ii) not later than the 90th day before the first day of the next fiscal year, the finance director and the executive director are required to execute a joint addendum to the final RSVS received under Subparagraph (i) that is a part of the final RSVS for the fiscal year for all purposes and reflects the arithmetic average of the estimated MCRs for the fiscal year stated by the municipal actuary and the FRRF actuary in the final RSVS for certain purposes.

(g) Requires that the assumptions and methods used and the types of actuarial data and financial information used to prepare the initial RSVS under Section 13C of this article be used to prepare each subsequent RSVS, unless changed based on the actuarial experience study conducted under Section 13D of this article.

(h) Prohibits the actuarial data provided under Subsection (a)(4) from including the identifying information of individual members.

Sec. 13C. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR MIDPOINT. (a) Requires that the FRRF and the municipality separately cause their respective actuaries to prepare an initial RSVS that is dated as of July 1, 2016, in accordance with this section. Sets forth certain requirements for an initial RSVS.

(b) Provides that, if the initial RSVS has not been prepared consistent with this section before the year 2017 effective date, as soon as practicable after the year 2017 effective date:

(1) the FRRF is required to provide to the municipal actuary, under a confidentiality agreement, the necessary actuarial data used by the FRRF actuary to prepare the proposed initial RSVS; and

(2) not later than the 30th day after the date the municipal actuary receives the actuarial data, the municipal actuary and the FRRF actuary are required to exchange proposed initial RSVSs; and

(c) Provides that if, after exchanging proposed initial RSVSs, it is determined that the difference between the estimated MCR for any fiscal year recommended in the proposed initial RSVS prepared by the FRRF actuary and the estimated MCR for any fiscal year recommended in the proposed initial RSVS prepared by the municipal actuary is:

(1) less than or equal to two percentage points, the estimated MCR for that fiscal year recommended by the FRRF actuary will be the estimated MCR for certain purposes; or

(2) greater than two percentage points, both actuaries are required to have 20 business days to reconcile the difference and:

(A) if, as a result of reconciliation efforts under this subdivision, the difference in any fiscal year is reduced to less than or equal to two percentage points, the estimated MCR recommended by the FRRF actuary for that fiscal year will be the estimated MCR for certain purposes; or

(B) if, after 20 business days, the two actuaries are not able to reach a reconciliation that reduces the difference to an amount less than or equal to two percentage points for any fiscal year:

(i) the municipal actuary and the FRRF actuary each is required to deliver to the finance director and the executive director a final initial RSVS with any agreed-to changes, marked as the final initial RSVS for each actuary; and

(ii) the finance director and the executive director are required to execute a joint addendum to the final initial RSVS that is a part of each final initial RSVS for all purposes and that reflects the arithmetic average of the estimated MCR for each fiscal year in which the difference was greater than two percentage points for certain purposes.

(d) Requires the municipal actuary and FRRF actuary, in preparing the initial RSVS, to adjust the actuarial value of assets to be equal to the market value of assets as of July 1, 2016, and assume benefit and contribution changes under this article as of the year 2017 effective date.

(e) Provides that, if the municipal actuary does not prepare an initial RSVS for purposes of this section, the FRRF actuary's initial RSVS will be used as the final RSVS for purposes of this article unless the municipality did not prepare a proposed initial RSVS because the FRRF actuary did not provide the necessary actuarial data in a timely manner. Requires that the municipal actuary, if the municipality did not prepare a proposed initial RSVS because the FRRF actuary did not provide the necessary actuarial data in a timely manner, have 60 days to prepare the proposed initial RSVS on receipt of the necessary information.

(f) Provides that, if the FRRF actuary does not prepare a proposed initial RSVS for purposes of this section, the proposed initial RSVS prepared by the municipal actuary will be the final RSVS for purposes of this article.

(g) Authorizes the municipality and the board to agree on a written transition plan for resetting the corridor midpoint if at any time the funded ratio is equal to or greater than 100 percent, or for any fiscal year after the payoff year of the legacy liability.

(h) Provides that, if the municipality and the board have not entered into an agreement described by Subsection (g) in a given fiscal year, the corridor midpoint will be the corridor midpoint determined for the 31st fiscal year in the initial RSVS prepared in accordance with this section.

(i) Provides that, if the municipality makes a contribution to the FRRF of a certain amount, a liability gain layer with the same remaining amortization period as the legacy liability is created and requires that the corridor midpoint be decreased by the amortized amount in each fiscal year covered by the produced liability gain layer divided by the projected pensionable payroll.

Sec. 13D. ACTUARIAL EXPERIENCE STUDIES. (a) Requires the FRRF actuary, at least once every four years, at the direction of the FRRF, to conduct an actuarial experience study (AES) in accordance with actuarial standards of practice. Requires that the required AES be completed not later than September 30 of the year in which the AES is required to be conducted.

(b) Requires that actuarial assumptions and methods used in the preparation of an RSVS, other than the initial RSVS and except as otherwise expressly provided by certain sections of this article, be based on the results of the most recent AES.

(c) Requires that the FRRF, not later than the 180th day before the date the board may consider adopting any assumptions and methods for purposes of Section 13B, provide the municipal actuary with a substantially final draft of the FRRF's AES, including all assumptions and methods recommended by the FRRF actuary and summaries of the reconciled actuarial data used in creation of the AES.

(d) Requires the municipal actuary and FRRF actuary, not later than the 60th day after the date the municipality receives the final draft of the FRRF's AES under Subsection (c), to confer and cooperate on reconciling and producing a final AES. Authorizes the FRRF actuary, during the prescribed period, to modify the recommended assumptions in the draft AES to reflect any changes to assumptions and methods to which both actuaries agree.

(e) Requires that the FRRF, at the municipal actuary's written request, provide additional actuarial data used by the FRRF actuary to prepare the draft AES, provided that confidential data may only be provided subject to a confidentiality agreement in which the municipal actuary agrees to comply with the confidentiality provisions of Section 17 of this article.

(f) Requires the municipal actuary at the direction of the municipality to provide in writing to the FRRF actuary and the FRRF any assumptions and methods recommended by the municipal actuary that differ from those recommended by the FRRF actuary, and the municipal actuary's rationale for each method or assumption the actuary recommends and determines to be consistent with standards adopted by the Actuarial Standards Board.

(g) Requires that the FRRF, not later than the 30th day after the date the FRRF actuary receives the municipal actuary's written recommended assumptions and methods and rationale under Subsection (f), provide a written response to the municipality identifying any assumption or method recommended by the municipal actuary that the FRRF does not accept. Requires that the FRRF, if any assumption or method is not accepted, recommend to the municipality the names of three independent actuaries for purposes of this section.

(h) Authorizes an actuary to be recommended, selected, or engaged by the FRRF as an independent actuary only if the person fulfills certain requirements.

(i) Requires that the municipality, not later than the 20th day after the date the municipality receives the list of three independent actuaries under Subsection (g), identify, and requires that the FRRF hire, one of the listed independent actuaries on terms acceptable to the municipality and the FRRF to perform a scope of work acceptable to the municipality and the FRRF. Requires that the municipality and the FRRF each pay 50 percent of the cost of the engaged independent actuary. Requires that the municipality be provided the opportunity to participate in any communications between the independent actuary and the FRRF concerning the engagement, engagement terms, or performance of the terms of the engagement.

(j) Requires that the engaged independent actuary receive certain information on request from the municipality or the FRRF.

(k) Requires the independent actuary, not later than the 30th day after the date the independent actuary receives all the requested information under Subsection (j), to advise the FRRF and the municipality whether it agrees with the assumption or method recommended by the municipal actuary or the corresponding method or assumption recommended by the FRRF actuary, together with the independent actuary's rationale for making the determination. Authorizes the independent actuary, during the prescribed period, to discuss recommendations in simultaneous consultation with the FRRF actuary and municipal actuary.

(l) Prohibits the FRRF and municipality from seeking any information from any prospective independent actuary about possible outcomes of the independent actuary's review.

(m) Requires an independent actuary, if the independent actuary has questions or concerns regarding an engagement entered into, to simultaneously consult with both the municipal actuary and the FRRF actuary regarding the questions or concerns. Provides that this subsection does not limit the FRRF's authorization to take appropriate steps to complete the engagement of the independent actuary on terms acceptable to both the FRRF and the municipality or to enter into a confidentiality agreement with the independent actuary, if needed.

(n) Provides that, if the board does not adopt an assumption or method recommended by the municipal actuary to which the independent actuary agrees, or recommended by the FRRF actuary, the municipal actuary is authorized to use that recommended assumption or method in connection with preparation of a subsequent RSVS under Section 13B of this article until the next AES is conducted.

Sec. 13E. MUNICIPAL CONTRIBUTION RATE WHEN ESTIMATED MUNICIPAL CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT; AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) Provides that this section governs the determination of the MCR applicable in a fiscal year if the estimated MCR is lower than the corridor midpoint.

(b) Provides that, if the funded ratio is:

(1) less than 90 percent, the MCR for the fiscal year equals the corridor midpoint; or

(2) equal to or greater than 90 percent and the MCR is:

(A) equal to or greater than the minimum contribution rate, the estimated MCR is the MCR for the fiscal year; or

(B) except as provided by Subsection (e), less than the minimum contribution rate for the corresponding fiscal year, the MCR for the fiscal year equals the minimum contribution rate achieved in accordance with Subsection (c).

(c) Requires that certain provided adjustments, for purposes of Subsection (b)(2)(B), be applied sequentially to the extent required to increase the estimated MCR to equal the minimum contribution rate.

(d) Provides that, if the funded ratio is:

(1) equal to or greater than 100 percent, all existing liability layers, including the legacy liability, are considered fully amortized and paid, the applicable fiscal year is the payoff year for the legacy liability, and for each fiscal year subsequent to the fiscal year described by Paragraph (B), the corridor midpoint is required to be determined as provided by Section 13C(g); and

(2) greater than 100 percent in a written agreement between the municipality and the FRRF, the FRRF is authorized to reduce member contributions or increase pension benefits if, as a result of the action the funded ratio is not less than 100 percent and the MCR is not more than the minimum contribution rate.

(e) Requires the board, except as provided by Subsection (f), if an agreement under Subsection (d) is not reached on or before April 30 before the first day of the next fiscal year, before the first day of the next fiscal year, to reduce member contributions and implement or increase cost-of-living adjustments, but only to the extent that the MCR is set at or below the minimum contribution rate and the funded ratio is not less than 100 percent.

(f) Prohibits the board, if any member contribution reduction or benefit increase under Subsection (e) has occurred within the previous three fiscal years, from making additional adjustments to benefits, and requires that the MCR be set to equal the minimum contribution rate.

Sec. 13F. MUNICIPAL CONTRIBUTION RATE WHEN ESTIMATED MUNICIPAL CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR MIDPOINT; AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) Provides that this section governs the determination of the MCR in a fiscal year when the estimated MCR is equal to or greater than the corridor midpoint.

(b) Provides that, if the estimated MCR is:

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

(2) except as provided by Subsection (d) or (e), greater than the maximum contribution rate for the corresponding fiscal year, the MCR equals the corridor midpoint achieved in accordance with Subsection (c).

(c) Requires that certain provided adjustments, for purposes of Subsection (b)(2), be applied sequentially to the extent required to decrease the estimated MCR to equal the corridor midpoint.

(d) Provides that, if the MCR after adjustment under Subsection (c) is greater than the third quarter line rate, the MCR equals the third quarter line rate, and to the necessary extent, the municipality and the board are required to enter into a written agreement to increase member contributions and make other benefit or plan changes not otherwise prohibited by applicable federal law or regulations.

(e) Requires the board, to the extent necessary to set the MCR equal to the third quarter line rate, if an agreement under Subsection (d)(2) (relating to the municipality and board entering into a certain written agreement) is not reached on or before April 30 before the first day of the next fiscal year, before the start of the next fiscal year to which the MCR would apply, to increase member contributions and decrease cost-of-living adjustments, increase the normal retirement age, or take any combination of authorized actions.

(f) Provides that, if the MCR remains greater than the corridor midpoint in the third fiscal year after adjustments are made in accordance with Subsection (d)(2), in that fiscal year the MCR equals the corridor midpoint achieved in accordance with Subsection (g).

(g) Requires that the MCR be set at the corridor midpoint under Subsection (f) by:

(1) in the RSVS for the third fiscal year described by Subsection (f), adjusting the actuarial value of assets to equal the current market value of assets, if making the adjustment causes the MCR to decrease; and

(2) under a written agreement entered into between the municipality and the board, increasing member contributions and making any other benefit or plan changes not otherwise prohibited by applicable federal law or regulations.

(h) Requires the board, to the extent necessary to set the MCR equal to the corridor midpoint, if an agreement under Subsection (g)(2) is not reached on or before April 30 before the first day of the next fiscal year, before the start of the next fiscal year, to increase member contributions and decrease cost-of-living adjustments, increase the normal retirement age, or take any combination of authorized actions.

Sec. 13G. INTERPRETATION OF CERTAIN RISK SHARING PROVISIONS; UNILATERAL DECISIONS AND ACTIONS PROHIBITED. (a) Prohibits anything in this article, including Section 2(p) or (p-1) and any authority of the board to construe and interpret this article, to determine any fact, to take any action, or to interpret any terms used in Sections 13A through 13F, from altering or changing Sections 13A through 13F.

(b) Provides that no unilateral decision or action by the board is binding on the municipality and no unilateral decision or action by the municipality is binding on the FRRF with respect to the application of Sections 13A through 13F unless expressly provided by a provision of those sections. Provides that nothing in this subsection is intended to limit the powers or authority of the board.

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

Sec. 13H. STATE PENSION REVIEW BOARD; REPORT. (a) Requires the FRRF and the municipality, after preparing a final RSVS under Section 13B or 13C of this article, to jointly submit a copy of the RSVS or RSVSs, as appropriate, to the State Pension Review Board (PRB) for a determination that the FRRF and the municipality are in compliance with this article.

(b) Requires the FRRF, not later than a certain date, to submit a report to PRB regarding any actions taken under those sections.

(c) Requires PRB to notify certain government officials if PRB determines the FRRF or the municipality is not in compliance with Sections 13A through 13G of this article.

SECTION 1.15. Amends Section 17, Article 6243e.2(1), Revised Statutes, by adding Subsections (f), (g), (h), (i), and (j), as follows:

(f) Requires that the board and FRRF, to carry out the provisions of Sections 13A through 13F, provide the municipal actuary under a confidentiality agreement the actuarial data used by the FRRF actuary for the FRRF's actuarial valuations or valuation studies and other data as agreed to between the municipality and the FRRF that the municipal actuary determines is reasonably necessary for the municipal actuary to perform the studies required by Sections 13A through 13F. Provides that the described actuarial data does not include information described by Subsection (a) (relating to the confidentiality and disclosure of certain information).

(g) Prohibits an RSVS prepared by either the municipal actuary or FRRF actuary under Sections 13A through 13F from including information described by Subsection (a) or providing confidential or private information regarding specific individuals or be grouped in a manner that allows confidential or private information regarding a specific individual to be discerned.

(h) Provides that the information, data, and document exchanges under Sections 13A through 13F have all the protections afforded by applicable law and are expressly exempt from the disclosure requirements under Chapter 552 (Public Information), Government Code, except as may be agreed to by the municipality and FRRF in a written agreement.

(i) Provides that Subsection (h) does not apply to:

(1) a proposed RSVS prepared by the FRRF actuary and provided to the municipal actuary or prepared by the municipal actuary and provided to the FRRF actuary under certain sections; or

(2) a final RSVS prepared under Section 13B or 13C.

(j) Requires the mayor of the municipality, before a union contract is approved by the municipality, to cause the municipal actuaries to deliver to the mayor a report estimating the impact of the proposed union contract on FRRF costs.

SECTION 1.16. Repealers: Sections 13(d) (relating to the municipality's contributions to the FRRF) and (e) (relating to certain increases in the minimal contribution rate), Article 6243e.2(1), Revised Statutes.

SECTION 1.17. Requires that the established FRRF require the FRRF actuary to prepare the first AES required under Section 13D, Article 6243e.2(1), Revised Statutes, as added by this Act, not later than September 30, 2020.

ARTICLE 2. POLICE OFFICERS' PENSION SYSTEM

SECTION 2.01. Amends Section 1, Article 6243g-4, Revised Statutes, to increase from 1.5 million to two million or more, the population of a city in which a certain police officers' pension system (pension system) operates.

SECTION 2.02. Amends Article 6243g-4, Revised Statutes, by adding Section 1A, as follows:

Sec. 1A. INTERPRETATION OF ARTICLE. Provides that this article (Police Officers Pension System in Certain Municipalities) does not and may not be interpreted to:

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

(2) reduce or modify the rights of the city, police pension board, or pension system, including any officer or employee of the city, police pension board, or pension system, to enforce obligations described by Subdivision (1);

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

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

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

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

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

SECTION 2.03. Amends Section 2, Article 6243g-4, Revised Statutes, by amending Subdivisions (1), (2), (3), (4-a), (11), (13), (14-a), (17), (17-a), and (22) and adding Subdivisions (1-a), (1-b), (1-c), (4-b), (4-c), (4-d), (5-a), (5-b), (5-c), (10-a), (10-b), (10-c), (10-d), (12-a), (13-a), (13-b), (13-c), (13-d), (13-e), (13-f), (14-b), (14-c), (15-a), (15-b), (16-a), (16-b), (17-b), (17-c), (17-d), (17-e), (24), (25), (26), (27), (28), and (29) to redefine "active member," "catastrophic injury," "former member," "inactive member," "normal retirement age," "pension system" or "system," "surviving spouse," define "actuarial data," "actuarial experience study," "amortization period," "amortization rate," "assumed rate of return," "city," "city contribution rate," "classified," "corridor," "corridor margin," "corridor midpoint," "employer normal cost rate," "estimated city contribution rate," "fiscal year," "final average pay," "funded ratio," "legacy liability," "level percent of payroll method," "liability gain layer," "liability layer," "liability loss layer," "maximum contribution rate," "minimum contribution rate," "normal cost rate," "pay," "payoff year," "pension obligation bond," "pensionable payroll," "police department," "price inflation assumption," "projected pensionable payroll," "salary," "third quarter line rate," "trustee," "ultimate entry age normal," "unfunded actuarial accrued liability," "unanticipated change," and "year 2017 effective date," and delete definitions for "average total direct pay" and "base salary." Makes a nonsubstantive change.

SECTION 2.04. Amends Article 6243g-4, Revised Statutes, by adding Sections 2A, 2B, 2C, and 2D, as follows:

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

Sec. 2B. ALTERNATIVE RETIREMENT PLANS. (a) Defines “salary-based benefit plan.”

(b) Authorizes the police pension board and the city, notwithstanding any other law, including Section 9F of this article, and except as provided by Subsection (c), to enter into a written agreement under Section 27 of this article to offer an alternative retirement plan or plans, including a CBRP or CBRPs, if both parties consider it appropriate.

(c) Requires the police pension board and the municipality, notwithstanding any other law, including Section 9F of this article, and except as provided by Subsection (d), if, beginning with the final RSVS prepared under Section 9A of this article on or after July 1, 2021, either the funded ratio of the pension system is less than 65 percent as determined in the final RSVS without making any adjustments under Section 9D or 9E of this article, or the funded ratio of the pension system is less than 65 percent as determined in a revised and restated RSVS prepared under Section 9A(a)(7) of this article, to, as soon as practicable but not later than the 60th day after the date the determination is made:

(1) enter into a written agreement under Section 27 of this article to establish a CBRP that complies with Section 2C of this article; and

(2) require each employee first hired by the city on or after the 90th day after the date the CBRP is established to participate in the CBRP established under this subsection instead of participating in the SBBP, provided the employee would have otherwise been eligible to participate in the SBBP.

(d) Prohibits the police pension board and the city, if the city fails to deliver the proceeds of certain pension obligation bonds within a certain prescribed time, notwithstanding the funded ratio of the pension system, from establishing a CBRP under Subsection (c).

Sec. 2C. REQUIREMENTS FOR CERTAIN CASH BALANCE RETIREMENT PLANS. (a) Defines “cash balance plan participant,” “cash balance retirement plan,” “interest,” and “salary-based benefit plan.”

(b) Sets forth certain requirements for the written agreement establishing a CBRP.

(c) Provides that, notwithstanding any other law, including certain sections of this article, an employee who participates in a CBRP:

(1) subject to Subsection (d), is not eligible to be an active member of and is prohibited from participating in the SBBP; and

(2) is prohibited from accruing years of service or establishing service credit in the SBBP during the period the employee is participating in the CBRP.

(d) Provides that a CBPP is considered an active member for purposes of Sections 9 through 9G of this article.

(e) Prohibits the employer normal cost rate of the CBRP, at the time of implementation of the CBRP, from exceeding the employer normal cost rate of the SBBP.

Sec. 2D. CONFLICT OF LAW. Provides that, to the extent of a conflict between this article and any other law, this article prevails.

SECTION 2.05. Amends Section 3, Article 6243g-4, Revised Statutes, by amending Subsection (b) and adding Subsections (i) and (j), as follows:

(b) Provides that the police pension board is composed of seven members as follows:

(1) and (2) makes no changes to these subdivisions;

(3) two retired members who are receiving pensions from the system, who are members elected by the active, inactive, and retired members of the pension system, and who are not certain officers or employees of the city or current or former employees of any other fund or pension system authorized under certain statutes, rather than two retired members who are receiving pensions from the system and are not officers of employees of the city elected by the active, inactive, and retired members of the pension system; and

(4) the director of finance of the city or the person discharging the duties of the director of finance, or the director's designee, rather than the treasurer of the city or the person discharging the duties of the city treasurer.

(i) Requires that a runoff election for either an active or retired police pension board member position be held if a candidate for that position does not receive a majority vote for that position. Requires the police pension board to establish a policy for general and runoff elections for purposes of this subsection.

(j) Provides that beginning with the year 2017 effective date the term of office for a police pension board member in the phase-down program A or B is required to be one year and that a police pension board member who subsequently enters phase-down Program A or B and has served at least one year of the member's current term is required to vacate the member's seat and is authorized to run for reelection.

SECTION 2.06. Amends Section 4, Article 6243g-4, Revised Statutes, as follows:

Sec. 4. BOARD MEMBER LEAVE AND COMPENSATION. (a) Requires that the city allow active members who are trustees to promptly attend all police pension board and committee meetings. Requires that the city allow trustees the time required to travel to and attend educational workshops and legislative hearings and to attend to other pension system business, including meetings regarding proposed amendments to this article, if attendance is consistent with a trustee's duty to the police pension board. Deletes existing text providing that elected members of the police pension board who are employees of the city's police department are entitled to leave from their employer to attend to the official business of the pension system and are not required to report to the city or any other governmental entity regarding travel or the official business of the pension system, except when on city business.

(b) Redesignates existing Subsection (c) as Subsection (b) and increases from $350 a month to $750 a month the amount any reimbursement may not exceed for each affected police pension board member. Deletes existing text authorizing the pension system, if the city employing an elected police pension board member would withhold any portion of the salary of the member who is attending to official business of the pension system, to elect to adequately compensate the city for the loss of service of the member. Deletes existing text requiring that the amounts, if the police pension board, by an affirmative vote of at least four police pension board members, makes this election, be remitted from the fund to the city, and requires that the city pay the police pension board member's salary as if no loss of service had occurred.

SECTION 2.07. Amends Article 6243g-4, Revised Statutes, by adding Sections 5A and 5B, as follows:

Sec. 5A. QUALIFICATIONS OF CITY ACTUARY. (a) Requires an actuary hired by the city for purposes of this article to be an actuary from a professional service firm who meets certain requirements.

(b) Requires the city actuary, notwithstanding Subsection (a) of this section, to at least meet the qualifications required by the police pension board for the pension system actuary. Provides that the city actuary is not required to have greater qualifications than those of the pension system actuary.

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

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

(c) Provides that the protection from liability provided by this section is cumulative of and in addition to any other constitutional, statutory, or common law official or governmental immunity, defense, and civil or procedural protection provided to the city or pension system as a governmental entity and to a city or pension system official or employee as an official or employee of a governmental entity. Provides that, except for an expressly provided waiver, this article does not grant an implied waiver of any immunity.

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

(f) Provides that the police pension board has full discretion and authority to:

(1) creates this subdivision from existing text and makes a nonsubstantive change;

(2) creates this subdivision from existing text and makes a nonsubstantive change. Construe and interpret this article and any summary plan descriptions or benefits procedures;

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

(4) creates this subdivision from existing text; take, rather than to do, all other acts necessary to carry out the purposes of this article in a manner and to the extent that the police pension board considers expedient to administer this article for the greatest benefit of all members.

(f-1) Provides that, except as provided by Section 9F of this article, all decisions of the police pension board under Subsection (f) of this section are final and binding on all affected parties, rather than provides that all decisions of the police pension board are final and binding on all affected parties.

(g) Authorizes the police pension board, if reasonably necessary in the course of performing a police pension board function, to issue process or subpoena a witness or the production of a book, record, or other document as to any matter affecting retirement, disability, or death benefits under any pension plan provided by the pension system.

(i) Authorizes the police pension board or its designee, as applicable, if the police pension board or its designee determines that any person to whom a payment is due is a minor or is unable to care for the person's affairs because of a physical or mental disability, and if the police pension board or its designee, as applicable, determines the person does not have a guardian or other legal representative and that the estate of the person is insufficient to justify the expense of establishing a guardianship, or continuing a guardianship after letters of guardianship have expired, then until current letters of guardianship are filed with the pension system, to make the payment to certain entities.

(j) Provides that the police pension board or its designee is not responsible for overseeing how a person to whom payment is made under Subsection (i) uses or otherwise applies the payments. Provides that payments made under Subsection (i) constitute a complete discharge of the pension system's liability and obligation to the person on behalf of whom payment is made.

SECTION 2.09. Amends Section 8(a), Article 6243g-4, Revised Statutes, as follows:

(a) Requires each active member of the pension system, subject to adjustments authorized by Section 9D or 9E, to pay into the system each month 10.5 percent of the member's pay, rather than 8 3/4 percent of the member's total direct pay. Prohibits a person, except for the repayment of withdrawn contributions under Section 17(f), rather than under Section 17(f) or 18(c)(3), and rollovers permitted by Section 17(h) from being required or permitted to make any payments into the pension system after the person separates from service.

SECTION 2.10. Amends Section 9, Article 6243g-4, Revised Statutes, as follows:

Sec. 9. CONTRIBUTIONS BY THE CITY. (a) Requires that the city, beginning with the year 2017 effective date, make contributions to the pension system for deposit into the fund as provided by this section and Section 9A, 9B, 9D, or 9E, as applicable. Requires that the city contribute:

(1) beginning with the year 2017 effective date end ending with the fiscal year ending June 30, 2018, an amount equal to the city contribution rate, as determined in the initial RSVS conducted under Section 9B of this article and adjusted under Section 9D or 9E of this article, as applicable, multiplied by the pensionable payroll for the fiscal year; and

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

(b) Requires that the city, except by written agreement between the city and the police pension board under Section 27 of this article providing for an earlier contribution date, at least biweekly, make the contributions required by Subsection (a) of this section by depositing with the pension system an amount equal to the city contribution rate multiplied by the pensionable payroll for the biweekly period.

(c) Provides that with respect to each fiscal year:

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

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

(d) Authorizes the city, in addition to the required amounts, to at any time contribute additional amounts to the pension system for deposit in the pension fund by entering into a written agreement with the police pension board in accordance with Section 27. Deletes existing text relating to the city's required contribution amounts.

(e) Redesignates existing Subsection (c) as Subsection (e) and requires that contributions picked up as provided by this subsection be included in the determination of an active member's pay, rather than total direct pay.

(f) Requires that only amounts paid by the city to the pension system be credited against any amortization schedule of payments due to the pension system under this article.

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

(h) Prohibits the city, notwithstanding any other law and except for the pension obligation bond assumed under Section 9B(d)(2) of this article from issuing a pension obligation bond to fund the city contribution rate under this section.

SECTION 2.11. Amends Article 6243g-4, Revised Statutes, by adding Sections 9A, 9B, 9C, 9D, 9E, 9F, and 9G, as follows:

Sec. 9A. RISK SHARING VALUATION STUDIES. (a) Requires the pension system and the city to separately cause their respective actuaries to prepare an RSVS in accordance with this section and actuarial standards of practice. Requires that an RSVS contain certain information and be included in certain other studies.

(b) Requires the pension system actuary at the direction of the pension system and the city actuary at the direction of the city, as soon as practicable after the end of a fiscal year, to separately prepare a proposed RSVS based on the fiscal year that just ended.

(c) Requires the pension system, not later than September 30 following the end of the fiscal year, to provide to the city actuary, under a confidentiality agreement with the police pension board in which the city actuary agrees to comply with the confidentiality provisions of Section 29 of this article, the actuarial data described by Subsection (a)(4) (relating to requiring the RSVS to be based on certain actuarial data) of this section.

(d) Provides that not later than the 150th day after the last day of the fiscal year:

(1) the pension system actuary, at the direction of the pension system, is required to provide the RSVS prepared by the pension system actuary under Subsection (b) of this section to the city actuary; and

(2) the city actuary, at the direction of the city, is required to provide the RSVS prepared by the city actuary under Subsection (b) of this section to the pension system actuary.

(e) Authorizes each actuary described by Subsection (d) of this section to provide copies of the proposed RSVS to the city or to the pension system, as appropriate.

(f) Provides that if, after exchanging RSVSs under Subsection (d) of this section, it is found that the difference between the estimated city contribution rate recommended in the proposed RSVS prepared by the pension system actuary and the estimated city contribution rate recommended in the proposed RSVS prepared by the city actuary for the corresponding fiscal year is:

(1) less than or equal to two percentage points, the estimated city contribution rate recommended by the pension system actuary will be the estimated city contribution rate for purposes of Subsection (a)(5) (relating to requiring the RSVS to estimate the city contribution rate) of this section, and the proposed RSVS prepared for the pension system is considered to be the final RSVS for the fiscal year for the purposes of this article; or

(2) greater than two percentage points, the city actuary and the pension system actuary are required to have 20 business days to reconcile the difference, provided that without the mutual agreement of both actuaries, the difference in the city contribution rate recommended by the city actuary and the estimated city contribution rate recommended by the pension system actuary is prohibited from being further increased and:

(A) if, as a result of reconciliation efforts under this subdivision, the difference is reduced to less than or equal to two percentage points the estimated city contribution rate proposed under the reconciliation by the pension system actuary will be the estimated city contribution rate for purposes of Subsection (a)(5) of this section and the pension system's RSVS is considered to be the final RSVS for the fiscal year for the purposes of this article; or

(B) if, after 20 business days, the pension system actuary and the city actuary are not able to reach a reconciliation that reduces the difference to an amount less than or equal to two percentage points, the city actuary and pension system actuary are required to deliver to the finance director of the city and the executive director of the pension system a final RSVS with any agreed-to changes, marked as the final RSVS for each actuary, and not later than the 90th day before the first day of the next fiscal year, the finance and executive directors are required to execute a joint addendum to the final RSVS received by them that is a part of the final RSVS for the fiscal year for all purposes and reflects the arithmetic average of the estimated city contribution rates for the fiscal year for certain purposes.

(g) Requires that the assumptions and methods used and the types of actuarial data and financial information used to prepare the initial RSVS under Section 9B of this article be used to prepare each subsequent RSVS under this section, unless changed based on the AES conducted under Section 9C of this article.

(h) Prohibits the actuarial data provided under Subsection (a)(4) of this section from including the identifying information of individual members.

Sec. 9B. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR MIDPOINT. (a) Requires the pension system and the city to separately cause their respective actuaries to prepare an initial RSVS that is dated as of July 1, 2016, in accordance with this section. Requires that an initial RSVS, except as otherwise provided by this section, be prepared in accordance with Section 9A of this article and, for purposes of Section 9A(a)(4) of this article, be based on actuarial data as of June 30, 2016, or, if actuarial data is not provided, on estimates of actuarial data, and project the corridor midpoint for 31 fiscal years beginning with the fiscal year beginning July 1, 2017.

(b) Provides that if the initial RSVS has not been prepared consistent with this section before the year 2017 effective date, as soon as practicable after the year 2017 effective date:

(1) the pension system is required to provide to the city actuary, under a confidentiality agreement, the necessary actuarial data used by the pension system actuary to prepare the proposed initial RSVS; and

(2) not later than the 30th day after the date the city's actuary receives the actuarial data, the city actuary is required to provide a proposed initial RSVS to the pension system actuary and the pension system actuary is required to provide a proposed initial RSVS to the city actuary.

(c) Provides that if, after exchanging proposed initial RSVSs under Subsection (b)(2) of this section, it is determined that the difference between the estimated city contribution rate for any fiscal year recommended in the proposed initial RSVS prepared by the pension system actuary and in the proposed initial RSVS prepared by the city actuary is:

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

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

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

(B) if, after 20 business days the city actuary and the pension system actuary are not able to reach a reconciliation that reduces the difference to an amount less than or equal to two percentage points for any fiscal year, the city actuary and the pension system actuary are required to deliver to the finance director of the city and the executive director of the pension system a final initial RSVS with any agreed-to changes, marked as the final initial RSVS for each actuary and the finance director and the executive director are required to execute a certain joint addendum to the final initial RSVS.

(d) Requires the city actuary and the pension system actuary, in preparing the initial RSVS, to adjust the actuarial value of assets to be equal to the current market value of assets as of July 1, 2016, assume the issuance of planned pension obligation bonds by December 31, 2017, in accordance with Subsection (j)(2) of this section, and assume benefit and contribution changes contemplated by this article as of the year 2017 effective date.

(e) Provides that, if the city actuary does not prepare an initial RSVS, the pension system actuary's initial RSVS will be used as the final RSVS for purposes of this article unless the city did not prepare a proposed initial RSVS because the pension system actuary did not provide the necessary actuarial data in a timely manner. Provides that if the city did not prepare a proposed initial RSVS because the pension system actuary did not provide the necessary actuarial data in a timely manner, the city actuary is required to have 60 days to prepare the proposed initial RSVS on receipt of the necessary information.

(f) Provides that, if the pension system actuary does not prepare a proposed initial RSVS for purposes of this section, the proposed initial RSVS prepared by the city actuary will be the final RSVS for purposes of this article.

(g) Authorizes the city and the police pension board to agree on a written transition plan for resetting the corridor midpoint if at any time the funded ratio is equal to or greater than 100 percent or for any fiscal year after the payoff year of the legacy liability.

(h) Provides that, if the city and the police pension board have not entered into an agreement described by Subsection (g) of this section in a given fiscal year, the corridor midpoint determined for the 31st fiscal year will be the value determined in the initial RSVS prepared in accordance with this section.

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

(j) Provides that, notwithstanding any other provision of this article, including Section 9F of this article:

(1) if the city fails to deliver the proceeds of pension obligation bonds totaling $750 million on or before March 31, 2018, the police pension board is required to, except as provided, immediately rescind, prospectively, any or all of certain benefit changes or reestablish the deadline for the delivery of pension obligation bond proceeds, which is prohibited from being later than May 31, 2018, reserving the right to rescind the benefit changes authorized by this subdivision if the bond proceeds are not delivered by the reestablished deadline; and

(2) subject to Subsection (k) of this section, if the police pension board rescinds benefit changes under Subdivision (1) of this subsection or pension obligation bond proceeds are not delivered on or before December 31, 2017, the initial RSVS is required to be prepared again and restated without assuming the delivery of pension obligation bond proceeds, the later delivery of pension obligation bond proceeds, or the rescinded benefit changes, as applicable, and the resulting city contribution rate will become effective in the fiscal year following the completion of the restated initial RSVS.

(k) Requires that the initial RSVS required under Subsection (j)(2) of this section be completed at least 30 days before the state of the fiscal year ending June 30, 2019, if the police pension board does not reestablish the deadline under Subsection (j)(1) of this section or immediately following the reestablished deadline, if the board reestablishes the deadline under Subsection (j)(1) of this section and the city fails to deliver the pension obligation bond proceeds described by Subsection (j)(1) of this section by the reestablished deadline.

Sec. 9C. ACTUARIAL EXPERIENCE STUDIES. (a) Requires the pension system actuary at the direction of the pension system to conduct an AES in accordance with actuarial standards of practice at least once every four years. Requires that the AES required by this subsection be completed not later than September 30 of the year in which the RSVS is required to be conducted.

(b) Requires that actuarial assumptions and methods used in the preparation of an RSVS, other than the initial RSVS, and except as otherwise expressly provided by Section 9A(a)(6)(A) through (I) of this article, be based on the results of the most recent AES.

(c) Requires the pension system, not later than the 180th day before the date the pension board is authorized to consider adopting any assumptions and methods for purposes of Section 9A of this article, to provide the city actuary with a substantially final draft of the pension system's AES, including all assumptions and methods recommended by the pension system's actuary and summaries of the reconciled actuarial data used in creation of the AES.

(d) Requires the city actuary and pension system actuary to, not later than the 60th day after the date the city receives the final draft of the pension system's AES under Subsection (c) of this section, confer and cooperate on reconciling and producing a final AES. Authorizes the pension system actuary to, during the period described by this subsection, modify the recommended assumptions in the draft AES to reflect any changes to assumptions and methods to which the pension system actuary and the city actuary agree.

(e) Requires the pension system, at the city actuary's written request, to provide additional actuarial data used by the pension system actuary to prepare the draft AES, provided that confidential data is authorized only to be provided subject to a confidentiality agreement in which the city actuary agrees to comply with the confidentiality provisions of Section 29 of this article.

(f) Requires the city actuary at the direction of the city to provide in writing to the pension system actuary and the pension system any assumptions and methods recommended by the city actuary that differ from the assumptions and methods recommended by the pension system actuary and the city actuary's rationale for each method or assumption the actuary recommends and determines to be consistent with standards adopted by the Actuarial Standards Board.

(g) Requires the pension system, not later than the 30th day after the date the pension system actuary receives the city actuary's written recommended assumptions and methods and rationale under Subsection (f) of this section, to provide a written response to the city actuary identifying any assumption or method recommended by the city identifying any assumption or method recommended by the city actuary that the pension system does not accept. Requires the pension system, if any assumption or method is not accepted, to recommend to the city the names of three independent actuaries for purposes of this section.

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

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

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

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

(i) Requires the city, not later than the 20th day after the date the city receives the list of three independent actuaries under Subsection (g) of this section, to identify and the pension system to hire one of the listed independent actuaries on terms acceptable to the city and the pension system to perform a scope of work acceptable to the city and the pension system. Requires the city and the pension system each to pay 50 percent of the cost of the independent actuary engaged under this subsection. Requires that the city be provided the opportunity to participate in any communications between the independent actuary and the pension system concerning the engagement, engagement terms, or performance terms of the engagement.

(j) Requires the independent actuary engaged under Subsection (i) of this section to receive on request from the city or the pension system certain documents or information relating to the pension system's draft AES and related assumptions and methods.

(k) Requires the independent actuary, not later than the 30th day after the date the independent actuary receives all the requested information under Subsection (j) of this section, to advise the pension system and the city whether it agrees with either the assumption or method recommended by the city actuary or the corresponding method or assumption recommended by the pension system actuary, together with the independent actuary's rationale for making the determination. Authorizes the independent actuary, during the period prescribed by this subsection, to discuss recommendations in simultaneous consultation with the pension system actuary and the city actuary.

(l) Prohibits the pension system and the city from seeking any information from any prospective independent actuary about possible outcomes of the independent actuary's review.

(m) Requires an independent actuary, if the independent actuary has questions or concerns regarding an engagement entered into under this section, to simultaneously consult with both the city actuary and the pension system actuary regarding the questions or concerns. Provides that this subsection does not limit the pension system's authorization to take appropriate steps to complete the engagement of the independent actuary on terms acceptable to both the pension system and the city or to enter into a confidentiality agreement with the independent actuary, if needed.

(n) Provides that, if the police pension board does not adopt an assumption or method recommended by the city actuary to which the independent actuary agrees, or recommended by the pension system actuary, the city actuary is authorized to use that recommended assumption or method in connection with preparation of a subsequent RSVS under Section 9A of this article until the next AES is conducted.

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

(b) Provides that if the funded ratio is:

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

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

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

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

(c) Requires, for purposes of Subsection (b)(2)(B) of this section, that the following adjustments be applied sequentially to the extent required to increase the estimated city contribution rate to equal the minimum contribution rate:

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

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

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

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

(d) Provides that if the funded ratio is:

(1) equal to or greater than 100 percent, all existing liability layers, including the legacy liability, are considered fully amortized and paid, the applicable fiscal year is the payoff year for the legacy liability, and for each fiscal year subsequent to that fiscal year, the corridor midpoint is required to be determined as provided by Section 9B(g) of this article; and

(2) greater than 100 percent in a written agreement between the city and the pension system under Section 27 of this article, the pension system is authorized to reduce member contributions or increase pension benefits if, as a result of the action the funded ratio is not less than 100 percent and the city contribution rate is not more than the minimum contribution rate.

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

(f) Prohibits the police pension board, if any member contribution reduction or benefit increase under Subsection (e) of this section has occurred within the three previous fiscal years, from making any additional adjustments to benefits, and requires that the city contribution rate be set to equal the minimum contribution rate.

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

(b) Provides that if the estimated city contribution rate is:

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

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

(c) Requires that the following adjustments, for purposes of Subsection (b)(2) of this section, be applied sequentially to the extent required to decrease the estimated city contribution rate to equal the corridor midpoint:

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

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

(d) Provides that if the city contribution rate after adjustment under Subsection (c) of this section is greater than the third quarter line rate, the city contribution rate equals the third quarter line rate, and to the extent necessary to comply, the city and the police pension board are required to enter into a written agreement under Section 27 of this article to increase member contributions and make other benefits or plan changes not otherwise prohibited by applicable federal law or regulations.

(e) Requires the police pension board, to the extent necessary to set the city contribution rate equal to the third quarter line rate, if an agreement under Subsection (d)(2) (relating to the city and police pension board entering into a certain written agreement) of this section is not reached on or before April 30 before the first day of the next fiscal year, before the start of the next fiscal year to which the city contribution rate would apply, to increase member contributions and decrease cost-of-living adjustments, increase the normal retirement age, or take any combination of the authorized actions.

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

(g) Requires that the city contribution rate be set at the corridor midpoint under Subsection (f) of this section by:

(1) in the RSVS for the third fiscal year described by Subsection (f) of this section, adjusting the actuarial value of assets to equal the current market value of assets, if making the adjustment causes the city contribution to decrease; and

(2) under a written agreement entered into between the city and the police pension board under Section 27 of this article, increasing member contributions and making any other benefits or plan changes not otherwise prohibited by applicable federal law or regulations.

(h) Requires the police pension board, if an agreement under Subsection (g)(2) of this section is not reached on or before April 30 before the first day of the next fiscal year, before the start of the next fiscal year, to the extent necessary to set the city contribution rate equal to the corridor midpoint, to increase member contributions and decrease cost-of-living adjustments, increase the normal retirement age, or take any combination of the authorized actions.

Sec. 9F. UNILATERAL DECISIONS AND ACTIONS PROHIBITED. (a) Prohibits the police pension board, notwithstanding Sections 6(f) or 5B of this article, from changing, terminating, or modifying Sections 9 through 9E of this article.

(b) Provides that no unilateral decision or action by the police pension board is binding on the city and no unilateral decision or action by the city is binding on the pension system with respect to the application of Sections 9 through 9E of this article unless expressly provided by a provision of those sections. Provides that nothing in this subsection is intended to limit the powers or authority of the police pension board.

Sec. 9G. STATE PENSION REVIEW BOARD; REPORT. (a) Requires the pension system and the city, after preparing a final RSVS under Section 9A or 9B of this article, to jointly submit a copy of the study or studies, as appropriate, to PRB for a determination that the pension system and the city are in compliance with this article.

(b) Requires the pension system, not later than the 30th day after the date an action is taken under Section 9D or 9E of this article, to submit a report to PRB regarding any actions taken under those sections.

(c) Requires PRB to notify the governor, the lieutenant governor, the speaker of the house of representatives (speaker), and the legislative committees having principal jurisdiction over legislation governing public retirement systems if PRB determines the pension system or the city is not in compliance with Sections 9 through 9F of this article.

SECTION 2.12. Amends Article 6243g-4, Revised Statutes, by adding Section 10A, as follows:

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

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

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

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

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

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

(6) evaluation of fees and trading costs;

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

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

(b) Authorizes the pension system, when the police pension board retains an independent investment consultant under this section, to require the consultant to agree in writing to maintain the confidentiality of information provided to the consultant that is reasonably necessary to conduct a review under this section and any nonpublic information provided for the pension system for the review.

(c) Requires that the costs for the investment report required by this section be paid from the fund.

SECTION 2.13. Amends Sections 11(a) and (c), Article 6243g-4, Revised Statutes, as follows:

(a) Provides that a member who returns to service after an interruption in service is eligible for, rather than entitled to, credit for the previous service to the extent provided by Section 17 or 19, rather than Section 19, of this article.

(c) Prohibits a member from having any service credited for certain leave or sick pay, or equivalent types of pay until the member retires, at which time the member is authorized to take certain actions.

SECTION 2.14. Amends Section 12, Article 6243g-4, Revised Statutes, by amending Subsections (a), (b), (c), (d), (e), (h), and (i) and adding Subsections (b-1), (b-2), (b-3), (c-1), (c-2), (j), (k), (l), and (m), as follows:

(a) Provides that a member who separates from service after attaining normal retirement age, rather than after earning 20 years or more of service, is eligible to receive a certain pension. Provides that a member who separates from service as a classified police officer with the city under certain conditions is eligible for a certain pension beginning in the month the individual attains normal retirement age, rather than 60 years of age. Prohibits an individual from receiving a pension under this article while still an active member, rather than except as provided by Subsection (f) of this section.

(b) Provides that, except as otherwise provided by this section, including Subsection (b-3) of this section, the monthly service pension of a member who:

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

(A) 2.75 percent of the member's final average, rather than total direct, pay multiplied by the member's years or partial years of service for the member's first 20 years of service. Deletes existing text relating to the monthly service pension of members who retired before November 24, 1998; and

(B) two percent of the member's final average pay multiplied by the member's years or partial years of service for the member's years of service in excess of the 20 years of service described by Paragraph (A), rather than plus an additional two percent of the member's average total direct pay; or

(2) except as provided by Subdivision (1) of this subsection and subject to Subsection (b-3) of this section, is hired or rehired as an active member on or after October 9, 2004, is equal to the sum of 2.25 percent of the member's final average pay multiplied by the member's years or partial years of service for the member's first 20 years of service and two percent of the member's final average pay multiplied by the member's years or partial years of service in excess of 20 years of service, rather than for each of the member's subsequent years of service, computed in a certain manner.

(b-1) Creates this subsection from existing text. Requires that a member who begins to receive a monthly service pension under Subsection (b)(1) of this section, rather than certain members who separate from service after November 23, 1998, receive a certain one-time lump-sum payment. Prohibits a member described by Subsection (b)(2) of this section from receiving the lump-sum payment described by this subsection.

(b-2) Requires that partial years be computed to the nearest one-twelfth of a year for purposes of Subsections (b) and (b-1) of this section.

(b-3) Prohibits a member's monthly service pension determined under Subsection (b)(2) of this section from exceeding 80 percent of the member's final average pay.

(c) Requires that, subject to Subsection (c-2) of this section, and beginning with the fiscal year ending June 30, 2021, the pension payable to a retired member or survivor who is 55 years of age or older as of April 1 of the applicable fiscal year, a member or survivor who received benefits or survivor benefits before June 8, 1995, or a survivor of an active member who dies from a cause connected with the performance of the member's duties, rather than the pension payable to each retired member of the pension system, be adjusted annually at a certain rate equal to the most recent five fiscal years' smoothed return, as determined by the pension system actuary, minus 500 basis points. Deletes existing text relating to requirements for the annual rate adjustment required by this subsection.

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

(c-2) Prohibits the percentage rate prescribed by Subsections (c) and (c-1) of this section from being less than zero percent or more than four percent, irrespective of the return rate of the pension system's investment portfolio.

(d) Provides that a retired member who receives a pension under this article is eligible, rather than entitled, to receive a certain additional monthly amount.

(e) Requires that the benefit payment required by this subsection be made to each member or survivor who is hired or rehired before October 9, 2004, including a member hired or rehired before October 9, 2004, who was reinstated under arbitration, civil service, or a court ruling after that date, and who is receiving a service pension, rather than to each person. Authorizes the 13th payment to be made only for those calendar years in which the pension system's funded ratio is 120 percent or greater. Deletes existing Subdivisions (1) through (3) relating to certain requirements for the payment of the 13th payment.

(h) Requires that final average pay, rather than average total direct pay, for certain members who participated in a phase-down program be based on the final average pay the member received on the earlier of the date immediately preceding the date the member began phase-down participation, or if the member began DROP participation on or after the year 2017 effective date, the member began participation in DROP. Deletes existing text relating to alternate requirements for computing average total direct pay.

(i) Makes a conforming change.

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

(k) Authorizes a member, if a member is hired on or after October 9, 2004, to elect to receive a partial lump-sum optional payment equal to not more than 20 percent of the actuarial value of the member's accrued pension at retirement. Requires that the lump-sum payment under this subsection be actuarially neutral. Requires, notwithstanding any other law, that the value of a member's monthly service pension, if the member elects to receive a lump-sum payment under this subsection, be reduced actuarially to reflect the lump-sum payment.

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

(m) Requires that the monthly service pension and member contributions for a member who is promoted or appointed to a position above the rank of captain on or after the 2017 effective date be based on, as determined by the police pension board, the member's pay for the position the member held immediately before being promoted or appointed, or the pay of the highest civil rank for classified police officers for those members who have no prior service with the city, which pay is required to be calculated based on the three-year average prior to retirement.

SECTION 2.15. Amends Section 14, Article 6243g-4, Revised Statutes, by amending Subsections (b), (c), (d), (e), (f-1), (h), (i), (k), and (l) and adding Subsections (c-1) and (c-2), as follows:

(b) Authorizes an active member who was hired before October 9, 2004, including a member hired before October 9, 2004, who has been reinstated under arbitration, civil service, or a court ruling after that date, and has met certain other requirements, to file with the pension system an election to participate in DROP and receive a DROP benefit instead of the standard form of pension provided by this article as of the date the active member attained 20 years of service. Deletes existing text providing that a DROP election that is made and accepted by the police pension board to is prohibited from being revoked before the member's separation from service. Makes a conforming change.

(c) Provides that the monthly service pension or, rather than and, death benefits of an active member who is a DROP participant that were accrued under this article as it existed immediately before the year 2017 effective date remain accrued.

(c-1) Creates this subsection from existing text. Provides that the monthly service pension or death benefits of an active member who becomes a DROP participant on or after the year 2017 effective date will be determined as if the member had separated from service and begun receiving a pension on the effective date of the member's DROP election and the member does not retire but does not accrue additional service credit beginning on the effective date of the member's entry into DROP. Makes nonsubstantive changes.

(c-2) Creates this subsection from existing text. Provides that for a member who exits DROP on or after the year 2017 effective date:

(1) any increases in the member's pay, rather than the election and increases in pay, that occur on or after the effective date of the member's entry into DROP, rather than that date, are prohibited from being used in computing the member's monthly service pension; and

(2) certain cost-of-living adjustments will not be made during the time the time the member participates in DROP. Deletes existing text creating an exception for the provisions of Subsection (l).

(d) Deletes existing text requiring that a certain amount each month equal to the monthly contributions that the active member makes to the fund on and after the effective date of entry into DROP be credited to the same notional DROP account. Makes a conforming change.

(e) Provides that the hypothetical earnings rate is determined for each calendar year based on the compounded average of the aggregate annual rate of return on investments of the pension system for the five consecutive fiscal years ending June 30 preceding the calendar year to which the earnings rate applies, multiplied by 65 percent. Prohibits the hypothetical earnings rate from being less than 2.5 percent, rather than prohibits the rate from being less than zero.

(f-1) Provides that, if a DROP participant separates from service due to death, the participant's surviving spouse is eligible to receive certain benefits and authorizes the surviving spouse to elect to receive the DROP benefit in a certain manner. Deletes existing text relating to the revocation of the DROP election by a person entitled to receive benefits.

(h) Prohibits the additional amounts, on and after the year 2017 effective date, from being credited to a DROP account under this subsection. Requires that any amounts credited under this subsection before the year 2017 effective date remain accrued in a retired member's DROP account.

(i) Makes a conforming change. Deletes existing text authorizing a retired member who has elected to have monthly service pension benefits credited to a DROP account to direct that the credits stop and the monthly service pension resume at any time and prohibiting a member who stops the credits after September 1, 1999, from resuming the credits.

(k) Provides that if the member's DROP account has been completely distributed, a new notional account is prohibited from being, rather than will be, created and the monthly amount described by Subsection (d) of this section is prohibited from being credited to a DROP account on behalf of the member, rather than to receive the member's monthly credits. Deletes existing text providing that if a retired member who was never a DROP participant is rehired, the member is required to be eligible to elect participation in DROP.

(l) Provides that the maximum number of years an active member is authorized to participate in DROP is 20 years. Provides that, except as provided by this subsection, after the DROP participant has reached the maximum number of years of DROP participation prescribed by this subsection, including DROP participants with 20 years or more in DROP on or before the year 2017 effective date, the DROP participant is prohibited from receiving the monthly service pension that was credited to a notional DROP account but is authorized to receive the hypothetical earnings rate stated in Subsection (e) of this section. Prohibits a member's DROP account balance before the year 2017 effective date, notwithstanding the preceding, from being reduced under the preceding provisions of this subsection. Deletes existing text relating to the computation and adjustment of DROP accounts for DROP participants who were active on May 1, 2001.

SECTION 2.16. Amends Section 15, Article 6243g-4, Revised Statutes, by amending Subsections (a), (b), (c), (d), (e), and (i) and adding Subsections (a-1), (c-1), (l), (m), and (n), as follows:

(a) Requires an active member who becomes totally and permanently incapacitated due to certain circumstances related to the performance of the member's duties, and on presentation of certain proof to the police pension board, to be retired and receive an immediate duty-connected disability pension equal to:

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

(2) for members hired or rehired on or after October 9, 2004, the greater of 45 percent of the member's final average pay at the time of retirement or accrued service pension.

(a-1) Creates this subsection from existing text. Provides that if an injury or illness described by Subsection (a) of this section involves certain traumatic events that directly result in certain immediate cardiovascular conditions, the member is eligible for a duty-connected disability pension. Provides that the payment of a disability pension is subject to Subsection (e) of this section. Makes nonsubstantive changes.

(b) Provides that a member, rather than a member with 10 years or more of credited service, who becomes totally and permanently incapacitated for the performance of the member's duties and is not eligible for certain pensions is eligible for a certain immediate monthly pension based on final average, rather than total direct, pay. Prohibits the pension under this subsection from being less than:

(1) makes a conforming change. For members hired before October 9, 2004, including a member who involuntarily separated from service but has been retroactively reinstated under arbitration, civil service, or a court ruling, 27.5 percent of the member's final average pay; or

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

(c) Provides that a member hired or rehired before October 9, 2004, who becomes eligible, rather than entitled, to receive a disability pension after November 23, 1998, is eligible to receive a certain lump-sum payment and other additional benefits. Provides that the payment of a lump-sum is subject to Subsection (c-1) of this section. Makes conforming and nonsubstantive changes.

(c-1) Creates this subsection from existing text. Requires, for any year in which a 13th payment is made to retired members under Section 12(e), that a 13th payment, computed in the same manner and subject to the same conditions, be paid to members who have retired under this section.

(d) Requires the police pension board to have a person filing a disability application examined not later than the 90th day after the date the member files the application, by a physician or physicians chosen and compensated by the police pension board. Authorizes the police pension board, in accordance with Section 6(g) of this article, to, through its presiding officer, issue process, administer oaths, examine witnesses, and compel witnesses to testify as to any matter affecting retirement, disability, or death benefits under any pension plan within the pension system.

(e) Requires, rather than authorizes, the police pension board to order disability pension payments stopped if a retired member refuses to submit to an examination. Requires the police pension board to stop certain payments if the member is hired by another law enforcement agency to a comparable position, rather than a certain comparable position. Authorizes a member to apply for a normal pension benefit, if eligible, if the member's disability benefit payments are stopped by the police pension board under this subsection.

(i) Requires that for certain payments, and instead of the disability benefit provided by Subsection (a) or (b), rather than Subsection (a), (b), or (h), of this section, a member who suffers a catastrophic injury receive a certain monthly benefit equal to 100 percent of the member's final average pay determined as of the date of retirement, and the member's DROP balance, if any. Makes a conforming change.

(l) Prohibits a disability pension from being paid to a member for any disability if:

(1) the disability resulted from an intentionally self-inflicted injury or a chronic illness resulting from an addiction by the member through a protracted course of non-coerced ingestion of alcohol, narcotics, or prescription drugs not prescribed to the member or other substance abuse; or

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

(m) Authorizes the police pension board to waive Subsection (l)(2) of this section if the police pension board determines that facts exist that mitigate denying the member's application for a disability pension.

(n) Authorizes a person who fraudulently applies for or receives a disability pension to be subject to criminal and civil prosecution.

SECTION 2.17. Amends Section 16, Article 6243g-4, Revised Statutes, as follows:

Sec. 16. RIGHTS OF SURVIVORS. (a) Provides that, for purposes of this article, a marriage is considered to exist only if the couple is lawfully married under the laws of a state, the District of Columbia, a United States territory, or a foreign jurisdiction and the marriage would be recognized under the laws of at least one state, possession, or territory of the United States, regardless of domicile, rather than the marriage is recorded in the records of the recorder's office in the county in which the marriage ceremony was performed. Provides that in the case of a common-law marriage, a marriage declaration is required to be signed by certain persons before a notary public or similar official and recorded in the records of the applicable jurisdiction, rather than the county clerk's office in the county, in which the couple resides at the commencement of the marriage. Makes conforming changes.

(b) Requires the police pension board, if a retired member dies after becoming eligible for, rather than entitled to, a service or disability pension, to pay an immediate monthly benefit as follows:

(1) requires that the payment required by this subdivision be paid for life;

(2) to the guardian of any dependent child under 18 years of age or a child with a disability as long as the dependent child complies with the definition of dependent child under Section 2(7) of this article, on behalf of the dependent child, or directly to a dependent child described by Section 2(7)(B) of this article, and if there is no spouse eligible for, rather than entitled to, an allowance, the sum is to be divided equally among all dependent children if there is more than one dependent child; or

(3) makes conforming changes.

(c) Provides that if an active member, rather than a member, of the pension system who has not completed 20, rather than 10, years of service in the police department is killed or dies from certain acts clearly not in the actual performance of the member's official duty, certain spouses, dependents, or children are eligible, rather than entitled, to receive an immediate benefit. Prohibits the monthly benefit from being less than 27.5 percent of the member's final average pay for members hired before October 9, 2004, including a member who involuntarily separated from service but has been retroactively reinstated under arbitration, civil service, or a court ruling, or 22.5 percent of the member's final average pay for members hired or rehired on or after October 9, 2004. Makes conforming changes.

(e) Deletes existing text relating to a benefit payable to certain spouses, dependents, and children. Makes conforming changes.

(f) Makes a conforming change.

(g) Provides that a surviving spouse or dependent who becomes eligible to receive benefits with respect to an active member who was hired or rehired before October 9, 2004, who dies in active service is eligible to receive a certain one-time lump-sum payment. Makes a conforming change.

(h) Requires that certain monthly benefits of surviving spouses or dependents under this section be adjusted in accordance with Section 12(c) or 12(c-1), rather than 12(c), of this article. Requires that certain 13th payments, computed in the same manner and subject to the same conditions in Section 12(e) of this article, be paid to the survivor who is eligible to receive death benefits at that time if the member would have been entitled to a 13th payment, if living. Makes conforming changes.

(i) Requires that certain payments be made to the spouse of the member, if living, and if no spouse is living, to the natural or adopted children of the member, to be divided equally among the children if the member has more than one child. Prohibits the benefit from being paid if the member has no spouse or children who are living. Requires, if the member dies after becoming eligible to receive benefits, rather than becoming vested, but before payments begin, leaving no survivors eligible for benefits, that a certain amount be determined and paid to the member's spouse or children in the manner provided by this subsection. Prohibits the benefit from being paid if the member has no spouse or children who are living. Deletes existing text requiring that certain payments be made to the designated beneficiary, or to the estate under certain circumstances. Deletes existing text authorizing a member to designate a beneficiary in lieu of the member's estate to receive certain remaining benefits. Makes conforming changes.

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

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

(l) Authorizes the police pension board at any time to require a person receiving death benefits as a disabled child under this article to undergo a medical examination by a physician appointed or selected by the police pension board for that purpose.

SECTION 2.18. Amends Section 16A, Article 6243g-4, Revised Statutes, as follows:

Sec. 16A. New heading: BENEFICIARY DESIGNATION FOR DROP. (a) Creates an exception for the marriage requirement described by Section 16(a) of this article. Authorizes a member who participates in DROP to designate a beneficiary in the form and manner prescribed by or on behalf of the police pension board to receive the balance of the member's DROP account in the event of the member's death, under certain circumstances. Requires, rather than authorizes, the police pension board, if no designated beneficiary survives the member, to pay the balance to the member's beneficiaries in the following order:

(1) makes no changes to this subdivision;

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

(3) makes no changes to this subdivision; or

(4) makes no changes to this subdivision.

(b) Makes no changes to this subsection.

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

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

SECTION 2.19. Amends Section 17, Article 6243g-4, Revised Statutes, by amending Subsections (b), (d), and (e) and adding Subsection (i), as follows:

(b) Makes conforming changes.

(d) Provides an exception for an inactive member who is eligible for a pension, rather than an inactive member whose right to a pension is nonforfeitable.

(e) Deletes existing text creating an exception as provided by Section 16(c) of this article and makes a conforming change.

(i) Authorizes former members reemployed on or after October 9, 2004, or current members who left service after October 9, 2004, if reemployed by the city, to purchase prior service credit at a rate of interest equal to 2.25 percent per year. Authorizes active members hired before October 9, 2004, who have not yet purchased prior service credit or members hired before October 9, 2004, who involuntarily separated from service but have been retroactively reinstated under arbitration, civil service, or a court ruling to purchase prior service credit at a rate of interest equal to 2.75 percent per year. Authorizes the police pension board to adopt rules necessary to implement this section.

SECTION 2.20. Amends Section 18(a), Article 6243g-4, Revised Statutes, as follows:

(a) Provides that, except as provided by this section:

(1) makes a nonsubstantive change;

(2) a person's service will be computed from the date of entry into the service of the police department as a classified police officer until the date of separation from service with the police department; and

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

SECTION 2.21. Amends Sections 19(b) and (d), Article 6243g-4, Revised Statutes, to make conforming changes.

SECTION 2.22. Amends Section 21, Article 6243g-4, Revised Statutes, as follows:

Sec. 21. DETERMINATION OF BENEFITS; PROVISION OF INFORMATION. (a) Creates this subsection from existing text and makes no further changes to this subsection.

(b) Requires the city, not later than the 14th day after the date the city receives a request by or on behalf of the police pension board, unless otherwise prohibited by law, to supply the pension system with personnel, payroll, and financial records in the city's possession that the pension system determines necessary to provide pension administrative and fiduciary services under this section, to establish beneficiaries' eligibility for any benefit, or to determine a member's credited service or the amount of any benefits, including disability benefits, and such other information the pension system may need, including certain information needed to verify service, medical records, workers' compensation and pay information, payroll information, information on military leave, and certain information regarding phase-down participants.

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

(d) Requires that the information provided by the city be transmitted to the pension system electronically in a format specified by the pension system, to the extent available to the city, or in writing if so requested on behalf of the pension system.

(e) Requires the pension system to determine each member's credited service and pension benefits on the basis of the personnel and financial records of the city and the records of the pension system.

SECTION 2.23. Amends Section 23, Article 6243g-4, Revised Statutes, as follows:

Sec. 23. MEMBERS IN MILITARY SERVICE. (a) and (b) Makes conforming changes.

SECTION 2.24. Amends Section 24(b), Article 6243g-4, Revised Statutes, to make conforming changes.

SECTION 2.25. Amends Section 25, Article 6243g-4, Revised Statutes, by amending Subsections (b), (c), (d), (g), and (h) and adding Subsections (c-1) and (h-1) through (h-13), as follows:

(b) Makes a conforming change.

(c) Provides that, subject to Subsection (c-1) of this section, any distributee, rather than any member or survivor, who receives an eligible rollover distribution is eligible to have that distribution transferred directly to another eligible retirement plan of the distributee's choice on providing direction to the pension system regarding that transfer. Deletes existing text relating to any distribution that is an eligible rollover distribution as defined by Section 402(c)(4) of the code. Makes conforming changes.

(c-1) Defines "direct rollover," "distributee," "eligible retirement plan," and "eligible rollover distribution."

(d) Prohibits the annual compensation for each member taken into account for any purpose under this article, rather than the total salary for any member of the pension system, from exceeding certain amounts. Requires that these limits comply with Section 401(a)(17) of this code.

(g) Makes a conforming change.

(h) Requires that, for purposes of adjusting any benefit due to the limitations prescribed by Section 415 of the code, the following provisions apply:

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

(2) the 415(c) limitation with respect to any member who at any time has been a member in any other defined contribution plan as defined in Section 414(i) of the code maintained by the city is required to apply as if the total annual additions under all such defined contribution plans in which the member has been a member were payable from one plan.

(h-1) Requires that the following provisions, for purposes of adjusting any benefit due to the limitations prescribed by Section 415(b) of the code, apply:

(1) before January 1, 1995, a member is prohibited from receiving an annual benefit that exceeds the limits specified in Section 415(b) of the code, subject to the applicable adjustments in that section;

(2) on and after January 1, 1995, a member is prohibited from receiving an annual benefit that exceeds the dollar amount specified in Section 415(b)(1)(A) of the code, subject to the applicable adjustments in Section 415(b) of the code and subject to any additional limits that may be specified in the pension system;

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

(4) defines "annual benefit."

(h-2) Provides that, for purposes of adjustments to the basic limitation under Section 415(b) of the code in the form of benefits, the following provisions apply:

(1) if the benefit under the pension system is other than the form specified in Subsections (h-1)(1) through (3) of this section, including DROP benefits, the benefit is required to be adjusted so that it is the equivalent of the annual benefit, using factors prescribed in applicable federal regulations; and

(2) if the form of benefit without regard to the automatic benefit increase feature is not a straight life annuity or a qualified joint and survivor annuity, Subdivision (1) of this subsection is applied by either reducing the limit under Section 415(b) of the code applicable at the annuity starting date or adjusting the form of benefit to an actuarially equivalent amount determined by using the assumptions specified in Treasury Regulation Section 1.415(b)-1(c)(2)(ii) that takes into account the additional benefits under the form of benefit as follows:

(A) for a benefit paid in a form to which Section 417(e)(3) of the code does not apply, the actuarially equivalent straight life annuity benefit that is the greater of:

(i) the annual amount of the straight life annuity, if any, payable to the member under the pension system commencing at the same annuity starting date as the form of benefit to the member or the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the member, computed using a five percent interest assumption or the applicable statutory interest assumption; and

(ii) for years prior to January 1, 2009, the applicable mortality tables described in Treasury Regulation Section 1.417(e)-1(d)(2), and for years after December 31, 2008, the applicable mortality tables described in Section 417(e)(3)(B); or

(B) for a benefit paid in a form to which Section 417(e)(3) of the code applies, the actuarially equivalent straight life annuity benefit that is the greatest of:

(i) the annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable, computed using the interest rate and mortality table, or tabular factor, specified in the plan for actuarial experience;

(ii) the annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable, computed using a 5.5 percent interest assumption or the applicable statutory interest assumption, and for years prior to January 1, 2009, the applicable mortality tables for the distribution under Treasury Regulation Section 1.417(e)-1(d)(2), and for years after December 31, 2008, the applicable mortality tables described in Section 417(e)(3)(B) of the code; or

(iii)  the annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable computed using the applicable interest rate for the distribution under Treasury Regulation Section 1.417(e)-1(d)(3) using the rate in effect for the month prior to retirement before January 1, 2017, and using the rate in effect for the first day of the plan year with a one-year stabilization period on and after January 1, 2017, and for years prior to January 1, 2009, the applicable mortality tables for the distribution under Treasury Regulation Section 1.417(e)-1(d)(2), and for years after December 31, 2008, the applicable mortality tables described in Section 417(e)(3)(B) of the code, divided by 1.05.

(h-3) Authorizes the pension system actuary to adjust the limitation under Section 415(b) of the code at the annuity starting date in accordance with Subsections (h-1) and (h-2) of this section.

(h-4) Provides that the following are benefits for which no adjustment of the limitation in Section 415(b) of the code is required:

(1) any ancillary benefit that is not directly related to retirement income benefits;

(2) the portion of any joint and survivor annuity that constitutes a qualified joint and survivor annuity; and

(3) any other benefit not required under Section 415(b)(2) of the code and regulations adopted under that section to be taken into account for purposes of limitation of Section 415(b)(1).

(h-5) Provides that the following provisions apply to other adjustments of the limitation under Section 415(b) of the code:

(1)  in the event the member's pension benefits become payable before the member attains 62 years of age, the limit prescribed by this section is required to be reduced in accordance with federal regulations adopted under Section 415(b) of the code, so that that limit, as reduced, equals an annual straight life annuity benefit when the retirement income benefit begins, that is equivalent to a $160,000, as adjusted, annual benefit beginning at 62 years of age;

(2)  in the event the member's benefit is based on at least 15 years of service as a full-time employee of any police or fire department or on 15 years of military service, in accordance with Sections 415(b)(2)(G) and (H) of the code, the adjustments provided for in Subdivision (1) of this section may not apply; and

(3)  in accordance with Section 415(b)(2)(I) of the code, the reductions provided for in Subdivision (1) of this section may not be applicable to preretirement disability benefits or preretirement death benefits.

(h-6) Provides that the following provisions of this subsection govern adjustment of the defined benefit dollar limitation for benefits commenced after 65 years of age:

(1)  if the annuity starting date for the member's benefit is after 65 years of age and the pension system does not have an immediately commencing straight life annuity payable at both 65 years of age and the age of benefit commencement, the defined benefit dollar limitation at the member's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the member's annuity starting date that is the actuarial equivalent of the defined benefit dollar limitation, with actuarial equivalence computed using a five percent interest rate assumption and the applicable mortality table for that annuity starting date as defined in Section 417(e)(3)(B) of the code, expressing the member's age based on completed calendar months as of the annuity starting date;

(2)  if the annuity starting date for the member's benefit is after age 65, and the pension system has an immediately commencing straight life annuity payable at both 65 years of age and the age of benefit commencement, the defined benefit dollar limitation at the member's annuity starting date is the lesser of the limitation determined under Subdivision (1) of this section and the defined benefit dollar limitation multiplied by the ratio of the annual amount of the adjusted immediately commencing straight life annuity under the pension system at the member's annuity starting date to the annual amount of the adjusted immediately commencing straight life annuity under the pension system at 65 years of age, both determined without applying the limitations of this subsection; and

(3) notwithstanding the other requirements of this section:

(A) requires that no adjustment be made to reflect the probability of a member's death between the annuity starting date and 62 years of age, or between 65 years of age and the annuity starting date, as applicable, if benefits are not forfeited on the death of the member prior to the annuity starting date; and

(B) requires that to the extent benefits are forfeited on death before the annuity starting date, the adjustment be made, and for this purpose no forfeiture be treated as occurring on the member's death if the pension system does not charge members for providing a qualified preretirement survivor annuity, as defined in Section 417(c) of the code, on the member's death.

(h-7) Provides that, for the purpose of Subsection (h-6)(2) of this section, the adjusted immediately commencing straight life annuity starting date is the annual amount of such annuity payable to the member, computed disregarding the member's accruals after 65 years of age but including actuarial adjustments even if those adjustments are used to offset accruals, and the adjusted immediately commencing straight life annuity under the pension system at 65 years of age is the annual amount of the annuity that would be payable under the pension system to a hypothetical member who is 65 years of age and has the same accrued benefit as the member.

(h-8) Requires that the maximum pension benefits payable to any member who has completed less than 10 years of participation be the amount determined under Subsection (h-1) of this section, as adjusted under Subsection (h-2) or (h-5) of this section, multiplied by a fraction, the numerator of which is the number of the member's years of participation and the denominator of which is 10. Requires that the limit under Subsection (h-9) of this section concerning the $10,000 limit be similarly reduced for any member who has accrued less than 10 years of service, except the fraction be determined with respect to years of service instead of years of participation. Provides that the reduction provided by this subsection cannot reduce the maximum benefit below 10 percent of the limit determined without regard to this subsection. Prohibits the reduction provided for in this subsection from being applicable to preretirement disability benefits or preretirement death benefits.

(h-9) Requires that the pension benefit payable with respect to a member, notwithstanding Subsection (h-8) of this section, be deemed not to exceed the limit provided by Section 415 of the code if the benefits payable, with respect to such member under this pension system and under all other qualified defined benefit pension plans to which the city contributes, do not exceed $10,000 for the applicable limitation year and for any prior limitation year and the city has not at any time maintained a qualified defined contribution plan in which the member participated.

(h-10) Provides that on and after January 1, 1995, for purposes of applying the limits under Section 415(b) of the code to a member's benefit paid in a form to which Section 417(e)(3) of the code does not apply, the following provisions apply:

(1) requires a member's applicable limit be applied to the member's annual benefit in the member's first limitation year without regard to any cost-of-living adjustments under Section 12 of this article;

(2) requires to the extent that the member's annual benefit equals or exceeds the limit, the member no longer be eligible for cost-of-living increases until such time as the benefit plus the accumulated increases are less than the limit; and

(3) requires after the time prescribed by Subdivision (2) of this subsection, in any subsequent limitation year, a member's annual benefit, including any cost-of-living increases under Section 12 of this article, be tested under the applicable benefit limit, including any adjustment under Section 415(d) of the code to the dollar limit under Section 415(b)(1)(A) of the code, and the regulations under those sections.

(h-11) Prohibits any repayment of contributions, including interest on contributions, to the plan with respect to an amount previously refunded on a forfeiture of service credit under the plan or another governmental plan maintained by the pension system from being taken into account for purposes of Section 415 of the code, in accordance with applicable federal regulations.

(h-12) Requires that reduction of benefits or contributions to all plans, where required, be accomplished by:

(1) first, reducing the member's benefit under any defined benefit plans in which the member participated, with the reduction to be made first with respect to the plan in which the member most recently accrued benefits and then in the priority determined by the pension system and the plan administrator of such other plans; and

(2) next, reducing or allocating excess forfeitures for defined contribution plans in which the member participated, with the reduction to be made first with respect to the plan in which the member most recently accrued benefits and then in the priority determined by the pension system and plan administrator for such other plans.

(h-13) Provides that, notwithstanding Subsection (h-12) of this section, reductions may be made in a different manner and priority pursuant to the agreement of the pension system and the plan administrator of all other plans covering such member. Deletes existing text relating to making actuarial determinations and assumptions.

SECTION 2.26. Amends Section 26(b)(3), Article 6243g-4, Revised Statutes, to redefine "maximum benefit."

SECTION 2.27. Amends Sections 26(c), (d), and (e), Article 6243g-4, Revised Statutes, to make conforming changes.

SECTION 2.28. Amends the heading to Section 27, Article 6243g-4, Revised Statutes, to read as follows:

Sec. 27. CERTAIN WRITTEN AGREEMENTS BETWEEN PENSION SYSTEM

AND CITY AUTHORIZED.

SECTION 2.29. Amends Section 27, Article 6243g-4, Revised Statutes, by amending Subsection (b) and adding Subsection (c), as follows:

(b) Authorizes a pension benefit or allowance provided by this article to be increased if the increase:

(1) and (2) makes no changes to these subdivisions; and

(3) does not deprive a member, without the member's written consent, of a right to receive benefits when the member is fully eligible, rather than of a right to receive benefits that have become fully vested and matured in the member.

(c) Prohibits the city and the police pension board, in a written agreement entered into between the parties, from altering Sections 9 through 9E, except and only to the extent necessary to comply with federal law, increasing the assumed rate of return to more than seven percent per year, extending the amortization period of a liability layer to more than 30 years from the first day of the fiscal year beginning 12 months after the date of the RSVS in which the liability layer is first recognized, or allowing a city contribution rate in any year that is less than or greater than the city contribution rate required under Section 9D or 9E, as applicable.

SECTION 2.30. Amends Section 29, Article 6243g-4, Revised Statutes, by adding Subsections (c), (d), (e), (f), and (g), as follows:

(c) Requires the police pension board and the pension system, to carry out the provisions of Sections 9 through 9E, to provide the city actuary under a confidentiality agreement the actuarial data used by the pension system actuary for the pension system's actuarial valuations or valuation studies and other data as agreed to between the parties that the city actuary determines is reasonably necessary for the city actuary to perform the required studies. Provides that actuarial data described by this subsection does not include information described by Subsection (a) (relating to the confidentiality and disclosure of certain information about members or beneficiaries).

(d) Prohibits an RSVS prepared by either the city actuary or pension system actuary under Sections 9A through 9E from including information described by Subsection (a) or providing confidential or private information regarding specific individuals or being grouped in a manner that allows confidential or private information regarding a specific individual to be discerned.

(e) Provides that the information, data, and document exchanges under Sections 9 through 9E of this article have all the protections afforded by applicable law and are expressly exempt from the disclosure requirements under Chapter 552 (Public Information), Government Code, except as may be agreed to by the city and pension system in a written agreement under Section 27.

(f) Provides that Subsection (e) does not apply to a proposed RSVS prepared by the pension system actuary and provided to the city actuary or prepared by the city actuary and provided to the pension system actuary under Section 9A(d) or 9B(b)(2) of this article or a final RSVS prepared under Section 9A or 9B of this article.

(g) Requires the mayor of the city, before a union contract is approved by the city, to cause the city actuaries to deliver to the mayor a report estimating the impact of the proposed union contract on fund costs.

SECTION 2.31. Amends Article 6243g-4, Revised Statutes, by adding Section 30, as follows:

Sec. 30. FORFEITURE OF BENEFITS. (a) Prohibits a member, notwithstanding any other law, who is convicted, after exhausting all appeals, of an offense punishable as a felony of the first degree in relation to, arising out of, or in connection with the member's service as a classified police officer, from receiving any benefits under this article.

(b) Authorizes the member's spouse, after the member described by Subsection (a) is finally convicted, to apply for benefits if the member, but for application of Subsection (a), would have been eligible for a pension benefit or a delayed payment of benefits. Authorizes the member's spouse, if the member would not have been eligible for a pension benefit or a delayed payment of benefits, to apply for a refund of the member's contributions. Provides that a refund does not include interest and does not include contributions the city made on the member's behalf. Prohibits the city from receiving a refund of any contributions the city made on the member's behalf.

SECTION 2.32. Repealers: Sections 2(19) (relating to the definition of "retired member") and (23) (relating to the definition of "total direct pay"), 8(b) (relating to the contribution obligation of members and claims for contribution refunds), 12(f) (relating to members eligible to participate in the executive official pension plan), 14(f) (relating to a one-time election to revoke the DROP election) and (m) (relating to a recomputation of the DROP monthly service pension), 15(h) (relating to authorizing an additional monthly disability benefit to be provided to the member) and (j) (relating to an immediate proportional nonduty-connected disability benefit for certain members), and 18(b) (relating to receiving service credit for any period of full-time employment) and (c) (relating to requiring a former member of the pension system to be permitted to repay withdrawn contributions and restore service credit previously earned), Article 6243g-4, Revised Statutes.

SECTION 2.33. Requires that a city and pension board that have entered into one or more agreements under Section 27, Article 6243g-4, Revised Statutes, agree in writing that any provisions in the agreements that specifically conflict with this Act are no longer in effect, as of the year 2017 effective date, and any nonconflicting provisions of the agreements remain in full force and effect.

SECTION 2.34. Requires that the pension system established under Article 6243g-4, Revised Statutes, require the pension system actuary to prepare the first actuarial experience study required under Section 9C, Article 6243g-4, Revised Statutes, as added by this Act, not later than September 30, 2022.

ARTICLE 3. MUNICIPAL EMPLOYEES PENSION SYSTEM

SECTION 3.01. Amends Section 1, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by amending Subdivisions (1), (4), (5), (7), (11), (14), (18), and (26) and adding Subdivisions (1-a), (1-b), (1-c), (1-d), (1-e), (1-f), (4-a), (4-b), (4-c), (4-d), (4-e), (4-f), (11-a), (11-b), (11-c), (11-d), (11-e), (11-f), (11-g), (11-h), (11-i), (11-j), (11-k), (12-a), (12-b), (14-a), (14-b), (17-a), (18-a), (18-b), (20-a), (21-a), (26-a), (26-b), (28), (29), (30), and (31), to redefine "city," "employee," "credited service," "dependent child," “employee,” "military service," "pension system," and "surviving spouse" and to define "actuarial data," "actuarial experience study," "adjustment factor," "amortization period," "amortization rate," "assumed rate of return," "city contribution amount," "city contribution rate," "corridor," "corridor margin," "corridor midpoint," "cost-of-living adjustment percentage," "employer normal cost rate," "estimated city contribution rate," "estimated city contribution amount," "estimated total city contribution," "fiscal year," "funded ratio," "legacy liability," "level percent of payroll method," "liability gain layer," "liability layer," "liability loss layer," "maximum contribution rate," "minimum contribution rate," "normal cost rate," "payoff year," "pension obligation bond," "pensionable payroll," "pension system actuary," "price inflation assumption," "projected pensionable payroll," "third quarter line rate," "total city contribution," "ultimate entry age normal," "unfunded actuarial accrued liability," "unanticipated change," and "year 2017 effective date."

SECTION 3.02. Amends Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by adding Sections 1A, 1B, 1C, 1D, and 1E, as follows:

Sec. 1A. INTERPRETATION OF ACT. Provides that this Act does not and is prohibited from being interpreted to:

(1) relieve the city, the board of trustees (pension board) of the municipal employees pension system (pension system), or the pension system of their respective obligations under Sections 8A through 8F of this Act;

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

(3) relieve the city, including any official or employee of the city, from paying or directing to pay required contributions to the pension system or fund under Section 8 or 8A or carrying out the provisions of Sections 8A through 8F of this Act, or reducing or modifying the rights of the pension board and any officer or employee of the pension board or pension system to enforce obligations described by Subdivision (1);

(4) relieve the pension board or pension system, including any officer or employee of the pension board or pension system, from any obligation to implement a benefit change or carry out the provisions of Sections 8A through 8F of this Act; or

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

Sec. 1B. FISCAL YEAR. Requires the pension system and the city, if either the pension system or the city changes its respective fiscal year, to enter into a written agreement under Section 3(n) of this Act to adjust the provisions of Sections 8A through 8F of this Act to reflect that change for purposes of this Act.

Sec. 1C. ALTERNATIVE RETIREMENT PLANS. (a) Defines “salary-based benefit plan.”

(b) Authorizes the pension board and the city, notwithstanding any other law, including Section 8H of this Act, and except as provided by Subsection (c) of this section, to enter into a written agreement under Section 3(n) of this Act to offer an alternative retirement plan (CBRP) or CBRPs, including a cash balance retirement plan or plans, if both parties consider it appropriate.

(c) Requires the pension board and city, notwithstanding any other law, including Section 8H of this Act, and except as provided by Subsection (d) of this section, if, beginning with the final RSVS prepared under Section 8B of this Act on or after July 1, 2027, either the funded ratio of the pension system is less than 60 percent as determined in the final risk sharing valuation study without making any adjustments under Section 8E or 8F of this Act, or the funded ratio of the pension system is less than 60 percent as determined in a revised and restated RSVS prepared under Section 8B(a)(8) of this Act, to, as soon as practicable but not later than the 60th day after the date the determination is made, enter into a written agreement under Section 3(n) of this Act to establish a CBRP that complies with Section 1D of this Act and require each employee first hired by the city on or after the 90th day after the date the CBRP is established to participate in the CBRP established under this subsection instead of participating in the SBBP, provided the employee would have otherwise been eligible to participate in the SBBP.

(d) Prohibits the pension board and the city, if the city fails to deliver the proceeds of the pension obligation bonds described by Section 8C(j)(1) of this Act within the time prescribed by that subdivision, notwithstanding the funded ration of the pension system, from establishing a CBRP under Subsection (c) of this section.

Sec. 1D. REQUIREMENTS FOR CERTAIN CASH BALANCE RETIREMENT PLANS. (a) Defines "cash balance plan participant," "cash balance retirement plan," "interest," and "salary-based benefit plan."

(b) Requires that the written agreement establishing a CBRP provide for the administration of the CBRP, provide for a closed amortization period not to exceed 20 years from the date an actuarial gain or loss is realized, provide for the crediting of city and cash balance plan participant (CBPP) contributions to each CBPP’s notional account, provide for the crediting of interest to each CBPP’s notional account, include a vesting schedule, include benefit options, including options for CBPPs who separate from service prior to retirement, provide for death and disability benefits, allow a CBPP who is eligible to retire under the CBPP to make certain elections, and include any other provisions determined necessary by certain entities.

(c) Provides that, notwithstanding any other law, including Section 5 of this Act, an employee who participates in a CBRP subject to Subsection (d) of this section, is not eligible to be a member of and is prohibited from participating in the SBBP and earning credited service in the SBBP during the period the employee is participating in the CBRP.

(d) Provides that a CBPP is considered a member for purposes of Section 8A through 8I of this Act.

(e) Prohibits the employer normal cost rate of the CBRP, at the time of implementation of the CBRP, from exceeding the employer normal cost rate of the SBBP.

Sec. 1E. CONFLICT OF LAW. Provides that to the extent of a conflict between this Act and any other law, this Act prevails.

SECTION 3.03. Amends Section 2, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by amending Subsections (c), (d), (g), (j), (l), and (n) and adding Subsections (c-1), (c-2), (c-3), (c-4), (j-1), (j-2), (ee), (ff), (gg), (hh), (ii), and (jj), as follows:

(c) Provides that the pension board consists of 11, rather than nine, trustees as follows:

(1) one person appointed by the mayor of the city, rather than the mayor of the city or the director of the civil service commission as the mayor's representative;

(2) one person appointed by the controller of the city, rather than the city treasurer or a person performing the duties of treasurer;

(3) makes no changes to this subdivision;

(4) makes a nonsubstantive change;

(5) one person appointed by the elected trustees who has been a resident for the three years preceding the date of initial appointment, rather than one person who has been a resident for three years preceding the date of initial appointment and is not a city officer or employee; and

(6) two persons appointed by the governing body of the city.

(c-1) Prohibits a person, to serve as a trustee under Subsection (c)(1), (2), or (6), from being a participant in or beneficiary of the pension system.

(c-2) Requires a trustee appointed under Subsection (c)(1), (2), (5), or (6) to have expertise in at least one of certain provided areas. Authorizes not more than two trustees, of the trustees appointed under Subsections (c)(1), (2), and (6), to have expertise in the same area.

(c-3) Requires a trustee appointed under Subsection (c)(1) to serve a three-year term expiring in July of the applicable year. Authorizes the appointed trustee to be removed at any time by the mayor. Requires the mayor to fill a vacancy caused by the trustee's death, resignation, or removal and the person appointed to fill the vacancy to serve the remainder of the unexpired term of the replaced trustee and prohibits the person from serving beyond the expiration of the unexpired term unless appointed by the mayor.

(c-4) Requires a trustee appointed under Subsection (c)(2) of this section to serve a three-year term expiring in July of the applicable year. Authorizes the appointed trustee to be removed at any time by the controller. Requires the controller to fill a vacancy caused by the trustee's death, resignation, or removal and the person appointed to fill the vacancy to serve the remainder of the unexpired term of the replaced trustee and is prohibited from serving beyond the expiration of the unexpired term unless appointed by the controller.

(d) Requires a person, to serve as a trustee under Subsection (c)(3), to be a member with at least five years of credited service and be elected by the active members of the pension system voting at an election, rather than elected by the active members of the pension system at an election, called by the pension board.

(g) Requires a person, to serve as a trustee under Subsection (c)(4), to be elected by a majority of the retirees voting, rather than be elected by the retired members of the pension system, at an election called by the pension board.

(j) Requires the trustee appointed under Subsection (c)(5) to serve a three-year term, rather than provides that the trustee appointed under Subsection (c)(5) serves a two-year term. Requires that the appointment or reappointment of the appointed trustee take place in July of the year in which the term ends, rather than in January of each even-numbered year. Prohibits an appointed trustee from serving beyond the expiration of the three-year term unless a majority of the elected trustees of the pension board reappoint the trustee for a new term, rather than beyond the expiration of the two-year term other than by appointment for a new term by the elected trustees of the pension board.

(j-1) Requires that a person, to serve as a trustee under Subsection (c)(6) of this section, be appointed by a vote of a majority of the members of the governing body of the city. Requires each trustee appointed under Subsection (c)(6) to serve three-year terms expiring in July of the applicable year. Authorizes a trustee appointed under Subsection (c)(6) to be removed at any time by a vote of a majority of the members of the governing body of the city. Requires that a vacancy caused by the appointed trustee's death, resignation, or removal be filled by a vote of a majority of the members of the governing body of the city. Requires a person appointed to fill the vacancy to serve the remainder of the unexpired term of the replaced trustee, and prohibits the person from serving beyond the expiration of the unexpired term unless appointed by the governing body of the city.

(j-2) Authorizes the pension board, if a majority of the pension board determines that a trustee appointed under Subsection (c)(1), (2), or (6) has or is acting in a manner that conflicts with the interests of the pension system or is in violation of this Act or any agreement between the pension board and city entered into under Section 3(n), to recommend to the mayor, controller, or governing body, as appropriate, that the appointed trustee be removed from the pension board. Requires that an action item concerning the pension board's recommendation, if the appointed trustee was appointed by the governing body of the city, be placed on the governing body's agenda for consideration and action. Requires the governing body to make a determination on the recommendation and communicate the determination to the pension system not later than the 45th day after the date of the recommendation.

(l) Requires each trustee, to serve on the pension board, on or before, rather than requires each trustee, at, the first pension board meeting following the trustee's most recent election or appointment, to take an oath of office that the trustee:

(1) and (2) makes no changes to these subdivisions.

(n) Provides that the person serving as a trustee under Subsection (c)(2) serves as the treasurer of the pension fund, rather than of the pension fund under penalty of that person's official bond and oath of office. Requires the treasurer to file an official bond payable to the pension system, rather than requires that that person's official bond to the city cover the person's position as treasurer of the pension fund, and that person's sureties are liable for the treasurer's actions pertaining to the pension fund to the same extent as the sureties are liable under the terms of the bond for other actions and conduct of the treasurer. Provides that the treasurer is liable on the treasurer's official bond for the faithful performance of the treasurer's duties under this Act in connection with the pension fund.

(ee) Authorizes a trustee appointed under Subsection (c)(1), (2), (5), or (6) who fails to attend at least 50 percent of all regular pension board meetings, as determined annually each July 1, to be removed from the pension board by the appointing entity. Prohibits a removed trustee from being appointed as a trustee for one year following removal.

(ff) Requires all trustees appointed under Subsection (c) to complete minimum educational training requirements established by PRB. Authorizes the appointing entity to remove an appointed trustee who does not complete minimum educational training requirements during the period prescribed by PRB.

(gg) Requires the pension board to adopt an ethics policy governing, among other matters, conflicts of interest that each trustee is required to comply with during the trustee's term on the pension board.

(hh) Prohibits a trustee, during a trustee's term on the pension board and for one year after leaving the pension board, from representing any other person or organization in any formal or informal appearance before the pension board or pension system staff concerning a matter for which the person has or had responsibility as a trustee.

(ii) Authorizes the pension board to establish standing or temporary committees as necessary to assist the pension board in carrying out its business, including committees responsible for certain provided areas. Requires the pension board to establish a committee responsible for agreements under Section 3(n) of this Act that is required to be composed of the elected trustees and the trustee appointed by the elected trustees. Provides that, except for a committee responsible for agreements under Section 3(n) and any committee responsible for personnel issues:

(1) each committee is required to include at least one elected trustee and one trustee appointed by the mayor, controller, or governing body of the city;

(2) committee meetings are open to all trustees; and

(3) a committee may not make final decisions and may only make recommendations to the pension board.

(jj) Provides that certain subsections do not grant the pension board authority to modify or terminate Sections 8A through 8F of this Act.

SECTION 3.04. Amends Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by adding Sections 2A, 2B, 2C, and 2D, as follows:

Sec. 2A. CONFLICTS OF INTEREST. (a) Provides that the existence or appearance of a conflict of interest on the part of any trustee is detrimental to the proper functioning of the pension system if not properly addressed. Prohibits an appointed trustee from deliberating or voting on an action relating to the investment of pension system assets if:

(1) the trustee or an entity with which the trustee is affiliated is a competitor or an affiliate of the person or firm that is the subject of or otherwise under consideration in the action or likely would be subject to a due diligence review by the person or firm that is under consideration in the investment-related action; or

(2) the pension board otherwise determines that the proposed action would create a direct or indirect benefit for the appointed trustee or a firm with which the appointed trustee is affiliated.

(b) Requires the city attorney to provide annual training to trustees appointed by the city regarding conflicts of interest, and to the extent authorized by city ordinances, at the request of the external affairs committee of the pension board, review and take appropriate action on a complaint alleging a conflict of interest on the part of a city-appointed trustee.

Sec. 2B. PENSION SYSTEM ACTUARY; ACTUARIAL VALUATIONS. (a) Requires the pension board to retain an actuary or actuarial firm for purposes of this Act.

(b) Requires the pension system actuary, at least annually, to make a valuation of the assets and liabilities of the pension fund. Requires that the valuation include the RSVS conducted under Section 8B or 8C of this Act, as applicable.

(c) Requires the pension system to provide a report of the valuation to the city.

Sec. 2C. QUALIFICATIONS OF CITY ACTUARY. (a) Requires that an actuary hired by the city for purposes of this Act be an actuary from a professional service firm who:

(1) is not already engaged by the pension system or any other pension system or fund authorized under Articles 6243e.2(1) or 6243g-4, Revised Statutes, to provide actuarial services to the pension system or fund, as applicable;

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

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

(b) Requires that the city actuary, notwithstanding Subsection (a) of this section, at least meet the qualifications required by the pension board for the pension system actuary. Provides that the city actuary is not required to have greater qualifications than those of the pension system actuary.

Sec. 2D. REPORT ON INVESTMENTS BY INDEPENDENT INVESTMENT CONSULTANT. (a) Requires the pension board, at least once every three years, to hire an independent investment consultant, including an independent investment consulting firm, to conduct a review of pension system investments and submit a report to the pension board and the city concerning the review or demonstrate in the pension system's annual financial report that the review was conducted. Requires the independent investment consultant to review and report on at least the following:

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

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

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

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

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

(6)  an evaluation of fees and trading costs;

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

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

(b) Authorizes the pension system, when the pension board retains an independent investment consultant under this section, to require the consultant to agree in writing to maintain the confidentiality of information provided to the consultant that is reasonably necessary to conduct a review under this section, and any nonpublic information provided for the pension system for the review.

(c) Requires that the costs for the investment report required by this section be paid from the pension fund.

SECTION 3.05. Amends Section 3, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by amending Subsections (f) and (n) and adding Subsections (o), (p), (q), (r), and (s), as follows:

(f) Provides that any person employed by the pension system on or after January 1, 2008, who does not have service credits with the pension system at the time of employment is a group D, rather than A, member in accordance with Section 5 of this Act.

(n) Authorizes the pension board, notwithstanding any other law and except as specifically limited by Subsection (o) of this section, to enter into a written agreement with the city regarding pension issues and benefits. Requires that the agreement be approved by the pension board and the governing body of the city and signed by the mayor and by the pension board or the pension board's designee. Provides that the agreement is enforceable against and binding on the pension board, the city, and the pension system, including the pension system's members, retirees, deferred participants, beneficiaries, eligible survivors, and alternate payees. Provides that any reference in this Act to an agreement between the city and the pension board or pension system is a reference to an agreement entered under this subsection.

(o) Prohibits the parties, in any written agreement entered into between the city and the pension board under Subsection (n) of this section, from altering Sections 8A through 8F of this Act, except and only to the extent necessary to comply with federal law, increasing the assumed rate of return to more than seven percent per year, extending the amortization period of a liability layer to more than 30 years from the first day of the fiscal year beginning 12 months after the date of the RSVS in which the liability layer is first recognized, or allowing a total city contribution in any fiscal year that is less than the total city contribution required under Section 8E or 8F, as applicable, of this Act.

(p) Requires the pension board, annually on or before the end of the fiscal year, to make a report to the mayor and the governing body of the city, each of which is required to provide a reasonable opportunity for the pension board to prepare and present the report.

(q) Requires the pension board to provide quarterly investment reports to the mayor.

(r) Requires, at the mayor's request, the pension board to meet, discuss, and analyze with the mayor or the mayor's representatives any city proposed policy changes and ordinances that may have a financial effect on the pension system.

(s) Requires the pension board to work to reduce administrative expenses, including by working with any other pension fund to which the city contributes.

SECTION 3.06. Amends Section 5, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by amending Subsections (b), (e), (f), and (g) and adding Subsections (j) and (k), as follows:

(b) Provides that an employee, except as provided by Subsection (c) (relating to certain circumstances under which an employee continues as a Group B member of the pension system as a condition of employment), (j), or (k) of this section and Sections 4 and 6 of this Act, is a group A member of the pension system as a condition of employment if the employee is hired or rehired as an employee by the city, the predecessor system, or the pension system on or after September 1, 1999, and before January 1, 2008.

(e) Provides that any member or former member of the pension system elected to an office of the city on or after September 1, 1999, and before January 1, 2008, is, rather than becomes, a group A member and is eligible to receive credit for all previous service on the same conditions as reemployed group A members under Sections 7(c), (d), (e), and (f) of this Act, except as otherwise provided by this Act. Provides that for purposes of this subsection, consecutive terms of office of any elected member who is elected to an office of the city are considered to be continuous employment for purposes of this Act. Deletes existing text referencing Chapter 358, Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g, V.T.C.S.).

(f) Authorizes each group B member of the pension system to make an irrevocable election on a date and in a manner determined by the pension board to change membership from group B to group A for future service only; or for future service and to convert all past group B service to group A service and comply with the requirements of Subsection (h) (relating to requiring a member making a certain election to make certain payments into the pension fund) of this section provided the service is converted before December 31, 2005.

(g) Authorizes each group A member with service in group B to make an irrevocable election not later than December 31, 2005, rather than on a date, and in a manner determined by the pension board to convert all group B service to group A service and to comply with the requirements of Subsection (h) of this section.

(j) Provides that an employee, except as provided by Subsection (k) of this section or Section 4 of this Act, is a group D member of the pension system as a condition of employment if the employee is hired as an employee by the city or the pension system on or after January 1, 2008.

(k) Provides that, notwithstanding any provision of this section, for purposes of Subsection (j) of this section:

(1) consecutive terms of office of an elected member who is elected to an office of the city are considered to be continuous employment; and

(2) a former employee who is rehired as an employee by the city or the pension system on or after January 1, 2008, is, as a condition of employment, a member of the group in which that employee participated at the time of the employee's immediately preceding separation from service.

SECTION 3.07. Amends Section 6, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by adding Subsections (k) and (l), as follows:

(k) Provides that, notwithstanding any other law, including Subsection (b)(3) (relating to the definition of “executive official”) of this section, Subsections (a) through (j) of this section do not apply to any employee on or after January 1, 2005. Provides that an employee who meets the definition of "executive official" under Subsection (b)(3) of this section is a group A member beginning January 1, 2005, for credited service earned on or after January 1, 2005, or a member of the applicable group under Section 5 of this Act. Provides that this subsection does not affect any credited service or benefit percentage accrued in group C before January 1, 2005, any group C benefit that a deferred participant or retiree is eligible to receive that was earned before January 1, 2005, or the terms of any obligation to purchase service credit or convert service credit to group C that was entered into before January 1, 2005.

(l) Provides that a group C member who terminates employment before January 1, 2005, is subject to the retirement eligibility requirements in effect on the date of the member's termination from employment. Provides that a group C member who becomes a group A member under Subsection (k) of this section on January 1, 2005, is subject to the retirement eligibility requirements under Section 10 of this Act.

SECTION 3.08. Amends Section 7, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by amending Subsections (a), (c), (e), (f), (g), and (h) and adding Subsections (g-1), (g-2), (i), (j), (k), and (l), as follows:

(a) Prohibits duplication of service or credited service, notwithstanding any other provision of this Act, in group A, B, C, or D of the pension system or in the pension system and any other defined benefit pension plan to which the city contributes.

(c) Authorizes a member, rather than a group A member, except as provided by Section 12 of this Act, to pay into the pension fund and obtain credit for any service with the city or the pension system for which credit is otherwise allowable, rather than otherwise allowable in group A, under this Act, except that no required contributions were made by the member for the service, or refunded contributions attributable to the service have not been subsequently repaid.

(e) Requires the member, to establish service described by Subsection (c) of this section that occurred on or after September 1, 1999, to pay a sum computed by multiplying the member's salary during the service by the rate established, rather than established by the pension board, for member contributions under Section 8 of this Act, and the city to pay into the pension fund an amount equal to the rate established for city contributions under Section [8](http://base/?Repository=Bills%2085R&DocName=SB2190-I)A of this Act, rather than Section 8 of this Act multiplied by that member's salary for the same period.

(f) Requires the member, in addition to the amounts to be paid by the member under Subsection (d) (relating to certain required payments to establish service) or (e) of this section, to also pay interest on those amounts at the current assumed rate of return, rather than at the rate of six percent, per year, not compounded, from the date the contributions would have been deducted, if made, or from the date contributions were refunded to the date of repayment of those contributions into the pension fund.

(g) Provides that, before the year 2017 effective date, if a group B or group D member separates from service before completing five years of credited service, the member's service credit is canceled at the time of separation. Provides that, if the member is reemployed by the city in a position covered by the pension system before the first anniversary of the date of separation, all credit for previous service is restored. Provides that any member whose service credit is canceled under this subsection and who is reemployed by the city in a position covered by the pension system after the first anniversary of the date of separation receives one year of previous service credit in group B or group D, as applicable, for each full year of subsequent service up to the amount of the previous service that was canceled.

(g-1) Provides that, on or after the year 2017 effective date, if a group B or group D member who has made required member contributions separates from service before completing five years of credited service, the member's service credit is canceled at the time of separation and the member is eligible to receive a refund of required member contributions as provided by Section 17 of this Act. Provides that if the member is reemployed before the first anniversary of the date of separation:

(1) subject to Subdivision (2) of this subsection, all credit for previous service for which no member contributions were required is restored, along with credit for previous service for which the member did not receive a refund of contributions; and

(2) if the member's service credit is canceled under this subsection, the member is eligible to reinstate the canceled credited service by paying the pension system the refund amount, if any, plus interest on those amounts at the current assumed rate of return per year, not compounded, from the date contributions were refunded to the date of repayment of those contributions to the pension fund.

(g-2) Provides that, for purposes of Subsection (g-1)(2) of this section, for any canceled service for which contributions were not required, the member receives one year of previous service credit in group B or group D, as appropriate, for each full year of subsequent service up to the amount of the previous service that was canceled.

(h) Authorizes a group B member who was a group A member before September 1, 1981, and who was eligible to purchase credit for previous service under Chapter 358, Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g, V.T.C.S.), to purchase the service credit in group B by paying into the pension fund an amount equal to the assumed rate of return, rather than six percent, per year, not compounded, on any contributions previously withdrawn for the period from the date of withdrawal to the date of purchase.

(i) Authorizes a group D member, under rules and procedures adopted by the pension board, to effectuate a direct trustee-to-trustee transfer from a qualifying code Section 457(b) plan to the pension system to purchase an increased or enhanced benefit in accordance with the provisions of code Sections 415(n) and 457(e)(17) of the Internal Revenue Code of 1986. Requires that the amount transferred under this subsection be held by the pension system and prohibits the pension system from accounting for the amount separately. Requires the pension board, by rule, to determine the additional benefit that a member is entitled to based on a transfer under this subsection.

(j) Defines "furlough time." Requires that a person who has been voluntarily or involuntarily furloughed receive credited service for each day that the person has been furloughed, provided that:

(1) the pension system receives all required city contributions and member contributions for the credited service attributable to the furlough time for the pay period in which the furlough occurs, based on the regular salary that each furloughed member would have received if the member had worked during the furlough time;

(2) the member may receive not more than 10 days of credited service in a fiscal year for furlough time; and

(3) credited service for furlough time may not be used to meet the five-year requirement under Section 10(b) of this Act for eligibility for a benefit.

(k) Requires the city, for purposes of Subsection (j) of this section, to establish a unique pay code for furlough time to provide for timely payment of city contributions and member contributions for furlough time and to allow the pension system to identify furlough time for each furloughed employee.

(l) Requires that the interest rate on any service purchase, notwithstanding any provision of this section, be the then current assumed rate of return, not compounded.

SECTION 3.09. Amends the heading to Section 8, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), to read as follows:

Sec. 8. MEMBER CONTRIBUTIONS.

SECTION 3.10. Amends Sections 8(a), (b), and (c), Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), as follows:

(a) Requires, subject to adjustments authorized under Section 8E or 8F of this Act, beginning on the year 2017 effective date, each member of the pension system to make biweekly contributions during employment in an amount determined in accordance with this section, rather than requires each group A member of the pension system to make monthly contributions during employment in an amount determined by the pension board and expressed as a percentage of salary. Requires that the contributions be deducted by the employer from the salary of each member and paid to the pension system for deposit in the pension fund. Requires that member contributions under this section be made as follows:

(1) each group A member is required to contribute seven percent of the member's salary beginning with the member's first full biweekly pay period that occurs on or after the year 2017 effective date, and a total of eight percent of the member's salary beginning with the member's first full biweekly pay period for the member that occurs on or after July 1, 2018;

(2) each group B member is required to contribute two percent of the member's salary beginning with the member's first full biweekly pay period that occurs on or after the year 2017 effective date, and a total of four percent of the member's salary beginning with the member's first full biweekly pay period for the member that occurs on or after July 1, 2018; and

(3) each group D member is required to contribute two percent of the member's salary beginning with the member's first full biweekly pay period that occurs on or after the year 2017 effective date.

(b) Provides that this section does not increase or decrease the contribution obligation of any member that arose before the year 2017 effective date, rather than before September 1, 2001, or give rise to any claim for a refund for any contributions made before that date.

(c) Requires the employer to pick up the contributions required of members, rather than group A members, by Subsection (a) of this section and contributions required of group D members under Section 10A(a) of this Act as soon as reasonably practicable under applicable rules for all salaries earned by members after the year 2017 effective date and by January 1, 2018, for contributions required by Section 10A(a) of this Act. Makes conforming changes.

SECTION 3.11. Amends Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by adding Sections 8A, 8B, 8C, 8D, 8E, 8F, 8G, 8H, and 8I, as follows:

Sec. 8A. CITY CONTRIBUTIONS. (a) Requires the city to make contributions to the pension system for deposit into the pension fund as provided by this section and Sections 8B, 8C, 8E, or 8F of this Act, as applicable. Requires the city to contribute:

(1) beginning with the year 2017 effective date and ending with the fiscal year ending June 30, 2018, an amount equal to the sum of the city contribution rate, as determined in the initial RSVS conducted under Section 8C of this Act, multiplied by the pensionable payroll for the fiscal year, and the city contribution amount for the fiscal year; and

(2) for each fiscal year after the fiscal year ending June 30, 2018, an amount equal to the sum of the city contribution rate, as determined in a subsequent RSVS conducted under Section 8B of this Act and adjusted under Section 8E or 8F of this Act, as applicable, multiplied by the pensionable payroll for the applicable fiscal year, and except as provided by Subsection (e) of this section, the city contribution amount for the applicable fiscal year.

(b) Requires the city, at least biweekly, except by written agreement between the city and the pension board under Section 3(n) of this Act providing for an earlier contribution date, to make the contributions required by Subsection (a) of this section by depositing with the pension system an amount equal to the sum of the city contribution rate multiplied by the pensionable payroll for the biweekly period, and the city contribution amount for the applicable fiscal year divided by 26.

(c) Requires that, with respect to each fiscal year, the first contribution by the city under this section for the fiscal year be made not later than the date payment is made to employees for their first full biweekly pay period beginning on or after the first day of the fiscal year, and requires that the final contribution by the city under this section for the fiscal year be made not later than the date payment is made to employees for the final biweekly pay period of the fiscal year.

(d) Authorizes the city, in addition to the amounts required under this section, to at any time contribute additional amounts to the pension system for deposit in the pension fund by entering into a written agreement with the pension board in accordance with Section 3(n) of this Act.

(e) Prohibits the city contribution under this section, if in any given fiscal year, the funded ratio is greater than or equal to 100 percent, from continuing to include the city contribution amount.

(f) Requires that contributions be made under this section by the city to the pension system in order to be credited against any amortization schedule of payments due to the pension system under this Act.

(g) Provides that Subsection (f) of this section does not affect the exclusion of contribution amounts under Subsection (e) of this section or changes to an amortization schedule of a liability layer under Section 8B(a)(7)(F) (relating to an RSVS including the amortization period for each liability gain layer), 8C(i) through (j), or 8E(c)(3) and (4) of this Act.

(h) Prohibits the city, notwithstanding any other law and except for the pension obligation bond assumed under Section 8C(d)(2) (relating to the assumption of certain obligation bonds in the initial RSVS) of this Act, from issuing a pension obligation bond to fund the city contribution rate under Subsection (a)(1)(A) or (a)(2)(A) of this section or the city contribution amount under Subsection (a)(1)(B) or (a)(2)(B) of this section.

Sec. 8B. RISK SHARING VALUATION STUDIES. (a) Requires the pension system and the city to separately cause their respective actuaries to prepare an RSVS in accordance with this section and actuarial standards of practice. Requires that an RSVS include certain information and be prepared using certain methods.

(b) Requires, as soon as practicable after the end of a fiscal year, the pension system actuary at the direction of the pension system and the city actuary at the direction of the city to separately prepare a proposed RSVS based on the fiscal year that just ended.

(c) Requires the pension system, not later than October 31 following the end of the fiscal year, to provide to the city actuary, under a confidentiality agreement with the pension board in which the city actuary agrees to comply with the confidentiality provisions of Section 8G of this Act, the actuarial data described by Subsection (a)(4) (relating to requiring the RSVS to be based on certain actuarial data) of this section.

(d) Requires that, not later than the 150th day after the last day of the fiscal year:

(1) the pension system actuary, at the direction of the pension system, provide the proposed RSVS prepared by the pension system actuary under Subsection (b) of this section to the city actuary; and

(2) the city actuary, at the direction of the city, provide the proposed RSVS prepared by the city actuary under Subsection (b) of this section to the pension system actuary.

(e) Authorizes each actuary described by Subsection (d) of this section to provide copies of the proposed RSVS to the city or the pension system as appropriate.

(f) Provides that if, after exchanging proposed RSVSs under Subsection (d) of this section, it is found that the difference between the estimated city contribution rate recommended in the proposed RSVS prepared by the pension system actuary and the estimated city contribution rate recommended in the proposed RSVS prepared by the city actuary for the corresponding fiscal year is:

(1) less than or equal to two percentage points, the estimated city contribution rate recommended by the pension system actuary will be the estimated city contribution rate for purposes of Subsection (a)(5) (relating to requiring the RSVS to estimate the city contribution rate and amount) of this section, and the proposed RSVS prepared for the pension system is considered to be the final RSVS for the fiscal year for the purposes of this Act; or

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

(A) if, as a result of reconciliation efforts under this subdivision, the difference is reduced to less than or equal to two percentage points, the estimated city contribution rate proposed under the reconciliation by the pension system actuary will be the estimated city contribution rate for purposes of Subsection (a)(5) of this section and the pension system's RSVS is considered to be the final RSVS for the fiscal year for the purposes of this Act; or

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

(i) the city actuary at the direction of the city and the pension system actuary at the direction of the pension system each is required to deliver to the finance director of the city and the executive director of the pension system a final RSVS with any agreed-to changes, marked as the final RSVS; and

(ii) not later than the 90th day before the first day of the next fiscal year, the finance director and the executive director are required to execute a joint addendum to the final RSVS received under Subparagraph (i) of this paragraph that is a part of the final RSVS for the fiscal year for all purposes and reflects the arithmetic average of the estimated city contribution rates for the fiscal year stated in the final RSVS for purposes of Subsection (a)(5) of this section, and for reporting purposes the pension system is authorized to treat the pension system actuary's RSVS with the addendum as the final RSVS.

(g) Requires that the assumptions and methods used and the types of actuarial data and financial information used to prepare the initial RSVS under Section 8C of this Act be used to prepare each subsequent RSVS under this section, unless changed based on the AES conducted under Section 8D of this Act.

(h) Prohibits the actuarial data provided under Subsection (a)(4) of this section from including the identifying information of individual members.

Sec. 8C. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR MIDPOINT AND CITY CONTRIBUTION AMOUNTS. (a) Requires the pension system and the city to separately cause their respective actuaries to prepare an initial RSVS that is dated as of July 1, 2016, in accordance with this section. Requires that an initial RSVS include certain information.

(b) Requires that, if the initial RSVS has not been prepared consistent with this section before the year 2017 effective date, as soon as practicable after the year 2017 effective date:

(1) the pension system provide to the city actuary under a confidentiality agreement the necessary actuarial data used by the pension system actuary to prepare the proposed initial RSVS; and

(2) not later than the 30th day after the date the city's actuary receives the actuarial data, the city actuary, at the direction of the city, provide a proposed initial RSVS to the pension system actuary, and the pension system actuary, at the direction of the pension system, provide a proposed initial RSVS to the city actuary.

(c) Provides that if, after exchanging proposed initial RSVSs under Subsection (b)(2) of this section, it is determined that the difference between the estimated total city contribution divided by the pensionable payroll for any fiscal year in the proposed initial RSVS prepared by the pension system actuary and in the proposed initial RSVS prepared by the city actuary is:

(1) less than or equal to two percentage points, the estimated city contribution rate and the estimated city contribution amount for that fiscal year recommended by the pension system actuary will be the estimated city contribution rate and the estimated city contribution amount, as applicable, for purposes of Section 8B(a)(5) of this Act; or

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

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

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

(i) the city actuary at the direction of the city and the pension system actuary at the direction of the pension system each is required to deliver to the finance director of the city and the executive director of the pension system a final initial RSVS with any agreed-to changes, marked as the final initial RSVS for each actuary; and

(ii) the finance director and the executive director are required to execute a joint addendum to the final initial RSVS that is a part of each final initial RSVS for all purposes and that reflects the arithmetic average of the estimated city contribution rate and the estimated city contribution amount for each fiscal year in which the difference was greater than two percentage points for purposes of Section 8B(a)(5) of this Act, and for reporting purposes the pension system is authorized to treat the pension system actuary's initial RSVS with the addendum as the final initial RSVS.

(d) Requires the city actuary and pension system actuary to take certain actions in preparing the initial RSVS.

(e) Provides that, if the city actuary does not prepare an initial RSVS for purposes of this section, the pension system actuary's initial RSVS will be used as the final RSVS for purposes of this Act unless the city did not prepare a proposed initial RSVS because the pension system actuary did not provide the necessary actuarial data in a timely manner. Requires the city actuary, if the city did not prepare a proposed initial RSVS because the pension system actuary did not provide the necessary actuarial data in a timely manner, to have 60 days to prepare the proposed initial RSVS on receipt of the necessary information.

(f) Provides that, if the pension system actuary does not prepare a proposed initial RSVS for purposes of this section, the proposed initial RSVS prepared by the city actuary will be the final RSVS for purposes of this Act.

(g) Authorizes the city and the pension board to agree on a written transition plan for resetting the corridor midpoint if at any time the funded ratio is equal to or greater than 100 percent, or for any fiscal year after the payoff year of the legacy liability.

(h) Provides that, if the city and pension board have not entered into an agreement described by Subsection (g) of this section in a given fiscal year, the corridor midpoint will be the corridor midpoint determined for the 31st fiscal year in the initial RSVS prepared in accordance with this section.

(i) Provides that, if the city makes a contribution to the pension system of at least $5 million more than the amount that would be required by Section 8A(a) of this Act, a liability gain layer with the same remaining amortization period as the legacy liability is created. Requires that, in each subsequent RSVS until the end of that amortization period, the city contribution amount be decreased by the amortized amount in each fiscal year covered by the liability gain layer.

(j) Provides that, notwithstanding any other provision of this Act, including Section 8H of this Act:

(1) if the city fails to deliver the proceeds of pension obligation bonds totaling $250 million on or before March 31, 2018, the pension board is required to have 30 days from March 31, 2018, to rescind, prospectively, any or all benefit changes made effective under S.B. 2190, Acts of the 85th Legislature, Regular Session, 2017, as of the year 2017 effective date, or to reestablish the deadline for the delivery of pension obligation bond proceeds, reserving the right to rescind the benefit changes authorized by this subdivision if the bond proceeds are not delivered by the reestablished deadline; and

(2) subject to Subsection (k) of this section, if the pension board rescinds benefit changes under Subdivision (1) of this subsection or pension obligation bond proceeds are not delivered on or before December 31, 2017, the initial RSVS is required to be prepared again and restated without assuming the delivery of the pension obligation bond proceeds, the later delivery of pension obligation bond proceeds, or the rescinded benefit changes, as applicable, including a reamortization of the city contribution amount for the amortization period remaining for the legacy liability, and the resulting city contribution rate and city contribution amount will become effective in the fiscal year following the completion of the restated initial RSVS.

(k) Requires that the restated initial RSVS required under Subsection (j)(2) of this section be completed at least 30 days before the start of the fiscal year ending June 30, 2019, if the pension board does not reestablish the deadline under Subsection (j)(1) of this section, or immediately following the reestablished deadline, if the pension board reestablishes the deadline under Subsection (j)(1) of this section and the city fails to deliver the pension obligation bond proceeds described by Subsection (j)(1) of this section by the reestablished deadline.

Sec. 8D. ACTUARIAL EXPERIENCE STUDIES. (a) Requires at least once every four years, the pension system actuary, at the direction of the pension system, to conduct an AES in accordance with actuarial standards of practice. Requires that the AES required by this subsection be completed not later than September 30 of the year in which the study is required to be conducted.

(b) Requires that, except as otherwise expressly provided by Sections 8B(a)(7)(A) through (I) of this Act, actuarial assumptions and methods used in the preparation of an RSVS, other than the initial RSVS, be based on the results of the most recent AES.

(c) Requires the pension system to provide the city actuary with a substantially final draft of the pension system's AES, including certain information, not later than the 180th day before the date the pension board is authorized to consider adopting any assumptions and methods for purposes of Section 8B of this Act.

(d) Authorizes the city actuary and pension system actuary, not later than the 60th day after the date the city receives the final draft of the pension system's AES under Subsection (c) of this section, to communicate concerning the assumptions and methods used in the AES. Authorizes the pension system actuary, during the period prescribed by this subsection, to modify the recommended assumptions in the draft AES to reflect any changes to assumptions and methods to which the pension system actuary and the city actuary agree.

(e) Requires the pension system, at the city actuary's written request, to provide additional actuarial data used by the pension system actuary to prepare the draft AES, provided that confidential data may only be provided subject to a confidentiality agreement entered into between the pension system and the city actuary.

(f) Requires the city actuary, at the direction of the city, to provide in writing to the pension system actuary and the pension system certain information.

(g) Requires the pension system, not later than the 30th day after the date the pension system actuary receives the city actuary's written recommended assumptions and methods and rationale under Subsection (f) of this section, to provide a written response to the city identifying any assumption or method recommended by the city actuary that the pension system does not accept. Requires the pension system, if any assumption or method is not accepted, to recommend to the city the names of three independent actuaries for purposes of this section.

(h) Provides that an actuary may only be recommended, selected, or engaged by the pension system as an independent actuary under this section if the person meets certain criteria.

(i) Requires the city, not later than the 20th day after the date the city receives the list of three independent actuaries under Subsection (g) of this section, to identify and the pension system to hire one of the listed independent actuaries on terms acceptable to the city and the pension system to perform a scope of work acceptable to the city and the pension system. Requires the city and the pension system each to pay 50 percent of the cost of the independent actuary engaged under this subsection. Requires that the city be provided the opportunity to participate in any communications between the independent actuary and the pension system concerning the engagement, engagement terms, or performance of the terms of the engagement.

(j) Requires that the independent actuary engaged under Subsection (i) of this section receive on request from the city or the pension system certain information.

(k) Requires the independent actuary, not later than the 30th day after the date the independent actuary receives all the requested information under Subsection (j) of this section, to advise the pension system and the city whether it agrees with the assumption or method recommended by the city actuary or the corresponding method or assumption recommended by the pension system actuary, together with the independent actuary's rationale for making the determination. Authorizes the independent actuary, during the period prescribed by this subsection, to discuss recommendations in simultaneous consultation with the pension system actuary and the city actuary.

(l) Prohibits the pension system and the city from seeking any information from any prospective independent actuary about possible outcomes of the independent actuary's review.

(m) Requires the independent actuary, if an independent actuary has questions or concerns regarding an engagement entered into under this section, to simultaneously consult with both the city actuary and the pension system actuary regarding the questions or concerns. Provides that this subsection does not limit the pension system's authorization to take appropriate steps to complete the engagement of the independent actuary on terms acceptable to both the pension system and the city or to enter into a confidentiality agreement with the independent actuary, if needed.

(n) Authorizes the city actuary, if the pension board does not adopt an assumption or method recommended by the city actuary to which the independent actuary agrees, or recommended by the pension system actuary, to use that recommended assumption or method in connection with preparation of a subsequent RSVS under Section 8B of this Act until the RSVS following the next AES is prepared.

Sec. 8E. CITY CONTRIBUTION RATE WHEN ESTIMATED CITY CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT; AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) Provides that this section governs the determination of the city contribution rate applicable in a fiscal year if the estimated city contribution rate is lower than the corridor midpoint.

(b) Provides that if the funded ratio is:

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

(2) equal to or greater than 90 percent and the city contribution rate is equal to or greater than the minimum contribution rate, the estimated city contribution rate is the city contribution rate for the fiscal year; or except as provided by Subsection (e) of this section, less than the minimum contribution rate for the corresponding fiscal year, the city contribution rate for the fiscal year equals the minimum contribution rate achieved in accordance with Subsection (c) of this section.

(c) Requires that, for purposes of Subsection (b)(2)(B) (relating to if the funded ratio is equal to or greater than 90 percent and the city contribution rate is less than the minimum contribution rate for the corresponding fiscal year) of this section, certain adjustments be applied sequentially to the extent required to increase the estimated city contribution rate to equal the minimum contribution rate.

(d) Provides that if the funded ratio is:

(1) equal to or greater than 100 percent, all existing liability layers, including the legacy liability, are considered fully amortized and paid; the city contribution amount may no longer be included in the city contribution under Section 8A of this Act; and the city and the pension system are authorized to mutually agree to change assumptions in a written agreement entered into between the city and the pension board under Section 3(n) of this Act; and

(2) greater than 100 percent in a written agreement between the city and the pension system entered into under Section 3(n) of this Act, the pension system may reduce member contributions or increase pension benefits if as a result of the action, the funded ratio is not less than 100 percent and the city contribution rate is not more than the minimum contribution rate.

(e) Requires the pension board, except as provided by Subsection (f) of this section, if an agreement under Subsection (d) of this section is not reached on or before the 30th day before the first day of the next fiscal year, before the first day of the next fiscal year, to reduce member contributions and implement or increase cost-of-living adjustments, but only to the extent that the city contribution rate is set at or below the minimum contribution rate and the funded ratio is not less than 100 percent.

(f) Prohibits the pension board, if any member contribution reduction or benefit increase under Subsection (e) of this section has occurred within the previous three fiscal years, from making additional adjustments to benefits, and requires that the city contribution rate be set to equal the minimum contribution rate.

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

(b) Provides that, if the estimated city contribution rate is less than or equal to the maximum contribution rate for the corresponding fiscal year, the estimated city contribution rate is the city contribution rate; or except as provided by Subsection (d) or (f) of this section, greater than the maximum contribution rate for the corresponding fiscal year, the city contribution rate equals the corridor midpoint achieved in accordance with Subsection (c) of this section.

(c) Requires that, for purposes of Subsection (b)(2) (relating to the city contribution rate under certain circumstances) of this section, certain adjustments be applied sequentially to the extent required to decrease the estimated city contribution rate to equal the certain corridor midpoint.

(d) Provides that, if the city contribution rate after adjustment under Subsection (c) of this section is greater than the third quarter line rate, the city contribution rate equals the third quarter line rate. Requires, to the extent necessary to comply with this subsection, the city and the pension board to enter into a written agreement under Section 3(n) of this Act to increase member contributions and make other benefit or plan changes not otherwise prohibited by applicable federal law or regulations.

(e) Prohibits gains resulting from adjustments made as the result of a written agreement between the city and the pension board under Subsection (d) of this section from being used as a direct offset against the city contribution amount in any fiscal year.

(f) Requires the pension board, if an agreement under Subsection (d) of this section is not reached on or before the 30th day before the first day of the next fiscal year, before the start of the next fiscal year to which the city contribution rate would apply, to the extent necessary to set the city contribution rate equal to the third quarter line rate, to increase member contributions, and decrease cost-of-living adjustments.

(g) Provides that, if the city contribution rate remains greater than the corridor midpoint in the third fiscal year after adjustments are made in accordance with an agreement under Subsection (d) of this section, in that fiscal year the city contribution rate equals the corridor midpoint achieved in accordance with Subsection (h) of this section.

(h) Requires that the city contribution rate be set at the corridor midpoint under Subsection (g) of this section by certain actions.

(i) Requires the pension board, if an agreement under Subsection (h)(2) (relating to a certain written agreement between the city and pension board) of this section is not reached on or before the 30th day before the first day of the next fiscal year, before the start of the next fiscal year, to the extent necessary to set the city contribution rate equal to the corridor midpoint, to increase member contributions and decrease cost-of-living adjustments.

Sec. 8G. CONFIDENTIALITY. (a) Provides that the information, data, and document exchanges under Sections 8A through 8F of this Act have all the protections afforded by applicable law and are expressly exempt from the disclosure requirements under Chapter 552, Government Code, except as may be agreed to by the city and pension system in a written agreement under Section 3(n) of this Act.

(b) Provides that Subsection (a) does not apply to a proposed RSVS prepared by the pension system actuary and provided to the city actuary or prepared by the city actuary and provided to the pension system actuary under Section 8B(d) or 8C(b)(2) of this Act or a final RSVS prepared under Section 8B or 8C of this Act.

(c) Prohibits an RSVS prepared by either the city actuary or the pension system actuary under Sections 8A through 8F from including information in a form that includes identifiable information relating to a specific individual or providing confidential or private information regarding specific individuals or being grouped in a manner that allows confidential or private information regarding a specific individual to be discerned.

Sec. 8H. UNILATERAL DECISIONS AND ACTIONS PROHIBITED. Provides that no unilateral decision or action by the pension board is binding on the city and no unilateral decision or action by the city is binding on the pension system with respect to the application of Sections 8A through 8F of this Act unless expressly provided by a provision of those sections. Provides that nothing in this section is intended to limit the powers or authority of the pension board.

Sec. 8I. STATE PENSION REVIEW BOARD; REPORT. (a) Requires the pension system and the city, after preparing a final RSVS under Section 8B or 8C of this Act, to jointly submit a copy of the study or studies, as appropriate, to PRB for a determination that the pension system and city are in compliance with this Act.

(b) Requires the pension system, not later than the 30th day after the date an action is taken under Section 8E or 8F of this Act, to submit a report to PRB regarding any actions taken under those sections.

(c) Requires PRB to notify the governor, the lieutenant governor, the speaker, and the legislative committees having principal jurisdiction over legislation governing public retirement systems if PRB determines the pension system or the city is not in compliance with Sections 8A through 8H of this Act.

SECTION 3.12. Amends Section 9(c), Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), to change references to beneficiary to spouse.

SECTION 3.13. Amends Section 10, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by amending Subsections (b), (d), (e), (g), and (h) and adding Subsections (c-1), (d-1), and (e-1), as follows:

(b) Provides that a group A or group B member of the pension system who terminates employment is eligible for a normal retirement pension beginning on the member's effective retirement date after the date the member completes at least five years of credited service and attains either:

(1) 62 years of age; or

(2) a combination of years of age and years of credited service, including parts of years, the sum of which equals or is greater than the number 75, provided the member is at least 50 years of age, or 70, provided the member attained a combination of years of age and years of credited service, including parts of years, the sum of which equals or is greater than the number 68 before January 1, 2005.

(c-1) Provides that a group D member who terminates employment is eligible for a normal retirement pension beginning on the member's effective retirement date after the date the member completes at least five years of credited service and attains 62 years of age.

(d) Provides that, subject to Section 17 of this Act, the amount of the monthly normal retirement pension payable to an eligible:

(1) group A or group B member, rather than retired group A member, who retires before January 1, 2005, is required to be determined under the law in effect on the member's last day of credited service;

(2) group A member who retires on or after January 1, 2005, is equal to a certain sum; or

(3) group B member who retires on or after January 1, 2005, is equal to a certain sum; or

(4) group D member who retires on or after January 1, 2008, is equal to a certain sum.

(d-1) Provides that, for purposes of Subsection (d) of this section, service credit is rounded to the nearest one-twelfth of a year. Deletes existing text referencing what the service credit is rounded to.

(e) Authorizes a group D member who terminates employment with the city or the pension system to elect to receive an early retirement pension payable as a reduced benefit if the member has attained certain criteria.

(e-1) Requires that the amount of the early retirement pension payable to a retired group D member under Subsection (e) of this section be equal to the monthly normal retirement pension reduced by 0.25 percent for each month the member is less than 62 years of age at retirement. Deletes existing text relating to a certain formula used for a retirement pension.

(g) Prohibits the total normal retirement pension of a retired member with credited service in group A, group B, group C, or group D, notwithstanding any other provision of this Act, from exceeding 90 percent of the member's average monthly salary.

(h) Requires that, on or after February 1, 2018, and for future payments only, pension benefits for all group A retirees and group B retirees, and for all group D retirees who terminated employment on or after the year 2017 effective date with at least five years of credited service, and survivor benefits for eligible survivors of a former member of group A or group B, or of a former member of group D who terminated employment on or after the year 2017 effective date with at least five years of credited service, be increased annually by the cost-of-living adjustment percentage, not compounded, for all such eligible persons receiving a pension or survivor benefit as of January 1 of the year in which the increase is made, rather than requires that, for future payments only, pension and survivor benefits for all retirees and eligible survivors be increased annually by four percent, not compounded, for all persons receiving a pension or survivor benefit as of January 1 of the year in which the increase is made.

SECTION 3.14. Amends Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by adding Section 10A, as follows:

Sec. 10A. GROUP D MEMBER HYBRID COMPONENT. (a) Requires each group D member, on and after January 1, 2018, in addition to the group D member contributions under Section 8 of this Act, to contribute one percent of the member's salary for each biweekly pay period beginning with the member's first full biweekly pay period after the later of January 1, 2018, or the group D member's first date of employment. Provides that the contribution required by this subsection:

(1) is required to be picked up and paid in the same manner and at the same time as group D member contributions required under Section 8(a)(3) of this Act;

(2) is separate from and in addition to the group D member contribution under Section 8(a)(3) of this Act; and

(3) is not subject to reduction or increase under Sections 8A through 8F of this Act or a refund under Section 17 of this Act.

(b) Requires that for each biweekly pay period of a group D member's service for which the group D member makes the contribution required under Subsection (a) of this section, the following amounts be credited to a notional account, known as a cash balance account, for the group D member:

(1) the amount of the contributions paid under Subsection (a) of this section for that biweekly pay period; and

(2) interest on the balance of the group D member's cash balance account determined by multiplying certain costs.

(c) Prohibits the pension system from paying interest on amounts credited to a cash balance account but not received by the pension system under Subsection (b) of this section.

(d) Provides that, on separation from service, a group D member is eligible to receive only a distribution of the contributions credited to that group D member's cash balance account, without interest, if the group D member has attained less than one year of service while contributing to the cash balance account. Provides that, if a group D member attains at least one year of service while contributing to the cash balance account, the group D member is fully vested in the accrued benefit represented by that group D member's cash balance account, including interest.

(e) Provides that, in a manner and form prescribed by the pension board, a group D member who terminates employment is eligible to elect to receive the group D member's cash balance account benefit in a lump-sum payment, in substantially equal periodic payments, in a partial lump-sum payment followed by substantially equal periodic payments, or in partial payments from the group D member's cash balance account.

(f) Prohibits contributions from being made to a group D member's cash balance account for a period that occurs after the date the group D member terminates employment, except that interest at a rate that is not greater than the rate under Subsection (b)(2) of this section, as determined by the pension board, is authorized to be credited based on the former group D member's undistributed cash balance account after the date the group D member terminates employment.

(g) Requires that the deceased member's cash balance account, on the death of a group D member or former group D member before the full distribution of the member's cash balance account, be payable in a single lump-sum payment to certain persons.

(h) Requires that the lump-sum payment described by Subsection (g) of this section be made within a reasonable time after the pension board has determined that the individual or estate is eligible for the distribution.

(i) Authorizes the pension board, subject to the other provisions of this section, to adopt rules necessary to implement this section, including rules regarding the payment of the cash balance account and limitations on the timing and frequency of payments. Requires that all distributions and changes in the form of distribution be made in a manner and at a time that complies with the Internal Revenue Code of 1986.

SECTION 3.15. Amends Section 11, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), as follows:

Sec. 11. New heading: OPTION-ELIGIBLE PARTICIPANTS. (a) Defines "J&S Annuity."

(a-1) Provides that for purposes of this section, an option-eligible participant is a former group A, B, or D member that meets certain criteria.

(a-2) Requires the pension board, in its sole discretion, to make determinations regarding an individual's status as an option-eligible participant.

(a-3) Requires, before the date an option-eligible participant commences receipt of a benefit, that option-eligible participant to elect, in a manner and at a time determined by the pension board, whether to receive the participant's normal retirement pension or early retirement pension, as applicable, or to have the option-eligible participant's normal retirement pension or early retirement pension, as applicable, paid under one of the options provided by Subsection (b) of this section. Provides that the election may be revoked, in a manner and at a time established by the pension board, not later than the 60th day before the date the participant commences receipt of a benefit. Deletes existing text relating to when a group B member's benefits commence. Makes conforming and nonsubstantive changes.

(b) Authorizes the normal retirement pension or early retirement pension to be one of certain actuarially equivalent amounts.

(c) Provides that if an option-eligible participant, rather than a former group B member, who has made the election provided by Subsection (b) of this section dies after terminating employment with at least five years of credited service but before attaining the age required to begin receiving a normal or early retirement pension, the person's designated survivor is eligible for the J&S Annuity provided by the option selected by the option-eligible participant at the time of separation from service. Provides that the benefits first become payable to an eligible designated survivor on the date the option-eligible participant would have become eligible to begin receiving a pension. Requires that the actuarial equivalent of that amount, if the designated survivor elects for earlier payment, in a time and manner determined by the pension board, be payable at that earlier date. Changes references to benefits to J&S Annuity, and former member to option-eligible participant.

(d) Provides that a survivor benefit under Subsection (c) of this section or a J&S Annuity is not payable if:

(1) except as provided by Subsection (e) of this section, an option-eligible participant does not elect one of the J&S Annuity options under Subsection (b) of this section and dies before retirement has commenced, rather than if a former group B member under Subsection (a) does not elect one of the options under Subsection (b) of this section, a survivor benefit is not payable;

(2) an option-eligible participant elects a normal retirement pension or early retirement pension and dies before retirement has commenced; or

(3) an option-eligible participant dies after retirement has commenced and that certain option-eligible participant elected a normal retirement pension or early retirement pension, did not make a valid election under Subsection (b) of this section, or made an election that is void.

(e) Provides that an option-eligible participant described by Subsection (a-1)(3) (relating to an option-eligible participant who is a former Group D member) of this section who did not elect one of the J&S Annuity options under Subsection (b) of this section is considered to have elected a J&S Annuity option under Subsection (b)(1) (relating to describing option 1 of the normal retirement pension or early retirement pension) of this section and to have designated the participant's surviving spouse as the optional annuitant if the participant was not in service with the city or the pension system at the time of the participant's death, is survived by a surviving spouse, and dies before the participant's retirement has commenced.

(f) Provides that, if the option-eligible participant described by Subsection (e) of this section has no surviving spouse, a survivor benefit or J&S Annuity is not payable. Provides that, if a J&S Annuity is paid under Subsection (e) of this section, a survivor benefit is not payable under this subsection or under Section 14 of this Act.

(g) Provides that, if Subsection (d) of this section would otherwise apply to prohibit the payment of a survivor benefit or J&S Annuity, but there is one or more dependent children of the deceased option-eligible participant, the provisions of Section 14 of this Act control the payment of survivor benefits to the dependent child or children. Prohibits the pension system from paying both a J&S Annuity under this section and a survivor benefit under Section 14 of this Act with respect to any option-eligible participant. Provides that if a J&S Annuity is paid under Subsection (e) of this section, a survivor benefit is not payable.

(h) Provides that, if an option-eligible participant has previously elected a J&S Annuity for a previous period of service, no benefits have been paid under that previous election, and the option-eligible participant terminates employment on or after January 1, 2012, the previous election is void and the option-eligible participant is required to make an election under Subsection (b) of this section to apply to all periods of service.

(i) Provides that, if a former group B member with service before September 1, 1997, was rehired in a covered position and converted the group B service covered by a J&S Annuity to group A service, and that member terminates employment on or after January 1, 2012, and is not an option-eligible participant at the time of the member's subsequent termination, the previous election is void and survivor benefits for an eligible survivor, if any, are payable as provided by Section 14 of this Act, provided benefits were not paid under the previous election.

(j) Provides that if an option-eligible participant who elects a J&S Annuity under this section designates the participant's spouse as a designated survivor and the marriage is later dissolved by divorce, annulment, or a declaration that the marriage is void before the participant's retirement, the designation is void unless the participant reaffirms the designation after the marriage was dissolved.

(k) Provides that a J&S Annuity payable to a designated survivor of a retired option-eligible participant is effective on the first day of the month following the month of the option-eligible participant's death and ceases on the last day of the month of the designated survivor's death or on the last day of the month in which the survivor otherwise ceases to be eligible to receive a J&S Annuity.

SECTION 3.16. Amends Section 12(a)(5), Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), to redefine "DROP entry date."

SECTION 3.17. Amends Section 12, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by adding Subsections (b-1), (d-1), (o-1), (r), (s), and (t) and amending Subsections (d), (f), (g), (h), (j), (k), (m), (o), and (p), as follows:

(b-1) Requires a member, notwithstanding Subsection (b) (relating to certain persons receiving a drop benefit) of this section, for DROP participation beginning on or after January 1, 2005, to meet the normal retirement eligibility requirements under Section 10(b) or (c) of this Act to be eligible to elect to participate in DROP. Provides that this subsection does not apply to a member who met the eligibility requirements under Section 10(b) of this Act in effect before January 1, 2005; or before January 1, 2005, had at least five years of credited service and a combination of years of age and years of credited service, including parts of years, the sum of which equaled or was greater than 68.

(d) Requires that for each month during the period of DROP participation before a DROP participant's termination of employment, the following amounts be credited to the DROP participant's DROP account, including prorated amounts for partial months of service:

(1) an amount equal to what would have been the DROP participant's monthly normal retirement benefit if the DROP participant had retired on the DROP participant's DROP entry date, except that the monthly amount be computed based on the DROP participant's credited service and average monthly salary as of the DROP entry date and the benefit accrual rates and maximum allowable benefit applicable on the DROP election date, with the cost-of-living adjustments payable under Subsection (s) of this section, if any, that would apply if the DROP participant had retired on the DROP participant's DROP entry date; and

(2) subject to Subsection (d-1) of this section, interest on the DROP participant's DROP account balance computed at a rate determined by the pension board and compounded at intervals designated by the pension board, but at least once in each 13-month period. Deletes existing text relating to a group A member's contributions to the pension fund and existing designation of Subdivision (3).

(d-1) Requires the pension board, beginning January 1, 2018, to establish the interest rate applicable under Subsection (d)(2) of this section as of January 1 of each year at a certain rate.

(f) Requires a DROP participant to pay required contributions to the pension system for all time in DROP that would otherwise constitute service in order to receive allowable credits to the DROP participant's DROP account.

(g) Provides that a DROP participant who terminates employment is eligible to elect to receive the DROP participant's DROP benefit in a lump sum, in substantially equal periodic payments, in a partial lump sum followed by substantially equal periodic payments, or in partial payments from the participant's DROP account, in a manner and form determined by the pension board. Authorizes the pension board to establish procedures concerning partial payments under this subsection, including limitations on the timing and frequency of those payments. Authorizes a participant who elects partial payments to elect to receive the participant's entire remaining DROP account balance in a single lump-sum payment. Deletes existing text relating to lump-sum payments meeting requirements of the Internal Revenue Code of 1986.

(h) Requires that, if a DROP participant dies before the full distribution of the DROP participant's DROP account balance, the undistributed DROP account balance be distributed to the DROP participant's surviving spouse, if any, in a lump-sum payment within a reasonable time after the pension board has determined that the surviving spouse is eligible for the distribution. Provides that if there is no surviving spouse, each beneficiary of the DROP participant, rather than participant's beneficiary, as designated in the manner and on a form established by the pension board, is eligible to receive the beneficiary's applicable portion of the deceased DROP participant's undistributed DROP account balance in a lump-sum payment within a reasonable time after the pension board has determined that the beneficiary is eligible for the distribution. Requires that, if no beneficiary is designated, the undistributed DROP account balance be distributed to the deceased participant's, rather than member's, estate.

(j) Deletes existing text providing that an election to participate in the DROP is irrevocable, except that a DROP participant approved by the pension board of the predecessor system before September 1, 1999, to participate in the DROP may make a one-time, irrevocable election before termination of employment, on a date and in a manner determined by the pension board, to revoke the DROP election and waive any and all rights associated with the DROP election. Makes nonsubstantive changes.

(k) Changes references to member to participant and member's to participant's.

(m) Changes references to plan to DROP and makes a nonsubstantive change.

(o) Requires a DROP participant, except as provided by Subsection (o-1) of this section, on termination of employment, to receive a normal retirement pension under Section 10 of this Act or under Section 11, 22A, or 24 of Chapter 358, Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g, V.T.C.S.), as those sections read on the day preceding the participant's DROP entry date, as applicable, except that the credited service under that section is the member's credited service as of the day before the member's DROP entry date, the benefit accrual rate applicable to the credited service is required to be the benefit accrual rate in effect on the member's DROP election date, the maximum allowable benefit is required to be the maximum allowable benefit in effect on the member's DROP election date, and the member's average monthly salary is the average monthly salary determined as of the later of the member's DROP entry date or January 1, 2005, as applicable, rather than the date of the member's termination of employment. Provides that cost-of-living adjustments applicable to periods after the date of the DROP participant's termination of employment are based on the DROP participant's normal retirement pension computed under this subsection or Subsection (o-1) of this section, as applicable, excluding any cost-of-living adjustments.

(o-1) Requires a DROP participant who is an option-eligible participant, on termination of employment, and before any benefit or DROP payment, to make the required election under Section 11 of this Act. Requires that, if the option-eligible participant elects a J&S Annuity, the DROP account, including all DROP credits, be recalculated from the DROP entry date to termination of employment as provided by Subsection (o) of this section as if the J&S Annuity was selected to be effective as of the DROP entry date.

(p) Provides that if a DROP election is not revoked under Subsection (j) of this section, the survivor benefit payable to an eligible survivor of a deceased DROP participant under Section 14 of this Act is computed as a percentage of the monthly ordinary disability pension that the member would have been eligible to receive had the member suffered a disability the day before the member's DROP entry date, except that the ordinary disability pension is computed based on the DROP participant's credited service as of the day before the DROP participant's DROP entry date, the benefit accrual rate applicable to the credited service as of the DROP participant's DROP election date, and the DROP participant's average monthly salary as of the later of the DROP participant's DROP entry date or January 1, 2005, as applicable, rather than the date of the participant's death.

(r) Prohibits the pension system, except as provided by Subsection (s) of this section, from crediting a DROP account with a cost-of-living adjustment percentage on or after February 1, 2018.

(s) Requires the pension system, on or after February 1, 2018, and for future credit only, to credit a cost-of-living adjustment percentage, not compounded, to the DROP account of a DROP participant who was at least 62 years of age as of January 1 of the year in which the increase is made.

(t) Authorizes the pension board to establish deadlines for the submission of any information, document, or other record pertaining to DROP.

SECTION 3.18. Amends Sections 13(a), (b), and (c), Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), as follows:

(a) Provides that a member who has completed five or more years of credited service and who becomes disabled is eligible, regardless of age, for an ordinary disability retirement and requires that the member receive a monthly disability pension computed in accordance with Section 10(d) of this Act, rather than with Section 10(d) for group A members and Section 10(c) for group B members.

(b) and (c) Makes conforming changes.

SECTION 3.19. Amends Section 14, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by amending Subsections (a), (b), (c), (d), (e), and (h) and adding Subsection (b-1), as follows:

(a) Requires the pension board, except as provided by Section 11 or 12 of this Act, to order survivor benefits to be paid to an eligible survivor in the form of a monthly allowance, rather than to be paid in the form of a monthly allowance, if:

(1) a member or former member of group A or group B dies, rather than a member or former member dies, from any cause after the completion of five years of credited service with the city or pension system;

(2) makes a nonsubstantive change;

(3) makes a conforming change and a nonsubstantive change;

(4) a member of Group D dies from any cause after the completion of five years of credited service with the city or the pension system if the member on the date of the member's death was still in service with the city or the pension system.

(b) Provides that a surviving spouse of a member described by Subsection (a)(1) or (4) who dies while still in service with the city or the pension system is eligible for a sum equal to the following applicable percentage, rather than provides that a surviving spouse of a member or former member who dies after having completed five years of credited service with the city or the pension system, but before beginning to receive retirement benefits, is eligible for a sum equal to 100 percent, of the retirement benefits to which the deceased or former member would have been eligible had the member been totally disabled with an ordinary disability at the time of the member's last day of credited service:

(1) creates this subdivision from existing text; 80 percent, if the member's death occurs on or after the year 2017 effective date and the spouse was married to the member for at least one continuous year as of the member's date of death, except that the allowance payable to the surviving spouse may not be less than $100 a month; or

(2) 50 percent, if the member's death occurs on or after the year 2017 effective date and the spouse was married to the member for less than one continuous year as of the date of the member's death.

(b-1) Provides that a surviving spouse of a former member described by Subsection (a)(1) who dies on or after the year 2017 effective date while not in the service of the city or the pension system and before the member's retirement commenced, is eligible for a sum equal to 50 percent of the deceased former member's normal accrued pension at the time of the deceased former member's last day of credited service. Provides that benefits first become payable on the date the former member would have become eligible to begin receiving a pension. Requires that the actuarial equivalent of that amount, if the surviving spouse elects for earlier payment, in a time and manner determined by the pension board, be payable at that earlier date.

(c) Provides that a surviving spouse of a member described by Subsection (a)(2) (relating to survivor benefits if a member dies from a cause directly resulting from the member’s duties while serving the city or pension system) who dies from a certain cause is eligible for a sum equal to 80, rather than 100, percent of the deceased member's final average salary.

(d) Provides that a surviving spouse of a retiree described by Subsection (a)(3) (relating to survivor benefits if a member of Group A or B dies after the date the member retires) who dies after having received retirement benefits is eligible for a sum equal to the following applicable percentage, rather than 100 percent, of the retirement benefits being received at the time of the retiree's death, including any applicable cost-of-living adjustment in the survivor benefit under Section 10(h) of this Act computed based on the unadjusted normal retirement pension of the deceased retiree:

(1) 80 percent, if the retiree's death occurs on or after the year 2017 effective date and the retiree separated from service with the city or pension system before the year 2017 effective date;

(2) 80 percent, if the retiree's death occurs on or after the year 2017 effective date and the retiree separated from service with the city or pension system on or after the year 2017 effective date, provided the surviving spouse was married to the retiree at the time of the retiree's death and for at least one continuous year as of the date of the retiree's separation from service; or

(3) 50 percent, if both the retiree's separation from service and death occur on or after the year 2017 effective date and the surviving spouse was married to the retiree at the time of the retiree's death for less than one continuous year as of the date of the retiree's separation from service.

(e) Decreases the total amount payable to the surviving spouse and dependent child to which this subsection applies from 100 percent of the benefit the member would have received to 80 percent.

(h) Provides that a pension payable to a retiree ceases on the last day of the month of the retiree's death, rather than the last day of the month preceding the month of the retiree's death. Provides that a survivor benefit payable to an eligible survivor is effective on the first day of the month following the month of the retiree's death and ceases on the last day of the month of the eligible survivor's death or on the last day of the month in which the survivor otherwise ceases to be eligible to receive a survivor's benefit, rather than effective on the first day of the month of the retiree's death and ceases on the month preceding the month of the eligible survivor's death or on the last day of the month in which the survivor ceases to be eligible to receive a survivor's benefit.

SECTION 3.20. Amends Sections 16(a) and (e), Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), as follows:

(a) Authorizes the pension board, notwithstanding any other provision of this Act, to pay to certain persons in a lump-sum payment the present value of any benefit payable to such a person that is less than $20,000, rather than $10,000, instead of paying any other benefit payable under this Act. Authorizes the pension board, if the lump-sum present value of the benefit is at least $1,000 but less than $20,000, rather than at least $5,000 but less than $10,000, to make a lump-sum payment only on written request by certain persons.

(e) Authorizes a qualifying member to reinstate service for which the member received a lump-sum payment by paying into the pension fund the amount of the lump-sum payment, plus interest on that amount at the applicable assumed rate of return, rather than at the rate of six percent per year, not compounded, from the date the lump-sum payment was made to the member until the date of repayment to the pension fund.

SECTION 3.21. Amends Section 17, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), by amending Subsections (a), (c), (d), (e), (f), (g), (h), (i), (j), (k), and (l) and adding Subsections (c-1), (c-2), (q), (r), and (s), as follows:

(a) Provides that a qualifying member who is terminated involuntarily is eligible to leave the person's contributions in the pension fund until a certain date, rather than authorizes a qualifying member, by written notice to the pension board, to make an irrevocable election to leave the person's contributions in the pension fund until a certain date. Requires that all rights and service credit as a member, if during that period the person is reemployed by the city and has not withdrawn the person's contributions, rather than if during that period the person is reemployed by the city, be immediately restored without penalty.

(c) Authorizes a former member of group A or group B, rather than a member, whose employment is terminated in a certain manner to elect, in a manner determined by the pension board, to receive a deferred retirement pension that begins on the member's effective retirement date after the member attains the eligibility requirements for normal retirement under Section 10 of this Act as it existed on the member's last day of credited service, rather than on the member's effective retirement date after the member attains either 62 years of age or a combination of years of age and years of credited service, including parts of years, the sum of which equals the number 70. Makes a conforming change.

(c-1) Authorizes a qualifying former member of group D to elect, in a manner determined by the pension board, to receive a deferred normal retirement pension that begins on the former member's effective retirement date after the member attains 62 years of age. Requires that the amount of a monthly benefit be computed in the same manner as a normal retirement pension, except the benefit be based on the average monthly salary and credited service of the former member as of the former member's last day of credited service and subject to the provisions of this Act in effect on the former member's last day of credited service.

(c-2) Authorizes a qualifying former member of group D to elect, in a manner determined by the pension board, to receive a deferred early retirement pension that begins on the former member's effective retirement date after the member attains the required age under Section 10(e) of this Act. Requires that the amount of monthly benefit be computed in the same manner as for an early retirement pension under Section 10(e) of this Act, except that the benefit be based on the average monthly salary and credited service of the former member as of the former member's last day of credited service and subject to the provisions of this Act in effect on the former member's last day of credited service.

(d) Changes references to designated beneficiary to the spouse.

(e) Deletes existing text providing that the provisions of Section 14 concerning payments to eligible survivors apply in the case of any former member who has made the election permitted by Subsection (c) and who dies before reaching the age at which the former member would be eligible to receive a pension. Makes conforming changes.

(f) Requires that refunds of contributions made under this section be paid to the departing member, the member's spouse, rather than beneficiary, or the member's estate on written request and approval by the pension board.

(g) Provides that Subsections (h) and (j) apply to the computation of the member's pension following the member's subsequent separation from service if the member was a member on or after May 11, 2001, and is not otherwise subject to Subsection (q).

(h) Provides that if a member described in Subsection (g) accrues not more than two years of continuous credited service after reemployment:

(1) the portion of the member's deferred or normal retirement pension attributable to the member's period of credited service accrued before the date of the member's original or previous separation from service, rather than original separation from service, is computed on the basis of the applicable provisions of this Act or the predecessor system that were in effect on the member's last day of credited service for the original or previous period, rather than original period, of credited service;

(2) makes no changes to this subdivision;

(3) makes conforming changes.

(i) Provides that, subject to Subsection (l), the disability pension or survivor benefit under Subsection (h)(3) is computed by adding the following amounts:

(1) and (2) makes conforming changes.

(j) Provides that, for purposes of future payment only, certain pensions and benefits are computed on the basis of the applicable provisions of this Act or the predecessor system in effect on the member's last day of credited service for the subsequent service, if a member described by Subsection (g) accrues more than two years of continuous credited service after reemployment.

(k) Requires the pension board, if the reemployed retiree does not timely return all of the pension, to offset the amount not returned against the payment of any future retirement pension, disability pension, DROP balance, or survivor benefit payable on behalf of the reemployed retiree, plus interest on the disallowed pension at the applicable assumed rate of return, not compounded, from the date the reemployed retiree received the disallowed pension to the date of the offset on the disallowed pension, rather than against the payment of any future retirement pension, disability pension, or survivor benefit payable on behalf of the reemployed retiree. Makes a nonsubstantive change.

(l) Provides that an optional annuity election, including any designation of an eligible designated survivor, except as provided by Section 14 of this Act, if a member is covered by Subsection (h) and has made an election or was eligible to make an election under Section 11 of this Act or an optional annuity election under Section 29, Chapter 358, Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g, V.T.C.S.), or has received a pension computed on the basis of an optional annuity election, governs the payment of any pension or benefit for the period of service covered by the optional annuity election, and no other survivor benefit is payable for that period of service, rather than governs the payment of any pension or benefit and no other survivor benefit is payable.

(q) Provides that Subsections (g) through (l) do not apply to the calculation of any benefit for or attributable to certain periods of service.

(r) Requires that a deferred retiree or retiree's pension due on the retiree's subsequent retirement, if the deferred retiree or retiree subject to Subsection (q)(2) (relating to the inapplicability of service following the reemployment of certain deferred retirees) is reemployed in a pension system covered position, be computed as follows:

(1) the portion of the retiree's pension attributable to the retiree's periods of credited service that accrued before the retiree's reemployment is required to be calculated on the basis of the schedule of benefits for retiring members that was in effect at the time of the member's previous termination or terminations of employment; and

(2) the portion of the member's pension attributable to the member's period of credited service that accrued after the member's reemployment is required to be calculated on the basis of the schedule of benefits for retiring members that is in effect at the time of the member's subsequent retirement.

(s) Prohibits the computation under Subsection (r) from resulting in a lower pension benefit amount for the previous service of the retiree than the pension benefit amount the retiree was eligible to receive for the retiree's previous service before the date of reemployment.

SECTION 3.22. Amends Section 18(d), Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), as follows:

(d) Provides that the credited military service:

(1) makes a nonsubstantive change to this subdivision; and

(2) may be claimed as service solely in the group in which the member participates, rather than may be claimed as service in group A only if the member is a group A member or group C member, at the time the member claims the service.

(3) deletes this subdivision regarding claiming service in group B.

SECTION 3.23. Amends Sections 24(h) and (i), Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), as follows:

(h) and (i) Changes references to pension funds under Section 8 to pension funds under Section 8A.

SECTION 3.24. Repealer: Section 8(d) (relating to the city's contribution rate to the pension fund), Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.).

SECTION 3.25. (a) Provides that the change in law made by this Act to Section 2, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), applies only to the appointment or election of a trustee of the board of trustees of the pension system established under that law that occurs on or after the effective date of this Act.

(b) Authorizes a person who is serving as a trustee immediately before the effective date of this Act to continue to serve for the remainder of the trustee's term, and provides that that trustee's qualifications for serving as a trustee for that term are governed by the law in effect immediately before the effective date of this Act.

SECTION 3.26. Requires the pension system established under Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), to require the pension system actuary to prepare the first AES required under Section 8D, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.), as added by this Act, not later than September 30, 2021.

ARTICLE 4. PROVISIONS APPLICABLE TO EACH PUBLIC RETIREMENT SYSTEM SUBJECT TO ACT

SECTION 4.01. Amends Chapter 107, Local Government Code, by adding Section 107.0036, as follows:

Sec. 107.0036. VOTER APPROVAL REQUIRED FOR CERTAIN PENSION FUND OBLIGATIONS. (a) Provides that this section applies only to a public pension fund subject to Article 6243e.2(1), Revised Statutes; Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, V.T.C.S.); and Article 6243g-4, Revised Statutes.

(b) Authorizes a municipality to issue an obligation under Section 107.003 (Pension Fund Obligations Authorized) to fund all or any part of the unfunded liability of a public pension fund subject to this section only if the issuance is approved by a majority of the qualified voters of the municipality voting at an election held for that purpose.

SECTION 4.02. Provides that Section 107.0036, Local Government Code, as added by this Act, applies only to obligations for which the governing body of a municipality executes an agreement under Section 107.003(b) (relating to requiring the governing body of the municipality to enter into a written agreement with the governing body of the public retirement system), Local Government Code, on or after the effective date of this Act.

ARTICLE 5. CONFLICTING LEGISLATION; EFFECTIVE DATE

SECTION 5.01. Provides that, if this Act conflicts with any other Act of the 85th Legislature, Regular Session, 2017, this Act controls unless the conflict is expressly resolved by the legislature by reference to this Act.

SECTION 5.02. Effective date: upon passage, July 1, 2017, or September 1, 2017.