

By: Wentworth

S.B. No. 1778

A BILL TO BE ENTITLED

AN ACT

relating to the administration of a retirement health care plan for  
firefighters and police officers in certain municipalities.

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

SECTION 1. Section 1.02, Chapter 1332, Acts of the 75th  
Legislature, Regular Session, 1997 (Article 6243q, Vernon's Texas  
Civil Statutes), is amended by amending Subdivisions (1), (3), (4),  
and (8) and adding Subdivisions (1-a), (1-b), (6-a) through (6-e),  
(8-a), and (10) to read as follows:

(1) "Actuary" means an actuary selected by the board  
to conduct an actuarial study who is a Fellow of the Society of  
Actuaries, a Fellow of the Conference of Consulting Actuaries, or a  
member of the American Academy of Actuaries [~~"Active member" means  
a member of the fund who is an active firefighter or police officer  
of the municipality~~].

(1-a) "Annual member payroll" means the amount  
computed on the first payroll date in June of the applicable fiscal  
year that equals the product of the base pay plus additional  
compensation for employment longevity paid to all members for  
services rendered multiplied by the total number of payroll dates  
in the fiscal year.

(1-b) "Average member salary" means the amount  
computed on the first payroll date in June of the applicable fiscal  
year that equals the quotient of the annual member payroll for the

1 fiscal year divided by the number of members.

2 (3) "Beneficiary" means a retiree [~~retired police~~  
3 ~~officer, a retired firefighter~~], or the spouse or other eligible  
4 dependent of a retiree, [~~retired or deceased police officer or~~  
5 ~~retired or deceased firefighter~~] who is entitled to receive retiree  
6 health benefits under Section 5.01(a) of this Act.

7 (4) "Collective bargaining agreements [~~agreement~~]"  
8 means the [~~a~~] collectively bargained agreements in effect on  
9 January 1, 2004, [~~agreement~~] between a municipality to which this  
10 Act applies and the exclusive bargaining agents of the firefighters  
11 and police officers of the municipality under Chapter 174, Local  
12 Government Code.

13 (6-a) "Master contract document" means the master  
14 contract in effect on January 1, 2004, containing the terms and  
15 conditions of the health and medical benefits plan established  
16 under the collective bargaining agreements.

17 (6-b) "Member" means a firefighter or police officer,  
18 except as provided by Section 4.011 of this Act.

19 (6-c) "Payroll date" means the date every other week  
20 on which a municipality to which this Act applies pays regular  
21 compensation to members.

22 (6-d) "Pension act" means Chapter 824, Acts of the  
23 73rd Legislature, Regular Session, 1993 (Article 6243o, Vernon's  
24 Texas Civil Statutes).

25 (6-e) "Pension fund" means the firefighters' and  
26 police officers' pension fund of a municipality to which the  
27 pension act applies.

1           (8) "Retiree" means an individual [~~a member of the~~  
2 ~~fund~~] who was [~~formerly~~] a firefighter or police officer whose  
3 retirement date is after September 30, 1989 [~~of the municipality~~  
4 ~~and who has a right to retirement health benefits under Section 5.01~~  
5 ~~of this Act~~].

6           (8-a) "Retiree health plan" means the group family  
7 health plan for retirees and other beneficiaries established by the  
8 collective bargaining agreements and the master contract document.

9           (10) "Years of service" means the number of full years  
10 beginning on the date the firefighter or police officer becomes a  
11 member of the fund until the date the firefighter or police officer  
12 retires or otherwise terminates employment as a firefighter or  
13 police officer less any service credit for the amount of time the  
14 member is engaged in active service with any uniformed service of  
15 the United States that the member does not purchase in accordance  
16 with Section 4.023 of this Act.

17           SECTION 2. Section 1.03, Chapter 1332, Acts of the 75th  
18 Legislature, Regular Session, 1997 (Article 6243q, Vernon's Texas  
19 Civil Statutes), is amended to read as follows:

20           Sec. 1.03. APPLICABILITY. This Act applies to a paid fire  
21 and police department of a municipality with a population of  
22 1,140,000 or more but less than 1,180,000 [~~750,000 or more that has~~  
23 ~~adopted Chapter 174, Local Government Code~~].

24           SECTION 3. Subsections (a) and (b), Section 2.01, Chapter  
25 1332, Acts of the 75th Legislature, Regular Session, 1997 (Article  
26 6243q, Vernon's Texas Civil Statutes), are amended to read as  
27 follows:

1 (a) The firefighters' and police officers' retiree health  
2 care fund of a municipality is governed by a board of trustees  
3 consisting of the following nine members:

4 (1) the mayor of the municipality or the mayor's  
5 designee;

6 (2) two members of the municipal governing body,  
7 appointed by that governing body;

8 (3) two [~~active~~] members of the fund who are  
9 firefighters below the rank of fire chief, elected by secret ballot  
10 by a majority of the votes cast by the [~~active~~] members of the fund  
11 who are firefighters;

12 (4) two [~~active~~] members of the fund who are police  
13 officers below the rank of police chief, elected by secret ballot by  
14 a majority of the votes cast by the [~~active~~] members of the fund who  
15 are police officers;

16 (5) a retiree representative of the fire department,  
17 elected by secret ballot by a majority of the votes cast by the  
18 retirees of the fire department who are beneficiaries of the fund  
19 and the surviving spouses of deceased firefighters who are  
20 beneficiaries of the fund; and

21 (6) a retiree representative of the police department,  
22 elected by secret ballot by a majority of the votes cast by the  
23 retirees of the police department who are beneficiaries of the fund  
24 and the surviving spouses of deceased police officers who are  
25 beneficiaries of the fund.

26 (b) The board, through its secretary, shall administer the  
27 required elections of the [~~active~~] members and retiree trustees.

1 The board shall hold a runoff election between the two candidates  
2 receiving the most votes if no candidate receives a majority of the  
3 votes cast for a trustee position. On the executive director's  
4 certification that a candidate for trustee is eligible for office  
5 and is unopposed for election, the board shall certify the  
6 candidate as elected to the board.

7 SECTION 4. Section 2.02, Chapter 1332, Acts of the 75th  
8 Legislature, Regular Session, 1997 (Article 6243q, Vernon's Texas  
9 Civil Statutes), is amended by amending Subsections (a), (c), and  
10 (d) and adding Subsection (a-1) to read as follows:

11 (a) Subject to Subsection (a-1), the ~~[The]~~ mayor of the  
12 municipality or the mayor's designee serves on the board for the  
13 term of the mayor's office.

14 (a-1) The mayor may remove and replace the mayor's designee  
15 at the mayor's discretion.

16 (c) The two ~~[active]~~ members of the fund who are  
17 firefighters below the rank of fire chief serve on the board for  
18 staggered four-year terms, with one member's term expiring every  
19 two years.

20 (d) The two ~~[active]~~ members of the fund who are police  
21 officers below the rank of police chief serve on the board for  
22 staggered four-year terms, with one member's term expiring every  
23 two years.

24 SECTION 5. Subsections (a) and (c), Section 2.03, Chapter  
25 1332, Acts of the 75th Legislature, Regular Session, 1997 (Article  
26 6243q, Vernon's Texas Civil Statutes), are amended to read as  
27 follows:

1 (a) A trustee who is a retiree or a [~~an active~~] member of the  
2 fund may resign or may be removed by a vote of the group eligible to  
3 elect the trustee.

4 (c) A removal election must be held within 90 [~~30~~] days  
5 after the date the board certifies that a proper petition for a  
6 removal election has been signed by at least 20 percent of the  
7 persons eligible to vote to elect the trustee. A trustee's term of  
8 service ends on the entry of an order by the board declaring that a  
9 majority of the votes cast in a removal election under this section  
10 favor removal.

11 SECTION 6. Subsection (b), Section 2.04, Chapter 1332, Acts  
12 of the 75th Legislature, Regular Session, 1997 (Article 6243q,  
13 Vernon's Texas Civil Statutes), is amended to read as follows:

14 (b) The board in its discretion may elect other officers of  
15 the board. An officer may be, but is not required to be, a trustee  
16 [~~treasurer of the municipality is the treasurer of the board~~].

17 SECTION 7. Section 3.01, Chapter 1332, Acts of the 75th  
18 Legislature, Regular Session, 1997 (Article 6243q, Vernon's Texas  
19 Civil Statutes), is amended by adding Subsections (f) through (k)  
20 to read as follows:

21 (f) The board has full discretion and authority to  
22 administer the fund and the retiree health plan, construe and  
23 interpret this Act and the retiree health plan, correct any defect  
24 or omission, reconcile any inconsistency, and perform all other  
25 acts necessary to carry out the purpose of this Act and the retiree  
26 health plan and administer this Act and the retiree health plan for  
27 the greatest benefit of all members in a manner and to the extent

1 that the board considers expedient.

2 (g) A gathering of any number of trustees to investigate,  
3 research, or review prospective or current investments or otherwise  
4 attend to the trustees' fiduciary responsibilities, without formal  
5 action by the trustees, is not a deliberation or meeting under  
6 Chapter 551, Government Code, and is not required to be open to the  
7 public.

8 (h) The trustees of the fund are immune from liability for  
9 any action taken or omission made in good faith in the performance  
10 of their duties for the fund.

11 (i) Information contained in a record that is in the custody  
12 of the fund concerning a member, former member, retiree, deceased  
13 retiree, beneficiary, or alternate payee is confidential under  
14 Chapter 552, Government Code. The information may not be disclosed  
15 in a form that identifies a specific individual, unless the  
16 information is disclosed:

17 (1) to the individual;

18 (2) to the individual's spouse, attorney, guardian,  
19 executor, administrator, or conservator, or to another person the  
20 executive director or the executive director's designee determines  
21 from written documentation to be acting in the interest of the  
22 individual or the individual's estate;

23 (3) to a person authorized by the individual in  
24 writing to receive the information;

25 (4) to a government official or employee seeking the  
26 information in order to perform the duties of the official or  
27 employee; or

1           (5) under a subpoena.

2           (j) Subsection (i) of this section does not prevent the  
3 disclosure of the status or identity of an individual as a member,  
4 former member, retiree, deceased member, deceased retiree,  
5 beneficiary, or alternate payee of the fund.

6           (k) A determination and disclosure under Subsection (i) of  
7 this section does not require notice to the member, retiree,  
8 beneficiary, or alternate payee.

9           SECTION 8. The heading to Article 4, Chapter 1332, Acts of  
10 the 75th Legislature, Regular Session, 1997 (Article 6243q,  
11 Vernon's Texas Civil Statutes), is amended to read as follows:

12           ARTICLE 4. MEMBERSHIP AND CONTRIBUTIONS

13           SECTION 9. Section 4.01, Chapter 1332, Acts of the 75th  
14 Legislature, Regular Session, 1997 (Article 6243q, Vernon's Texas  
15 Civil Statutes), is amended to read as follows:

16           Sec. 4.01. MEMBERSHIP.   Each member is a member of  
17 [Membership in] the fund [shall be determined by the collective  
18 bargaining agreements].

19           SECTION 10. Article 4, Chapter 1332, Acts of the 75th  
20 Legislature, Regular Session, 1997 (Article 6243q, Vernon's Texas  
21 Civil Statutes), is amended by adding Section 4.011 to read as  
22 follows:

23           Sec. 4.011. MEMBERSHIP OF FIRE CHIEF AND CHIEF OF POLICE.  
24 Not later than the 30th day after the date a fire chief or a chief of  
25 police of a municipality assumes office, the fire chief or chief of  
26 police may make an irrevocable election to not become a member of  
27 the fund or to terminate membership in the fund by delivering



1 written notice of such election to the secretary of the board. A  
2 fire chief or chief of police who does not make an election under  
3 this subsection is considered to have chosen to become or to remain  
4 a member of the fund.

5 SECTION 11. Section 4.02, Chapter 1332, Acts of the 75th  
6 Legislature, Regular Session, 1997 (Article 6243q, Vernon's Texas  
7 Civil Statutes), is amended to read as follows:

8 Sec. 4.02. MEMBER AND BENEFICIARY CONTRIBUTIONS.

9 (a) Subject to Section 4.022 of this Act, there shall be deducted  
10 from each member's compensation and contributed to the fund on each  
11 payroll date an amount equal to the member contribution amount  
12 applicable to the fiscal year in which the payroll date occurs. The  
13 member contribution amount applicable to a fiscal year equals the  
14 amount obtained by:

15 (1) multiplying the average member salary for the  
16 preceding fiscal year by the percentage equal to 100 percent plus  
17 the estimated percentage increase in the annual member payroll from  
18 the preceding fiscal year to the fiscal year as determined by the  
19 actuary;

20 (2) multiplying the product computed under  
21 Subdivision (1) of this subsection by the percentage applicable to  
22 the fiscal year as provided in Subsection (b) of this section; and

23 (3) dividing the product computed under Subdivision  
24 (2) of this subsection by the total number of payroll dates that  
25 occur during the fiscal year [~~Contributions to the fund shall be~~  
26 ~~determined in accordance with the collective bargaining~~  
27 ~~agreements~~].

1           (b) For purposes of Subsections (a)(2) and (d)(2) of this  
2 section, the percentage applicable to each fiscal year is:

3                 (1) 2.0 percent for the fiscal year beginning October  
4 1, 2007, and ending September 30, 2008;

5                 (2) 2.7 percent for the fiscal year beginning October  
6 1, 2008, and ending September 30, 2009;

7                 (3) 3.4 percent for the fiscal year beginning October  
8 1, 2009, and ending September 30, 2010;

9                 (4) 4.1 percent for the fiscal year beginning October  
10 1, 2010, and ending September 30, 2011; and

11                 (5) 4.7 percent for the fiscal year beginning October  
12 1, 2011, and all subsequent fiscal years ~~[Any donations made to the~~  
13 ~~fund and all money received from any source for the fund shall be~~  
14 ~~deposited in the fund at the earliest opportunity].~~

15           (c) Subject to Subsection (e) of this section, to be  
16 eligible for health benefits under Section 5.01 of this Act, a  
17 service retiree or disability retiree who retired or retires with  
18 less than 30 years of service, or the retiree's surviving spouse in  
19 the case of a deceased retiree, shall continue to make monthly  
20 contributions in accordance with Subsection (d) of this section to  
21 the fund after the date of the retiree's retirement for the lesser  
22 of:

23                 (1) the period preceding the date the retiree becomes  
24 or would have become eligible for federal Medicare coverage; or

25                 (2) the period equal to 30 years less the retiree's  
26 years of service achieved on the date of the retiree's retirement  
27 ~~[The municipal contribution to and health benefits paid from the~~

1 ~~fund are a part of the compensation for services rendered to the~~  
2 ~~municipality. This Act is considered part of the contract of~~  
3 ~~employment and appointment of the firefighters and police officers~~  
4 ~~of a municipality to which this Act applies].~~

5 (d) The pension fund shall deduct the contribution required  
6 under Subsection (c) of this section from the monthly retirement  
7 benefit payment or death benefit payment paid to each retiree or  
8 retiree's spouse required to make the contributions, excluding  
9 payments made by the pension fund under Section 6.12 of the pension  
10 act. The pension fund shall deduct an amount equal to the retiree  
11 contribution amount applicable to the fiscal year in which the  
12 benefit payment occurs. The retiree contribution amount applicable  
13 to a fiscal year equals the amount obtained by:

14 (1) multiplying the average member salary for the  
15 preceding fiscal year by a percentage equal to 100 percent plus the  
16 estimated percentage increase in the annual member payroll from the  
17 preceding fiscal year to the fiscal year as determined by the  
18 actuary;

19 (2) multiplying the product computed under  
20 Subdivision (1) of this subsection by the percentage applicable to  
21 the fiscal year as provided by Subsection (b) of this section; and

22 (3) dividing the product computed under Subdivision  
23 (2) of this subsection by 12.

24 (e) A retiree who retired under the pension act as a result  
25 of a disability, or the disability retiree's surviving spouse in  
26 the case of a deceased disability retiree, is not required to make  
27 contributions under Subsection (c) of this section for more than 10

1 years following the date of the disability retiree's retirement.

2 (f) This section applies only to members who retire as a  
3 service or disability retiree after October 1, 2007, and their  
4 surviving spouses.

5 (g) The municipal contributions to and health benefits paid  
6 from the fund are a part of the compensation for services rendered  
7 to a municipality to which this Act applies. This Act is considered  
8 part of the contract of employment and appointment of the  
9 firefighters and police officers of that municipality.

10 SECTION 12. Article 4, Chapter 1332, Acts of the 75th  
11 Legislature, Regular Session, 1997 (Article 6243q, Vernon's Texas  
12 Civil Statutes), is amended by adding Sections 4.021, 4.022, and  
13 4.023 to read as follows:

14 Sec. 4.021. CONTRIBUTIONS BY A MUNICIPALITY. (a) Subject  
15 to Section 4.022 of this Act, a municipality to which this Act  
16 applies shall pay into the fund on each payroll date the municipal  
17 contribution amount applicable to the fiscal year in which the  
18 payroll date occurs. The municipal contribution amount applicable  
19 to a fiscal year equals the amount obtained by:

20 (1) multiplying the average member salary for the  
21 preceding fiscal year by the percentage equal to 100 percent plus  
22 the estimated percentage increase in the annual member payroll from  
23 the preceding fiscal year to the fiscal year as determined by the  
24 actuary;

25 (2) multiplying the product computed under  
26 Subdivision (1) of this subsection by 9.4 percent;

27 (3) dividing the product computed under Subdivision

1 (2) of this subsection by the total number of payroll dates that  
2 occur during the fiscal year; and

3 (4) multiplying the quotient computed under  
4 Subdivision (3) of this subsection by the number of individuals who  
5 are members on the payroll date.

6 (b) The municipal contributions to and health benefits paid  
7 from the fund are part of the compensation for services rendered to  
8 the municipality. This Act is considered part of the contract of  
9 employment and appointment of the firefighters and police officers  
10 of that municipality.

11 Sec. 4.022. MANDATORY ADJUSTMENTS TO RETIREE HEALTH PLAN  
12 CONTRIBUTIONS, OUT-OF-POCKET PAYMENTS, AND DEDUCTIBLES.

13 (a) Subject to Subsection (b) of this section, if on October 1,  
14 2017, the actuary determines and states in the then most recent  
15 actuarial report delivered to the board that the number of years  
16 required to fully amortize the unfunded liability of the fund is  
17 more than 30 years, the board shall modify the retiree health plan  
18 as follows:

19 (1) the amount of the contributions in effect under  
20 Sections 4.02 and 4.021 of this Act shall be increased by a  
21 percentage determined by the board not to exceed 10 percent on  
22 October 1 of each year, commencing October 1, 2017; and

23 (2) the maximum deductibles and maximum out-of-pocket  
24 payments for each individual in a calendar year and for each family  
25 in a calendar year set out in the retiree health plan then in effect  
26 shall be increased by a percentage determined by the board not to  
27 exceed 10 percent on January 1 of each year, commencing January 1,

1 2018.

2 (b) The board is not required to implement additional  
3 increases under Subsection (a) of this section if the actuary  
4 determines and states in the actuarial report delivered to the  
5 board under that subsection that the number of years required to  
6 fully amortize the unfunded liability of the fund is 30 years or  
7 less.

8 (c) Except as provided by this section, the board may not  
9 change the amount of contributions to the fund by a member under  
10 Section 4.02 of this Act or a municipality under Section 4.021 of  
11 this Act.

12 Sec. 4.023. UNIFORMED SERVICE. (a) A member of the fund  
13 who enters any uniformed service of the United States may not:

14 (1) be required to make the monthly payments into the  
15 fund as required by this Act while the member is engaged in active  
16 service with the uniformed service; or

17 (2) lose any seniority rights or retirement benefits  
18 provided by this Act because of that service.

19 (b) Not later than the 90th day after the date of the  
20 member's reinstatement to an active status in a fire or police  
21 department, the member shall file with the secretary of the board a  
22 written statement of intent to pay into the fund an amount equal to  
23 the amount the member would have paid if the member had remained on  
24 active status in the department during the period of the member's  
25 absence while in the uniformed service.

26 (c) The member shall make the payment described by  
27 Subsection (b) of this section in full within a period after the

1 member's return that is equal to three times the amount of time the  
2 member was absent, except that the maximum period for payment may  
3 not exceed five years.

4 (d) If the member does not comply with Subsections (b) and  
5 (c) of this section, the member loses all credit toward the member's  
6 years of service for the length of time the member was engaged in  
7 active service in any uniformed service.

8 (e) The amount of credit purchased under this section may  
9 not exceed the length of the active service in a uniformed service  
10 required to be credited by law.

11 (f) If the member complies with this section and makes all  
12 required payments, a municipality to which this Act applies shall  
13 make payment to the fund in an amount equal to the amount the  
14 municipality would have paid if the member had remained on active  
15 status in the department during the member's absence while in the  
16 uniformed service.

17 SECTION 13. Subsection (b), Section 4.03, Chapter 1332,  
18 Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q,  
19 Vernon's Texas Civil Statutes), is amended to read as follows:

20 (b) This fund is intended to be a voluntary employee's  
21 beneficiary association as described by Section 501(c), Internal  
22 Revenue Code of 1986 (26 U.S.C. Section 501(c)), [~~as amended,~~ and  
23 the board has the discretion to [~~may~~] take any action necessary to  
24 ensure that the fund is classified as such.

25 SECTION 14. Section 5.01, Chapter 1332, Acts of the 75th  
26 Legislature, Regular Session, 1997 (Article 6243q, Vernon's Texas  
27 Civil Statutes), is amended to read as follows:

1           Sec. 5.01. RETIREMENT HEALTH BENEFITS. (a) A person is  
2 eligible to receive health and medical benefits under this Act in  
3 accordance with the provisions of the retiree health plan in  
4 effect, except as otherwise provided by this Act.

5           (b) Health and medical benefits shall be provided by the  
6 fund to persons who are eligible to receive them under Subsection  
7 (a) of this section, in accordance with the provisions of the  
8 retiree health plan in effect, except as otherwise provided by this  
9 Act.

10          (c) The expiration of the terms, or the termination, of the  
11 collective bargaining agreements or the master contract document  
12 has no effect on the retiree health plan or the benefits provided  
13 under this Act.

14          (d) The board as it considers appropriate may modify the  
15 retiree health plan if the modifications adopted at any regular or  
16 special meeting of the board do not, in the aggregate, increase the  
17 fund's total actuarial unfunded liability, as determined by the  
18 actuary. The board has exclusive authority to modify the retiree  
19 health plan.

20          (e) The board may discontinue benefits under this section  
21 for any person who does not make the contributions required by  
22 Section 4.02 of this Act.

23          (f) On January 1, 2008, the maximum deductible for each  
24 individual in a calendar year as set out in the retiree health plan  
25 increases from \$100 or \$200, as applicable, to \$500, and the maximum  
26 deductible for each family in a calendar year as set out in the  
27 retiree health plan increases from \$200 or \$400, as applicable, to



1 \$1,000.

2 (g) The maximum out-of-pocket, including deductible,  
3 payment for each individual for each of the following calendar  
4 years as set out in the retiree health plan increases as follows:

5 (1) on January 1, 2008, from \$600 or \$700, as  
6 applicable, to \$1,500;

7 (2) on January 1, 2009, from \$1,500 to \$1,600;

8 (3) on January 1, 2010, from \$1,600 to \$1,700;

9 (4) on January 1, 2011, from \$1,700 to \$1,800; and

10 (5) on January 1, 2012, from \$1,800 to \$1,900.

11 (h) Commencing January 1, 2013, on January 1 of each year  
12 the board shall increase the amount of the maximum deductible and  
13 out-of-pocket payments established under Subsections (f) and (g) of  
14 this section by a percentage equal to the then most recently  
15 published annual percentage increase in health care costs as set  
16 out in a published index selected by the actuary that reflects  
17 annual changes in health care costs. The annual percentage  
18 increase provided for by this subsection may not exceed eight  
19 percent [~~Retirement health benefits shall be determined in~~  
20 ~~accordance with the collective bargaining agreements].~~

21 SECTION 15. Section 6.02, Chapter 1332, Acts of the 75th  
22 Legislature, Regular Session, 1997 (Article 6243q, Vernon's Texas  
23 Civil Statutes), is amended to read as follows:

24 Sec. 6.02. ACCOUNTS AND FINANCIAL REPORTS. (a) Accounts  
25 of the fund shall be kept as ordered by the board.

26 (b) The board shall require that monthly financial reports  
27 showing all fund receipts and disbursements be prepared and

1 submitted to the board.

2 SECTION 16. Subsection (c), Section 6.04, Chapter 1332,  
3 Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q,  
4 Vernon's Texas Civil Statutes), is amended to read as follows:

5 (c) The board may directly manage investments of the reserve  
6 funds or may choose to contract for professional management  
7 services. If the funds own real estate, the board may, at its  
8 discretion, establish an organization described by Section  
9 501(c)(2) or 501(c)(25), Internal Revenue Code of 1986 [~~26 U.S.C.~~  
10 ~~Section 501(c)(25)~~], as amended, to hold title to the real estate.

11 SECTION 17. Subsection (a), Section 6.05, Chapter 1332,  
12 Acts of the 75th Legislature, Regular Session, 1997 (Article 6243q,  
13 Vernon's Texas Civil Statutes), is amended to read as follows:

14 (a) The board may contract for professional investment  
15 management services, financial consultants, independent auditors,  
16 third-party administrators, preferred providers, health  
17 maintenance organizations, attorneys, and actuaries. Only the  
18 board may enter into those contracts. The board may establish a  
19 reasonable fee for compensation under those contracts.

20 SECTION 18. Section 6.06, Chapter 1332, Acts of the 75th  
21 Legislature, Regular Session, 1997 (Article 6243q, Vernon's Texas  
22 Civil Statutes), is amended to read as follows:

23 Sec. 6.06. INVESTMENT CONSULTANT [~~MANAGER~~] QUALIFICATIONS.  
24 In appointing investment consultants [~~managers~~], the board shall  
25 require that the investment consultant [~~manager~~] be:

26 (1) registered under the Investment Advisors Act of  
27 1940 (15 U.S.C. Section 80b-1 et seq.), as amended;

1           (2) a bank as defined by that Act; or

2           (3) an insurance company qualified to perform  
3 investment services under the law of more than one state.

4           SECTION 19. Section 6.01, Chapter 1332, Acts of the 75th  
5 Legislature, Regular Session, 1997 (Article 6243q, Vernon's Texas  
6 Civil Statutes), is repealed.

7           SECTION 20. Not later than the 30th day after the effective  
8 date of this Act, a person serving as the fire chief or chief of  
9 police of a municipality to which Chapter 1332, Acts of the 75th  
10 Legislature, Regular Session, 1997 (Article 6243q, Vernon's Texas  
11 Civil Statutes), applies may make an irrevocable election to not  
12 become a member of the fund or to terminate membership in the fund  
13 by delivering written notice of that election to the secretary of  
14 the board of trustees of the firefighters' and police officers'  
15 retiree health care fund of the municipality. A fire chief or chief  
16 of police who does not make an election under this section is  
17 considered to have chosen to become or remain a member of the fund.

18           SECTION 21. The changes in law made by this Act to a  
19 municipality's or a person's contributions to a fund to which this  
20 Act applies apply only to a contribution made on the first payroll  
21 date that occurs on or after the effective date of this Act.

22           SECTION 22. This Act takes effect October 1, 2007.