

By: Flynn

H.B. No. 4238

A BILL TO BE ENTITLED

AN ACT

relating to the public retirement systems of certain municipalities.

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

ARTICLE 1. FIREFIGHTERS' RELIEF AND RETIREMENT FUND

SECTION 1.01. Section 3(d), Article 6243e.2(1), Revised Statutes, is amended to read as follows:

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

SECTION 1.02. Article 6243e.2(1), Revised Statutes, is amended by adding Section 3A to read as follows:

Sec. 3A. ACTION INCREASING AMORTIZATION PERIOD. (a) Notwithstanding any other provision of this article, a rate of a member's or a municipality's contributions to or a rate of interest or the amount of a fee required for the establishment of credit in the fund may not be reduced or eliminated, a type of service may not be made creditable in the fund, a limit on the maximum permissible amount of a type of creditable service may not be removed or raised,

1 a new monetary benefit payable by the fund may not be established,
2 and the determination of the amount of a monetary benefit from the
3 fund may not be increased, if, as a result of the particular action,
4 the time, as determined by an actuarial valuation, required to
5 amortize the unfunded actuarial liabilities of the fund would be
6 increased to a period that exceeds 30 years.

7 (b) If the amortization period for the unfunded actuarial
8 liabilities of the fund exceeds 30 years at the time an action
9 described by Subsection (a) of this section is proposed, the
10 proposal may not be adopted if, as a result of the adoption, the
11 amortization period would be increased, as determined by an
12 actuarial valuation.

13 SECTION 1.03. Section 5, Article 6243e.2(1), Revised
14 Statutes, is amended by adding Subsection (s) to read as follows:

15 (s) The board may adopt rules, policies, or procedures that
16 the board determines are necessary or desirable to implement or
17 administer this section, including rules that limit the amount of a
18 member's earnings under the DROP or that limit the length of time a
19 member may elect to participate in the DROP.

20 SECTION 1.04. Section 10, Article 6243e.2(1), Revised
21 Statutes, is amended to read as follows:

22 Sec. 10. NONSTATUTORY BENEFIT INCREASES. The benefits
23 provided by this article may be increased if:

24 (1) an actuary selected by the board who, if an
25 individual, is a Fellow of the Society of Actuaries, a Fellow of the
26 Conference of Consulting Actuaries [~~in Public Practice~~], or a
27 member of the American Academy of Actuaries determines that the

1 increase complies with Section 3A of this article [~~cannot~~
2 ~~reasonably be viewed as posing a material risk of jeopardizing the~~
3 ~~fund's ability to pay any existing benefit~~];

4 (2) a majority of the participating members of the
5 fund vote for the increase by a secret ballot;

6 (3) the increase does not deprive a member, without
7 the member's written consent, of a right to receive benefits that
8 have already become fully vested and matured in a member; and

9 (4) the State Pension Review Board approves the
10 determination by the actuary selected by the board that the
11 increase complies with Section 3A of this article [~~cannot~~
12 ~~reasonably be viewed as posing a material risk of jeopardizing the~~
13 ~~fund's ability to pay any existing benefit~~].

14 SECTION 1.05. Section 13(d), Article 6243e.2(1), Revised
15 Statutes, is amended to read as follows:

16 (d) The municipality shall make contributions to the fund
17 once every two weeks in an amount equal to the product of the
18 contribution rate certified by the board and the aggregate salaries
19 paid to members of the fund during the period for which the
20 contribution is made. The board shall certify the municipality's
21 contribution rate for each year or portion of a year based on the
22 results of actuarial valuations made at least every three
23 years. The municipality's contribution rate shall be composed of
24 the normal cost plus the level percentage of salary payment
25 required to amortize the unfunded actuarial liability over a
26 [~~constant~~] period that does not exceed [~~of~~] 30 years [~~computed on~~
27 ~~the basis of an acceptable actuarial reserve funding method~~

1 ~~approved by the board~~]. Notwithstanding any other provision of
2 this article, the contributions by the municipality, when added to
3 any contributions with respect to a qualified governmental excess
4 benefit arrangement maintained in accordance with Section 14(c) of
5 this article, may not be less than twice the amount paid into the
6 fund by contributions of the members.

7 ARTICLE 2. POLICE OFFICERS' PENSION SYSTEM

8 SECTION 2.01. Article 6243g-4, Revised Statutes, is amended
9 by adding Section 6A to read as follows:

10 Sec. 6A. ACTION INCREASING AMORTIZATION PERIOD. (a)
11 Notwithstanding any other provision of this article, a rate of a
12 member's or a city's contributions to or a rate of interest or the
13 amount of a fee required for the establishment of credit in the
14 pension system may not be reduced or eliminated, a type of service
15 may not be made creditable in the pension system, a limit on the
16 maximum permissible amount of a type of creditable service may not
17 be removed or raised, a new monetary benefit payable by the pension
18 system may not be established, and the determination of the amount
19 of a monetary benefit from the pension system may not be increased,
20 if, as a result of the particular action, the time, as determined by
21 an actuarial valuation, required to amortize the unfunded actuarial
22 liabilities of the pension system would be increased to a period
23 that exceeds 30 years.

24 (b) If the amortization period for the unfunded actuarial
25 liabilities of the pension system exceeds 30 years at the time an
26 action described by Subsection (a) of this section is proposed, the
27 proposal may not be adopted if, as a result of the adoption, the

1 amortization period would be increased, as determined by an
2 actuarial valuation.

3 SECTION 2.02. Section 9(a), Article 6243g-4, Revised
4 Statutes, is amended to read as follows:

5 (a) The city shall make [~~substantially equal~~] contributions
6 to the fund [~~as soon as administratively feasible after~~] each
7 payroll period in an amount equal to the product of the contribution
8 rate certified by the board and the aggregate salaries paid to
9 members of the pension system during the period for which the
10 contribution is made. The board shall certify the city's
11 contribution rate for each year or portion of a year based on the
12 results of actuarial valuations made at least every three years.
13 For each fiscal year ending after June 30, 2005, the city's minimum
14 contribution shall be the normal cost plus the [~~greater of 16~~
15 ~~percent of the members' total direct pay or the~~] level percentage of
16 salary payment required to amortize the unfunded actuarial
17 liability over a [~~constant~~] period that does not exceed [~~of~~] 30
18 years [~~computed on the basis of an acceptable actuarial reserve~~
19 ~~funding method approved by the board~~]. [~~However, for the fiscal~~
20 ~~year ending June 30, 2002, the city's contribution shall be~~
21 ~~\$32,645,000, for the fiscal year ending June 30, 2003, the city's~~
22 ~~contribution shall be \$34,645,000, for the fiscal year ending June~~
23 ~~30, 2004, the city's contribution shall be \$36,645,000, and for the~~
24 ~~fiscal year ending June 30, 2005, the city's contribution shall be~~
25 ~~16 percent of the members' total direct pay.~~]

26 SECTION 2.03. Sections 12(c) and (e), Article 6243g-4,
27 Revised Statutes, are amended to read as follows:

1 (c) Except as provided by Section 6A of this article, the
2 ~~[The]~~ pension payable to each retired member of the pension system
3 shall be adjusted annually, effective April 1 of each year, upward
4 at a rate determined by board rule ~~[equal to two-thirds of any~~
5 ~~percentage increase in the Consumer Price Index for All Urban~~
6 ~~Consumers for the preceding year]~~. ~~[The amount of the annual~~
7 ~~adjustment may not be less than three percent or more than eight~~
8 ~~percent of the pension being paid immediately before the~~
9 ~~adjustment, notwithstanding a greater or lesser increase in the~~
10 ~~consumer price index.]~~

11 (e) Subject to Section 6A of this article, at ~~[At]~~ the end of
12 each calendar year beginning after 1998, and subject to the
13 conditions provided by this subsection, the pension system shall
14 make a 13th benefit payment to each person who is receiving a
15 service pension. The amount of the 13th payment shall be the same
16 as the last monthly payment received by the retiree or survivor
17 before issuance of the payment, except the payment received by any
18 person who has been in pay status for less than 12 months shall be
19 for a prorated amount determined by dividing the amount of the last
20 payment received by 12 and multiplying this amount by the number of
21 months the person has been in pay status. ~~[The 13th payment may be~~
22 ~~made only for those calendar years in which:~~

23 ~~[(1) the assets held by the fund will equal or exceed~~
24 ~~its liabilities after the 13th payment is made,~~

25 ~~[(2) the rate of return on the fund's assets exceeded~~
26 ~~9.25 percent for the last fiscal year ending before the payment, and~~

27 ~~[(3) the payment will not cause an increase in the~~

1 ~~contribution the city would have been required to make if the 13th~~
2 ~~payment had not been made.]~~

3 SECTION 2.04. Section 14, Article 6243g-4, Revised
4 Statutes, is amended by adding Subsection (n) to read as follows:

5 (n) The board may adopt rules, policies, or procedures that
6 the board determines are necessary or desirable to implement or
7 administer this section, including rules that limit the amount of a
8 member's earnings under the DROP or that limit the length of time a
9 member may elect to participate in the DROP.

10 ARTICLE 3. MUNICIPAL EMPLOYEES PENSION SYSTEM

11 SECTION 3.01. Chapter 88 (H.B. 1573), Acts of the 77th
12 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
13 Civil Statutes), is amended by adding Section 3A to read as follows:

14 Sec. 3A. ACTION INCREASING AMORTIZATION PERIOD. (a)
15 Notwithstanding any other provision of this Act, a rate of a
16 member's or a city's contributions to or a rate of interest or the
17 amount of a fee required for the establishment of credit in the
18 pension system may not be reduced or eliminated, a type of service
19 may not be made creditable in the pension system, a limit on the
20 maximum permissible amount of a type of creditable service may not
21 be removed or raised, a new monetary benefit payable by the pension
22 system may not be established, and the determination of the amount
23 of a monetary benefit from the pension system may not be increased,
24 if, as a result of the particular action, the time, as determined by
25 an actuarial valuation, required to amortize the unfunded actuarial
26 liabilities of the pension fund would be increased to a period that
27 exceeds 30 years.

1 (b) If the amortization period for the unfunded actuarial
2 liabilities of the pension system exceeds 30 years at the time an
3 action described by Subsection (a) of this section is proposed, the
4 proposal may not be adopted if, as a result of the adoption, the
5 amortization period would be increased, as determined by an
6 actuarial valuation.

7 SECTION 3.02. Section 8(d), Chapter 88 (H.B. 1573), Acts of
8 the 77th Legislature, Regular Session, 2001 (Article 6243h,
9 Vernon's Texas Civil Statutes), is amended to read as follows:

10 (d) The city shall make [~~periodic~~] payments into the pension
11 fund each payroll period in an amount equal to the product of the
12 contribution rate certified by the pension board and the aggregate
13 [~~percentage contribution rate multiplied by the combined~~] salaries
14 of all group A and group B members of the pension fund. The
15 contribution rate, expressed as a percentage, shall be based on the
16 results of actuarial valuations made at least every three years.
17 The city's contribution rate shall consist of the normal cost plus
18 the level percentage of salary payments required to amortize the
19 unfunded actuarial liability over a period that does not exceed 30
20 [~~of 40~~] years [~~from January 1, 1983, computed on the basis of an~~
21 ~~actuarial reserve funding method approved by the pension board~~].

22 Notwithstanding any other provision of this Act, the city's
23 contribution rate, when added to any contributions with respect to
24 a qualified governmental excess benefit arrangement maintained in
25 accordance with Section 24 of this Act, may not be an amount less
26 than the greater of 10 percent of the combined salaries of all
27 members or two times the contribution rate of group A members as

1 provided in Subsection (a) of this section.

2 SECTION 3.03. Section 10(h), Chapter 88 (H.B. 1573), Acts
3 of the 77th Legislature, Regular Session, 2001 (Article 6243h,
4 Vernon's Texas Civil Statutes), is amended to read as follows:

5 (h) Subject to Section 3A of this Act, for ~~For~~ future
6 payments only, pension and survivor benefits for all retirees and
7 eligible survivors shall be increased annually by four percent, not
8 compounded, for all persons receiving a pension or survivor benefit
9 as of January 1 of the year in which the increase is made.

10 SECTION 3.04. Section 12(q), Chapter 88 (H.B. 1573), Acts
11 of the 77th Legislature, Regular Session, 2001 (Article 6243h,
12 Vernon's Texas Civil Statutes), is amended to read as follows:

13 (q) The pension board may adopt rules for the implementation
14 and operation of the DROP, including rules:

- 15 (1) regarding the payment of DROP benefits; and
16 (2) that limit the amount of a member's earnings under
17 the DROP or that limit the length of time a member may elect to
18 participate in the DROP.

19 SECTION 3.05. Sections 15(a), (b), and (d), Chapter 88
20 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001
21 (Article 6243h, Vernon's Texas Civil Statutes), are amended to read
22 as follows:

23 (a) In addition to the postretirement increases under
24 Section 10(h) of this Act and subject to Section 3A of this Act, the
25 pension board may increase annuities payable under this Act by an
26 amount that does not exceed the annual increase in the amount of
27 premiums being paid under a group insurance program provided for

1 retirees of the city.

2 (b) The pension board may distribute a supplemental payment
3 to all retirees and eligible survivors who are receiving annuities
4 as of January 1 of the year in which the supplemental payment is
5 made. The supplemental payment shall be credited to the DROP
6 participants who are participating in the DROP as of January 1 of
7 the year in which the supplemental payment is made, if the pension
8 board's actuary determines that the payment complies with Section
9 3A of this Act ~~[as of the end of any fiscal year:~~

10 ~~[(1) the value of the pension system's assets exceeds~~
11 ~~the amount of the pension system's accrued liability,~~

12 ~~[(2) the pension system has met the actuarial~~
13 ~~investment assumption for the previous fiscal year, and~~

14 ~~[(3) the issuance of the supplemental check will not~~
15 ~~cause the city's contribution rate to increase].~~

16 (d) A pension benefit or allowance provided by this article
17 may be increased if:

18 (1) a qualified actuary selected by the pension board
19 determines that the increase complies with Section 3A of this
20 article ~~[cannot reasonably be considered to jeopardize the pension~~
21 ~~system's ability to pay any existing benefit];~~

22 (2) the increase is approved by the pension board and
23 the city in a written agreement as provided by Section 3(n) of this
24 article; and

25 (3) the increase does not deprive a member or retiree,
26 without the written consent of the member or retiree, from
27 receiving the immediate or deferred retirement benefit that the

1 member or retiree was eligible to receive under this article before
2 the increase.

3 ARTICLE 4. EFFECTIVE DATE

4 SECTION 4.01. This Act takes effect September 1, 2017.