

AN ACT

relating to the public retirement systems of certain municipalities.

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

ARTICLE 1. FIREFIGHTERS' RELIEF AND RETIREMENT FUND

SECTION 1.01. Section 1, Article 6243e.2(1), Revised Statutes, is amended by amending Subdivisions (1-a), (1-b), (3), (13-a), (15-a), (15-b), and (16) and adding Subdivisions (1-c), (1-d), (1-e), (1-f), (1-g), (3-a), (3-b), (3-c), (3-d), (10-a), (10-b), (11-a), (12-a), (12-b), (12-c), (12-d), (12-e), (12-f), (12-g), (13-b), (13-c), (13-d), (13-e), (15-c), (15-d), (15-e), (15-f), (16-a), (16-b), (16-c), (16-d), (16-e), and (16-f) to read as follows:

(1-a) "Actuarial data" includes:

(A) the census data, assumption tables, disclosure of methods, and financial information that are routinely used by the fund actuary for the fund's valuation studies or an actuarial experience study under Section 13D of this article; and

(B) other data that is reasonably necessary to implement Sections 13A through 13F of this article. [~~"Average monthly salary" means one thirty-sixth of the member's salary as a firefighter for the member's highest 78 biweekly pay periods during the member's participation in the fund or, if the member has participated in the fund for less than three years, the total salary~~

1 ~~paid to the member for the periods the member participated in the~~
2 ~~fund divided by the number of months the member has participated in~~
3 ~~the fund. If a member is not paid on the basis of biweekly pay~~
4 ~~periods, "average monthly salary" is determined on the basis of the~~
5 ~~number of pay periods under the payroll practices of the~~
6 ~~municipality sponsoring the fund that most closely correspond to 78~~
7 ~~biweekly pay periods.]~~

8 (1-b) "Actuarial experience study" has the meaning
9 assigned by Section 802.1014, Government Code [~~"Beneficiary adult~~
10 ~~child" means a child of a member by birth or adoption who:~~

11 [~~(A) is not an eligible child; and~~
12 [~~(B) is designated a beneficiary of a member's~~
13 ~~DROP account by valid designation under Section 5(j-1)].~~

14 (1-c) "Amortization period" means the time period
15 necessary to fully pay a liability layer.

16 (1-d) "Amortization rate" means the sum of the
17 scheduled amortization payments for a given fiscal year for the
18 current liability layers divided by the projected pensionable
19 payroll for that fiscal year.

20 (1-e) "Assumed rate of return" means the assumed
21 market rate of return on fund assets, which is seven percent per
22 annum unless adjusted as provided by this article.

23 (1-f) "Average monthly salary" means, if the member
24 has participated in the fund for:

25 (A) three or more years, the total salary
26 received by a member as a firefighter over the member's:

27 (i) highest 78 biweekly pay periods for a

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

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

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

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

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

21 (A) is not an eligible child; and

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

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

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

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

4 (3-b) "Corridor" means the range of municipal
5 contribution rates that are:

6 (A) equal to or greater than the minimum
7 contribution rate; and

8 (B) equal to or less than the maximum
9 contribution rate.

10 (3-c) "Corridor margin" means five percentage points.

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

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

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

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

26 (12-a) "Funded ratio" means the ratio of the fund's
27 actuarial value of assets divided by the fund's actuarial accrued

1 liability.

2 (12-b) "Legacy liability" means the unfunded
3 actuarial accrued liability:

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

6 (i) changes to benefits or contributions
7 under this article that took effect on the year 2017 effective date;
8 and

9 (ii) payments by the municipality and
10 earnings at the assumed rate of return allocated to the legacy
11 liability from July 1, 2016, to July 1, 2017, excluding July 1,
12 2017; and

13 (B) for each subsequent fiscal year:

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

16 (ii) adjusted by the assumed rate of
17 return.

18 (12-c) "Level percent of payroll method" means the
19 amortization method that defines the amount of the liability layer
20 recognized each fiscal year as a level percent of pensionable
21 payroll until the amount of the liability layer remaining is
22 reduced to zero.

23 (12-d) "Liability gain layer" means a liability layer
24 that decreases the unfunded actuarial accrued liability.

25 (12-e) "Liability layer" means the legacy liability
26 established in the initial risk sharing valuation study under
27 Section 13C of this article and the unanticipated change as

1 established in each subsequent risk sharing valuation study
2 prepared under Section 13B of this article.

3 (12-f) "Liability loss layer" means a liability layer
4 that increases the unfunded actuarial accrued liability. For
5 purposes of this article, the legacy liability is a liability loss
6 layer.

7 (12-g) "Maximum contribution rate" means the rate
8 equal to the corridor midpoint plus the corridor margin.

9 (13-a) "Minimum contribution rate" means the rate
10 equal to the corridor midpoint minus the corridor margin ["Normal
11 retirement age" means the earlier of:

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

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

16 (13-b) "Municipality" means a municipality in this
17 state having a population of more than 2 million.

18 (13-c) "Municipal contribution rate" means a percent
19 of pensionable payroll that is the sum of the employer normal cost
20 rate and the amortization rate for liability layers, except as
21 determined otherwise under the express provisions of Sections 13E
22 and 13F of this article.

23 (13-d) "Normal cost rate" means the salary weighted
24 average of the individual normal cost rates determined for the
25 current active population plus an allowance for projected
26 administrative expenses. The allowance for projected
27 administrative expenses equals the administrative expenses divided

1 by the pensionable payroll for the previous fiscal year, provided
2 the administrative allowance may not exceed 1.25 percent of the
3 pensionable payroll for the current fiscal year unless agreed to by
4 the municipality.

5 (13-e) "Normal retirement age" means:

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

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

17 (15-a) "Payoff year" means the year a liability layer
18 is fully amortized under the amortization period. A payoff year may
19 not be extended or accelerated for a period that is less than one
20 month. ["PROP" means the post-retirement option plan under Section
21 5A of this article.]

22 (15-b) "Pensionable payroll" means the aggregate
23 salary of all the firefighters on active service, including all
24 firefighters participating in an alternative retirement plan
25 established under Section 1C of this article, in an applicable
26 fiscal year ["PROP account" means the notional account established
27 to reflect the credits and contributions of a member or surviving

1 ~~spouse who has made a PROP election in accordance with Section 5A of~~
2 ~~this article].~~

3 (15-c) "Price inflation assumption" means:

4 (A) the most recent headline consumer price index
5 10-year forecast published in the Federal Reserve Bank of
6 Philadelphia Survey of Professional Forecasters; or

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

10 (15-d) "Projected pensionable payroll" means the
11 estimated pensionable payroll for the fiscal year beginning 12
12 months after the date of the risk sharing valuation study prepared
13 under Section 13B of this article at the time of calculation by:

14 (A) projecting the prior fiscal year's
15 pensionable payroll forward two years using the current payroll
16 growth rate assumptions; and

17 (B) adjusting, if necessary, for changes in
18 population or other known factors, provided those factors would
19 have a material impact on the calculation, as determined by the
20 board.

21 (15-e) "PROP" means the post-retirement option plan
22 under Section 5A of this article.

23 (15-f) "PROP account" means the notional account
24 established to reflect the credits and contributions of a member or
25 surviving spouse who made a PROP election in accordance with
26 Section 5A of this article before the year 2017 effective date.

27 (16) "Salary" means wages as defined by Section

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

11 (16-a) "Third quarter line rate" means the corridor
12 midpoint plus 2.5 percentage points.

13 (16-b) "Ultimate entry age normal" means an actuarial
14 cost method under which a calculation is made to determine the
15 average uniform and constant percentage rate of contributions that,
16 if applied to the compensation of each member during the entire
17 period of the member's anticipated covered service, would be
18 required to meet the cost of all benefits payable on the member's
19 behalf based on the benefits provisions for newly hired employees.
20 For purposes of this definition, the actuarial accrued liability
21 for each member is the difference between the member's present
22 value of future benefits based on the tier of benefits that apply to
23 the member and the member's present value of future normal costs
24 determined using the normal cost rate.

25 (16-c) "Unfunded actuarial accrued liability" means
26 the difference between the actuarial accrued liability and the
27 actuarial value of assets. For purposes of this definition:

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

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

10 (16-d) "Unanticipated change" means, with respect to
11 the unfunded actuarial accrued liability in each subsequent risk
12 sharing valuation study prepared under Section 13B of this article,
13 the difference between:

14 (A) the remaining balance of all then-existing
15 liability layers as of the date of the risk sharing valuation study;
16 and

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

19 (16-e) "Unused leave pay" means the accrued value of
20 unused leave time payable to an employee after separation from
21 service in accordance with applicable law and agreements.

22 (16-f) "Year 2017 effective date" means the date on
23 which S.B. No. 2190, Acts of the 85th Legislature, Regular Session,
24 2017, took effect.

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

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

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

7 (2) reduce or modify the rights of the municipality,
8 the board, or the fund, including any officer or employee of the
9 municipality, board, or fund, to enforce obligations described by
10 Subdivision (1) of this section;

11 (3) relieve the municipality, including any official
12 or employee of the municipality, from:

13 (A) paying or directing to pay required
14 contributions to the fund under Section 13 or 13A of this article or
15 carrying out the provisions of Sections 13A through 13F of this
16 article; or

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

20 (4) relieve the board or fund, including any officer
21 or employee of the board or fund, from any obligation to implement a
22 benefit change or carry out the provisions of Sections 13A through
23 13F of this article; or

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

27 Sec. 1B. FISCAL YEAR. If either the fund or the

1 municipality changes its respective fiscal year, the fund and the
2 municipality may enter into a written agreement to change the
3 fiscal year for purposes of this article. If the fund and
4 municipality enter into an agreement described by this section, the
5 parties shall, in the agreement, adjust the provisions of Sections
6 13A through 13F of this article to reflect that change.

7 Sec. 1C. ALTERNATIVE RETIREMENT PLANS. (a) In this
8 section, "salary-based benefit plan" means a retirement plan
9 provided by the fund under this article that provides member
10 benefits calculated in accordance with a formula that is based on
11 multiple factors, one of which is the member's salary at the time of
12 the member's retirement.

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

18 (c) Notwithstanding any other law, including Section 13G of
19 this article, if, beginning with the final risk sharing valuation
20 study prepared under Section 13B of this article on or after July 1,
21 2021, either the funded ratio of the fund is less than 65 percent as
22 determined in the final risk sharing valuation study without making
23 any adjustments under Section 13E or 13F of this article, or the
24 funded ratio of the fund is less than 65 percent as determined in a
25 revised and restated risk sharing valuation study prepared under
26 Section 13B(a)(7) of this article, the board and the municipality
27 shall, as soon as practicable but not later than the 60th day after

1 the date the determination is made:

2 (1) enter into a written agreement to establish a cash
3 balance retirement plan that complies with Section 1D of this
4 article; and

5 (2) require each firefighter first hired by the
6 municipality on or after the 90th day after the date the cash
7 balance retirement plan is established to participate in the cash
8 balance retirement plan established under this subsection instead
9 of participating in the salary-based benefit plan, provided the
10 firefighter would have otherwise been eligible to participate in
11 the salary-based benefit plan.

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

14 (1) "Cash balance plan participant" means a
15 firefighter who participates in a cash balance retirement plan.

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

19 (3) "Interest" means the interest credited to a cash
20 balance plan participant's notional account, which may not:

21 (A) exceed a percentage rate equal to the cash
22 balance retirement plan's most recent five fiscal years' smoothed
23 rate of return; or

24 (B) be less than zero percent.

25 (4) "Salary-based benefit plan" has the meaning
26 assigned by Section 1C of this article.

27 (b) The written agreement establishing a cash balance

1 retirement plan must:

2 (1) provide for the administration of the cash balance
3 retirement plan;

4 (2) provide for a closed amortization period not to
5 exceed 20 years from the date an actuarial gain or loss is realized;

6 (3) provide for the crediting of municipal and cash
7 balance plan participant contributions to each cash balance plan
8 participant's notional account;

9 (4) provide for the crediting of interest to each cash
10 balance plan participant's notional account;

11 (5) include a vesting schedule;

12 (6) include benefit options, including options for
13 cash balance plan participants who separate from service prior to
14 retirement;

15 (7) provide for death and disability benefits;

16 (8) allow a cash balance plan participant who is
17 eligible to retire under the plan to elect to:

18 (A) receive a monthly annuity payable for the
19 life of the cash balance plan participant in an amount actuarially
20 determined on the date of the cash balance plan participant's
21 retirement based on the cash balance plan participant's accumulated
22 notional account balance annuitized in accordance with the
23 actuarial assumptions and actuarial methods established in the most
24 recent actuarial experience study conducted under Section 13D of
25 this article, except that the assumed rate of return applied may not
26 exceed the fund's assumed rate of return in the most recent risk
27 sharing valuation study; or

1 (B) receive a single, partial lump-sum payment
2 from the cash balance plan participant's accumulated notional
3 account balance and a monthly annuity payable for life in an amount
4 determined in accordance with Paragraph (A) of this subdivision
5 based on the cash balance plan participant's notional account
6 balance after receiving the partial lump-sum payment; and

7 (9) include any other provision determined necessary
8 by:

9 (A) the board and the municipality; or

10 (B) the fund for purposes of maintaining the
11 tax-qualified status of the fund under Section 401 of the code.

12 (c) Notwithstanding any other law, including Section 13 of
13 this article, a firefighter who participates in a cash balance
14 retirement plan:

15 (1) subject to Subsection (d) of this section, is not
16 eligible to be a member of and may not participate in the fund's
17 salary-based benefit plan; and

18 (2) may not accrue years of participation or establish
19 service credit in the salary-based benefit plan during the period
20 the firefighter is participating in the cash balance retirement
21 plan.

22 (d) A cash balance plan participant is considered a member
23 for purposes of Sections 13A through 13H of this article.

24 (e) At the time the cash balance retirement plan is
25 implemented, the employer normal cost rate of the cash balance
26 retirement plan may not exceed the employer normal cost rate for the
27 salary-based benefit plan.

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

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

6 (b) The board of trustees of the fund shall be known as the
7 "(name of municipality) Firefighters' Relief and Retirement Fund
8 Board of Trustees" and the fund shall be known as the "(name of
9 municipality) Firefighters' Relief and Retirement Fund." The board
10 consists of 10 trustees, including:

11 (1) the mayor or an appointed representative of the
12 mayor;

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

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

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

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

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

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

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

18 (1) is not already engaged by the fund or any other
19 pension system authorized under Article 6243g-4, Revised Statutes,
20 or Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular
21 Session, 2001 (Article 6243h, Vernon's Texas Civil Statutes), to
22 provide actuarial services to the fund or pension system, as
23 applicable;

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

26 (3) is a fellow of the Society of Actuaries or a member
27 of the American Academy of Actuaries and who, in carrying out duties

1 for the municipality, has met the applicable requirements to issue
2 statements of actuarial opinion.

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

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

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

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

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

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

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

27 (6) an evaluation of fees and trading costs;

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

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

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

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

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

17 Sec. 3A. CERTAIN ALTERATIONS BY LOCAL AGREEMENT.

18 (a) Except as provided by Subsection (b) of this section, the
19 board is authorized, on behalf of the members or beneficiaries of
20 the fund, to alter benefit types or amounts, the means of
21 determining contribution rates, or the contribution rates provided
22 under this article if the alteration is included in a written
23 agreement between the board and the municipality. An agreement
24 entered into under this section:

25 (1) must:

26 (A) if the agreement concerns benefit increases,
27 other than benefit increases that are the result of Section 13E of

1 this article, adhere to the processes and standards set forth in
2 Section 10 of this article; and

3 (B) operate prospectively only; and

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

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

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

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

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

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

20 (c) If the board is directed or authorized in Sections 13A
21 through 13F of this article to effect an increase or decrease to
22 benefits or contributions, this article delegates the authority to
23 alter provisions concerning benefits and contributions otherwise
24 stated in this article in accordance with the direction or
25 authorization only to the extent the alteration is set forth in an
26 order or other written instrument and is consistent with this
27 section, the code, and other applicable federal law and

1 regulations. The order or other written instrument must be
2 included in each applicable risk sharing valuation study under
3 Section 13B or 13C of this article, as applicable, adopted by the
4 board, and published in a manner that makes the order or other
5 written instrument accessible to the members.

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

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

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

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

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

26 (1) Subsection (a)(1) of this section is equal to the
27 sum of:

1 (A) the member's accrued monthly service pension
2 based on the member's years of participation before the year 2017
3 effective date, determined under the law in effect on the date
4 immediately preceding the year 2017 effective date;

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

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

15 (2) Subsection (a)(2) of this section is equal to the
16 sum of:

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

20 (B) two percent of the member's average monthly
21 salary multiplied by the member's years or partial years of
22 participation for all years of participation that occurred after
23 the 20 years of participation described by Paragraph (A) of this
24 subdivision.

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

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

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

23 SECTION 1.08. Section 5, Article 6243e.2(1), Revised
24 Statutes, is amended by amending Subsections (a), (b), (c), (d),
25 and (m) and adding Subsections (a-1), (b-1), (b-2), (d-1), (d-2),
26 and (e-1) to read as follows:

27 (a) A member who is eligible to receive a service pension

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

15 (a-1) The monthly benefit of a [A] DROP participant who has
16 at least 20 years of participation on the year 2017 effective date
17 [participant's monthly benefit at retirement] is increased at
18 retirement by two percent of the amount of the member's original
19 benefit for every full year of participation in the DROP by the
20 member for up to 10 years of participation in the DROP. For a
21 member's final year of participation, but not beyond the member's
22 10th year in the DROP, if a full year of participation is not
23 completed, the member shall receive a prorated increase of 0.166
24 percent of the member's original benefit for each month of
25 participation in that year. An increase provided by this
26 subsection does not apply to benefits payable under Subsection (1)
27 of this section. An increase under this subsection is applied to

1 the member's benefit at retirement and is not added to the member's
 2 DROP account. The total increase under this subsection may not
 3 exceed 20 percent for 10 years of participation in the DROP by the
 4 member.

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

22 (b-1) On or after the year 2017 effective date, an active
 23 [A] member may not participate in the DROP for more than 13 [10]
 24 years. If a DROP participant remains in active service after the
 25 13th [10th] anniversary of the effective date of the member's DROP
 26 election:

27 (1) [7] subsequent deductions from the member's salary

1 under Section 13(c) of this article, except for unused leave pay,
2 may not be credited to the member's DROP account; and

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

7 (b-2) For a member who is a DROP participant, the fund shall
8 credit to the member's DROP account, in accordance with Section
9 13(c-1) of this article, the amount of unused leave pay otherwise
10 payable to the member and received as a contribution to the fund
11 from the municipality.

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

22 (d) A member's DROP account shall be credited with earnings
23 at an annual rate equal to 65 percent of the compounded average
24 annual return earned by the fund over the five years preceding, but
25 not including, the year during which the credit is given.
26 Notwithstanding the preceding, however, the credit to the member's
27 DROP account shall be at an annual rate of not less than 2.5 [~~five~~]

1 percent [~~not greater than 10 percent~~], irrespective of actual
2 earnings.

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

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

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

22 (m) A DROP participant with a break in service may receive
23 service credit within DROP for days worked after the regular
24 expiration of the maximum [~~permitted~~] DROP participation period
25 prescribed by this section. The service credit shall be limited to
26 the number of days in which the participant experienced a break in
27 service or the number of days required to constitute 13 [~~10~~] years

1 of DROP participation, whichever is smaller. A retired member who
2 previously participated in the DROP and who returns to active
3 service is subject to the terms of this section in effect at the
4 time of the member's return to active service.

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

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

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

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

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

17 Sec. 8. DEFERRED PENSION AT AGE 50; REFUND OF
18 CONTRIBUTIONS. (a) On or after the year 2017 effective date, a [A]
19 member who is hired as a firefighter before the year 2017 effective
20 date, including a member who was hired before the year 2017
21 effective date and who involuntarily separated from service but has
22 been retroactively reinstated in accordance with an arbitration,
23 civil service, or court ruling, terminates active service for any
24 reason other than death with at least 10 years of participation, but
25 less than 20 years of participation, is entitled to a monthly
26 deferred pension benefit, beginning at age 50, in an amount equal to
27 1.7 percent of the member's average monthly salary multiplied by

1 the amount of the member's years of participation.

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

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

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

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

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

26 (c-2) Subject to Subsection (c-3) of this section and except
27 as provided by Subsection (c-4) of this section, for the fund's

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

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

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

13 SECTION 1.12. The heading to Section 13, Article
14 6243e.2(1), Revised Statutes, is amended to read as follows:

15 Sec. 13. MEMBERSHIP AND MEMBER CONTRIBUTIONS.

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

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

25 (c-1) In addition to the contribution under Subsection (c)
26 of this section, each DROP participant, as identified by the fund to
27 the municipality for purposes of this subsection, shall contribute

1 to the fund an amount equal to 100 percent of the participant's
2 unused leave pay that would otherwise be payable to the member. The
3 fund shall credit any unused leave pay amount contributed by a DROP
4 participant to the participant's DROP account.

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

9 SECTION 1.14. Article 6243e.2(1), Revised Statutes, is
10 amended by adding Sections 13A, 13B, 13C, 13D, 13E, 13F, 13G, and
11 13H to read as follows:

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

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

24 (2) for each fiscal year after the fiscal year ending
25 June 30, 2018, an amount equal to the municipal contribution rate,
26 as determined in a subsequent risk sharing valuation study
27 conducted under Section 13B of this article and adjusted under

1 Section 13E or 13F of this article, as applicable, multiplied by the
2 pensionable payroll for the applicable fiscal year.

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

9 (c) With respect to each fiscal year:

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

15 (2) the final contribution by the municipality under
16 this section for the fiscal year shall be made not later than the
17 date payment is made to firefighters for the final biweekly pay
18 period of the fiscal year.

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

23 (e) Notwithstanding any other law, the municipality may not
24 issue a pension obligation bond to fund the municipal contribution
25 rate under this section.

26 Sec. 13B. RISK SHARING VALUATION STUDIES. (a) The fund
27 and the municipality shall separately cause their respective

1 actuaries to prepare a risk sharing valuation study in accordance
2 with this section and actuarial standards of practice. A risk
3 sharing valuation study must:

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

6 (2) be included in the fund's standard valuation study
7 prepared annually for the fund;

8 (3) calculate the unfunded actuarial accrued
9 liability of the fund;

10 (4) be based on actuarial data provided by the fund
11 actuary or, if actuarial data is not provided, on estimates of
12 actuarial data;

13 (5) estimate the municipal contribution rate, taking
14 into account any adjustments required under Section 13E or 13F of
15 this article for all applicable prior fiscal years;

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

19 (A) an ultimate entry age normal actuarial
20 method;

21 (B) for purposes of determining the actuarial
22 value of assets:

23 (i) except as provided by Subparagraph (ii)
24 of this paragraph and Section 13E(c)(1) or 13F(c)(2) of this
25 article, an asset smoothing method recognizing actuarial losses and
26 gains over a five-year period applied prospectively beginning on
27 the year 2017 effective date; and

1 (ii) for the initial risk sharing valuation
2 study prepared under Section 13C of this article, a
3 marked-to-market method applied as of June 30, 2016;

4 (C) closed layered amortization of liability
5 layers to ensure that the amortization period for each layer begins
6 12 months after the date of the risk sharing valuation study in
7 which the liability layer is first recognized;

8 (D) each liability layer is assigned an
9 amortization period;

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

16 (F) the amortization period for each liability
17 gain layer being:

18 (i) equal to the remaining amortization
19 period on the largest remaining liability loss layer and the two
20 layers must be treated as one layer such that if the payoff year of
21 the liability loss layer is accelerated or extended, the payoff
22 year of the liability gain layer is also accelerated or extended; or

23 (ii) if there is no liability loss layer, a
24 period of 30 years from the first day of the fiscal year beginning
25 12 months after the date of the risk sharing valuation study in
26 which the liability gain layer is first recognized;

27 (G) liability layers, including the legacy

1 liability, funded according to the level percent of payroll method;

2 (H) the assumed rate of return, subject to
3 adjustment under Section 13E(c)(2) of this article or, if Section
4 13C(g) of this article applies, adjustment in accordance with a
5 written agreement, except the assumed rate of return may not exceed
6 seven percent per annum;

7 (I) the price inflation assumption as of the most
8 recent actuarial experience study, which may be reset by the board
9 by plus or minus 50 basis points based on that actuarial experience
10 study;

11 (J) projected salary increases and payroll
12 growth rate set in consultation with the municipality's finance
13 director; and

14 (K) payroll for purposes of determining the
15 corridor midpoint and municipal contribution rate must be projected
16 using the annual payroll growth rate assumption, which for purposes
17 of preparing any amortization schedule may not exceed three
18 percent; and

19 (7) be revised and restated, if appropriate, not later
20 than:

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

23 (B) the 30th day after the date required action
24 is taken by the board under Section 13E or 13F of this article to
25 reflect any changes required by either section.

26 (b) As soon as practicable after the end of a fiscal year,
27 the fund actuary at the direction of the fund and the municipal

1 actuary at the direction of the municipality shall separately
2 prepare a proposed risk sharing valuation study based on the fiscal
3 year that just ended.

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

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

12 (1) the fund actuary, at the direction of the fund,
13 shall provide the proposed risk sharing valuation study prepared by
14 the fund actuary under Subsection (b) of this section to the
15 municipal actuary; and

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

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

23 (f) If, after exchanging proposed risk sharing valuation
24 studies under Subsection (d) of this section, it is found that the
25 difference between the estimated municipal contribution rate
26 recommended in the proposed risk sharing valuation study prepared
27 by the fund actuary and the estimated municipal contribution rate

1 recommended in the proposed risk sharing valuation study prepared
2 by the municipal actuary for the corresponding fiscal year is:

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

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

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

20 (i) subject to any adjustments under
21 Section 13E or 13F of this article, as applicable, the estimated
22 municipal contribution rate proposed under the reconciliation by
23 the fund actuary will be the estimated municipal contribution rate
24 for purposes of Subsection (a)(5) of this section; and

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

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

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

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

22 (g) The assumptions and methods used and the types of
23 actuarial data and financial information used to prepare the
24 initial risk sharing valuation study under Section 13C of this
25 article shall be used to prepare each subsequent risk sharing
26 valuation study under this section, unless changed based on the
27 actuarial experience study conducted under Section 13D of this

1 article.

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

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

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

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

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

21 (1) the fund shall provide to the municipal actuary,
22 under a confidentiality agreement, the necessary actuarial data
23 used by the fund actuary to prepare the proposed initial risk
24 sharing valuation study; and

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

27 (A) the municipal actuary, at the direction of

1 the municipality, shall provide a proposed initial risk sharing
2 valuation study to the fund actuary; and

3 (B) the fund actuary, at the direction of the
4 fund, shall provide a proposed initial risk sharing valuation study
5 to the municipal actuary.

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

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

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

22 (A) if, as a result of reconciliation efforts
23 under this subdivision, the difference in any fiscal year is
24 reduced to less than or equal to two percentage points, the
25 estimated municipal contribution rate recommended by the fund
26 actuary for that fiscal year will be the estimated municipal
27 contribution rate for purposes of Section 13B(a)(5) of this

1 article; or

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

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

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

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

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

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

26 (e) If the municipal actuary does not prepare an initial
27 risk sharing valuation study for purposes of this section, the fund

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

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

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

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

20 (2) for any fiscal year after the payoff year of the
21 legacy liability.

22 (h) If the municipality and the board have not entered into
23 an agreement described by Subsection (g) of this section in a given
24 fiscal year, the corridor midpoint will be the corridor midpoint
25 determined for the 31st fiscal year in the initial risk sharing
26 valuation study prepared in accordance with this section.

27 (i) If the municipality makes a contribution to the fund of

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

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

14 (b) Except as otherwise expressly provided by Sections
15 13B(a)(6)(A)-(I) of this article, actuarial assumptions and
16 methods used in the preparation of a risk sharing valuation study,
17 other than the initial risk sharing valuation study, shall be based
18 on the results of the most recent actuarial experience study.

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

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

26 (2) summaries of the reconciled actuarial data used in
27 creation of the actuarial experience study.

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

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

16 (f) The municipal actuary at the direction of the
17 municipality shall provide in writing to the fund actuary and the
18 fund:

19 (1) any assumptions and methods recommended by the
20 municipal actuary that differ from the assumptions and methods
21 recommended by the fund actuary; and

22 (2) the municipal actuary's rationale for each method
23 or assumption the actuary recommends and determines to be
24 consistent with standards adopted by the Actuarial Standards Board.

25 (g) Not later than the 30th day after the date the fund
26 actuary receives the municipal actuary's written recommended
27 assumptions and methods and rationale under Subsection (f) of this

1 section, the fund shall provide a written response to the
2 municipality identifying any assumption or method recommended by
3 the municipal actuary that the fund does not accept. If any
4 assumption or method is not accepted, the fund shall recommend to
5 the municipality the names of three independent actuaries for
6 purposes of this section.

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

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

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

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

21 (i) Not later than the 20th day after the date the
22 municipality receives the list of three independent actuaries under
23 Subsection (g) of this section, the municipality shall identify and
24 the fund shall hire one of the listed independent actuaries on terms
25 acceptable to the municipality and the fund to perform a scope of
26 work acceptable to the municipality and the fund. The municipality
27 and the fund each shall pay 50 percent of the cost of the

1 independent actuary engaged under this subsection. The
2 municipality shall be provided the opportunity to participate in
3 any communications between the independent actuary and the fund
4 concerning the engagement, engagement terms, or performance of the
5 terms of the engagement.

6 (j) The independent actuary engaged under Subsection (i) of
7 this section shall receive on request from the municipality or the
8 fund:

9 (1) the fund's draft actuarial experience study,
10 including all assumptions and methods recommended by the fund
11 actuary;

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

14 (3) the municipal actuary's specific recommended
15 assumptions and methods together with the municipal actuary's
16 written rationale for each recommendation;

17 (4) the fund actuary's written rationale for its
18 recommendations; and

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

23 (k) Not later than the 30th day after the date the
24 independent actuary receives all the requested information under
25 Subsection (j) of this section, the independent actuary shall
26 advise the fund and the municipality whether it agrees with the
27 assumption or method recommended by the municipal actuary or the

1 corresponding method or assumption recommended by the fund actuary,
2 together with the independent actuary's rationale for making the
3 determination. During the period prescribed by this subsection,
4 the independent actuary may discuss recommendations in
5 simultaneous consultation with the fund actuary and the municipal
6 actuary.

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

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

19 (n) If the board does not adopt an assumption or method
20 recommended by the municipal actuary to which the independent
21 actuary agrees, or recommended by the fund actuary, the municipal
22 actuary is authorized to use that recommended assumption or method
23 in connection with preparation of a subsequent risk sharing
24 valuation study under Section 13B of this article until the next
25 actuarial experience study is conducted.

26 Sec. 13E. MUNICIPAL CONTRIBUTION RATE WHEN ESTIMATED
27 MUNICIPAL CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT;

1 AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This section governs
2 the determination of the municipal contribution rate applicable in
3 a fiscal year if the estimated municipal contribution rate is lower
4 than the corridor midpoint.

5 (b) If the funded ratio is:

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

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

10 (A) equal to or greater than the minimum
11 contribution rate, the estimated municipal contribution rate is the
12 municipal contribution rate for the fiscal year; or

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

18 (c) For purposes of Subsection (b)(2)(B) of this section,
19 the following adjustments shall be applied sequentially to the
20 extent required to increase the estimated municipal contribution
21 rate to equal the minimum contribution rate:

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

25 (2) second, under a written agreement between the
26 municipality and the board entered into not later than April 30
27 before the first day of the next fiscal year, reduce the assumed

1 rate of return;

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

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

15 (d) If the funded ratio is:

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

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

19 (B) the applicable fiscal year is the payoff year
20 for the legacy liability; and

21 (C) for each fiscal year subsequent to the fiscal
22 year described by Paragraph (B) of this subdivision, the corridor
23 midpoint shall be determined as provided by Section 13C(g) of this
24 article; and

25 (2) greater than 100 percent in a written agreement
26 between the municipality and the fund, the fund may reduce member
27 contributions or increase pension benefits if, as a result of the

1 action:

2 (A) the funded ratio is not less than 100
3 percent; and

4 (B) the municipal contribution rate is not more
5 than the minimum contribution rate.

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

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

19 Sec. 13F. MUNICIPAL CONTRIBUTION RATE WHEN ESTIMATED
20 MUNICIPAL CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR
21 MIDPOINT; AUTHORIZATION FOR CERTAIN ADJUSTMENTS. (a) This
22 section governs the determination of the municipal contribution
23 rate in a fiscal year when the estimated municipal contribution
24 rate is equal to or greater than the corridor midpoint.

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

26 (1) less than or equal to the maximum contribution
27 rate for the corresponding fiscal year, the estimated municipal

1 contribution rate is the municipal contribution rate; or

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

7 (c) For purposes of Subsection (b)(2) of this section, the
8 following adjustments shall be applied sequentially to the extent
9 required to decrease the estimated municipal contribution rate to
10 equal the corridor midpoint:

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

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

21 (d) If the municipal contribution rate after adjustment
22 under Subsection (c) of this section is greater than the third
23 quarter line rate:

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

26 (2) to the extent necessary to comply with Subdivision
27 (1) of this subsection, the municipality and the board shall enter

1 into a written agreement to increase member contributions and make
2 other benefit or plan changes not otherwise prohibited by
3 applicable federal law or regulations.

4 (e) If an agreement under Subsection (d)(2) of this section
5 is not reached on or before April 30 before the first day of the next
6 fiscal year, before the start of the next fiscal year to which the
7 municipal contribution rate would apply, the board, to the extent
8 necessary to set the municipal contribution rate equal to the third
9 quarter line rate, shall:

10 (1) increase member contributions and decrease
11 cost-of-living adjustments;

12 (2) increase the normal retirement age; or

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

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

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

23 (1) in the risk sharing valuation study for the third
24 fiscal year described by Subsection (f) of this section, adjusting
25 the actuarial value of assets to equal the current market value of
26 assets, if making the adjustment causes the municipal contribution
27 rate to decrease; and

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

3 (A) increasing member contributions; and

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

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

11 (1) increase member contributions and decrease
12 cost-of-living adjustments;

13 (2) increase the normal retirement age; or

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

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

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

24 (b) No unilateral decision or action by the board is binding
25 on the municipality and no unilateral decision or action by the
26 municipality is binding on the fund with respect to the application
27 of Sections 13A through 13F of this article unless expressly

1 provided by a provision of those sections. Nothing in this
2 subsection is intended to limit the powers or authority of the
3 board.

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

8 Sec. 13H. STATE PENSION REVIEW BOARD; REPORT. (a) After
9 preparing a final risk sharing valuation study under Section 13B or
10 13C of this article, the fund and the municipality shall jointly
11 submit a copy of the study or studies, as appropriate, to the State
12 Pension Review Board for a determination that the fund and
13 municipality are in compliance with this article.

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

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

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

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

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

14 (1) include information described by Subsection (a) of
15 this section; or

16 (2) provide confidential or private information
17 regarding specific individuals or be grouped in a manner that
18 allows confidential or private information regarding a specific
19 individual to be discerned.

20 (h) The information, data, and document exchanges under
21 Sections 13A through 13F of this article have all the protections
22 afforded by applicable law and are expressly exempt from the
23 disclosure requirements under Chapter 552, Government Code, except
24 as may be agreed to by the municipality and fund in a written
25 agreement.

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

27 (1) a proposed risk sharing valuation study prepared

1 by the fund actuary and provided to the municipal actuary or
2 prepared by the municipal actuary and provided to the fund actuary
3 under Section 13B(d) or 13C(b)(2); or

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

6 (j) Before a union contract is approved by the municipality,
7 the mayor of the municipality shall cause the municipal actuaries
8 to deliver to the mayor a report estimating the impact of the
9 proposed union contract on fund costs.

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

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

17 ARTICLE 2. POLICE OFFICERS' PENSION SYSTEM

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

20 Sec. 1. PURPOSE. The purpose of this article is to restate
21 and amend the provisions of former law creating and governing a
22 police officers pension system in each city in this state having a
23 population of two [~~1.5~~] million or more, according to the most
24 recent federal decennial census, and to reflect changes agreed to
25 by the city and the board of trustees of the pension system under
26 Section 27 of this article. The pension system shall continue to
27 operate regardless of whether the city's population falls below two

1 [~~1.5~~] million.

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

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

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

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

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

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

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

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

26 (5) reduce or modify the rights of the city and any
27 officer or employee of the city to enforce an obligation described

1 by Subdivision (4) of this section.

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

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

21 (1-a) "Actuarial data" includes:

22 (A) the census data, assumption tables,
23 disclosure of methods, and financial information that are routinely
24 used by the pension system actuary for the pension system's
25 valuation studies or an actuarial experience study under Section 9C
26 of this article; and

27 (B) other data that is reasonably necessary to

1 implement Sections 9 through 9E of this article, as agreed to by the
2 city and the board.

3 (1-b) "Actuarial experience study" has the meaning
4 assigned by Section 802.1014, Government Code.

5 (1-c) "Amortization period" means the time period
6 necessary to fully pay a liability layer.

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

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

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

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

24 (4-a) "Catastrophic injury" means a sudden, violent,
25 life-threatening, duty-related injury sustained by an active
26 member that is due to an externally caused motor vehicle accident,
27 gunshot wound, aggravated assault, or other external event or

1 events and results, as supported by evidence, in one of the
2 following conditions:

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

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

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

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

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

15 (4-b) "City" means a city subject to this article.

16 (4-c) "City contribution rate" means a percent of
17 pensionable payroll that is the sum of the employer normal cost rate
18 and the amortization rate for liability layers, except as
19 determined otherwise under the express provisions of Sections 9D
20 and 9E of this article.

21 (4-d) "Classified" means any person classified by the
22 city as a police officer.

23 (5-a) "Corridor" means the range of city contribution
24 rates that are:

25 (A) equal to or greater than the minimum
26 contribution rate; and

27 (B) equal to or less than the maximum

1 contribution rate.

2 (5-b) "Corridor margin" means five percentage points.

3 (5-c) "Corridor midpoint" means the projected city
4 contribution rate specified for each fiscal year for 31 years in the
5 initial risk sharing valuation study under Section 9B of this
6 article, as may be adjusted under Section 9D or 9E of this article,
7 and in each case rounded to the nearest hundredths decimal place.

8 (10-a) "Employer normal cost rate" means the normal
9 cost rate minus the member contribution rate.

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

14 (10-c) "Fiscal year," except as provided by Section 2A
15 of this article, means a fiscal year beginning July 1 and ending
16 June 30.

17 (10-d) "Final average pay" means the pay received by a
18 member over the last 78 biweekly pay periods ending before the
19 earlier of:

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

22 (B) the date the member began participation in
23 DROP, divided by 36.

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

1 (12-a) "Funded ratio" means the ratio of the pension
2 system's actuarial value of assets divided by the pension system's
3 actuarial accrued liability.

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

9 (13-a) "Legacy liability" means the unfunded
10 actuarial accrued liability as of June 30, 2016, as reduced to
11 reflect:

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

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

17 (C) payments by the city and earnings at the
18 assumed rate of return allocated to the legacy liability from July
19 1, 2016, to July 1, 2017, excluding July 1, 2017; and

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

23 (13-b) "Level percent of payroll method" means the
24 amortization method that defines the amount of the liability layer
25 recognized each fiscal year as a level percent of pensionable
26 payroll until the amount of the liability layer remaining is
27 reduced to zero.

1 (13-c) "Liability gain layer" means a liability layer
2 that decreases the unfunded actuarial accrued liability.

3 (13-d) "Liability layer" means the legacy liability
4 established in the initial risk sharing valuation study under
5 Section 9B of this article and the unanticipated change as
6 established in each subsequent risk sharing valuation study
7 prepared under Section 9A of this article.

8 (13-e) "Liability loss layer" means a liability layer
9 that increases the unfunded actuarial accrued liability. For
10 purposes of this article, the legacy liability is a liability loss
11 layer.

12 (13-f) "Maximum contribution rate" means the rate
13 equal to the corridor midpoint plus the corridor margin.

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

16 (14-b) "Normal cost rate" means the salary weighted
17 average of the individual normal cost rates determined for the
18 current active population plus an allowance for projected
19 administrative expenses. The allowance for projected
20 administrative expenses equals the administrative expenses divided
21 by the pensionable payroll for the previous fiscal year, provided
22 the administrative allowance may not exceed one percent of
23 pensionable payroll for the current fiscal year unless agreed to by
24 the city.

25 (14-c) "Normal retirement age" means:

26 (A) for a member hired before October 9, 2004,
27 including a member hired before October 9, 2004, who involuntarily

1 separated from service but was retroactively reinstated under an
2 arbitration, civil service, or court ruling after October 9, 2004,
3 the earlier of:

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

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

9 (B) except as provided by Paragraph (A) of this
10 subdivision, for a member hired or rehired on or after October 9,
11 2004, the age at which the sum of the member's age in years and years
12 of service equals at least 70.

13 (15-a) "Pay," unless the context requires otherwise,
14 means wages as defined by Section 3401(a) of the code, plus any
15 amounts that are not included in gross income by reason of Section
16 104(a)(1), 125, 132(f), 402(g)(2), 457, or 414(h)(2) of the code,
17 less any pay received for overtime work, exempt time pay, strategic
18 officer staffing program pay, motorcycle allowance, clothing
19 allowance, or mentor pay. The definition of "pay" for purposes of
20 this article may only be amended by written agreement of the board
21 and the city under Section 27 of this article.

22 (15-b) "Payoff year" means the year a liability layer
23 is fully amortized under the amortization period. A payoff year may
24 not be extended or accelerated for a period that is less than one
25 month.

26 (16-a) "Pension obligation bond" means a bond issued
27 in accordance with Chapter 107, Local Government Code.

1 (16-b) "Pensionable payroll" means the combined
2 salaries, in an applicable fiscal year, paid to all:

3 (A) active members; and

4 (B) if applicable, participants in any
5 alternative retirement plan established under Section 2B of this
6 article, including a cash balance retirement plan established under
7 that section.

8 (17) "Pension system" or "system," unless the context
9 requires otherwise, means the retirement and disability plan for
10 employees of any police department subject to this article.

11 (17-a) "Police department" means one or more law
12 enforcement agencies designated as a police department by a city.

13 (17-b) "Price inflation assumption" means:

14 (A) the most recent headline consumer price index
15 10-year forecast published in the Federal Reserve Bank of
16 Philadelphia Survey of Professional Forecasters; or

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

21 (17-c) "Projected pensionable payroll" means the
22 estimated pensionable payroll for the fiscal year beginning 12
23 months after the date of the risk sharing valuation study prepared
24 under Section 9A of this article, as applicable, at the time of
25 calculation by:

26 (A) projecting the prior fiscal year's
27 pensionable payroll projected forward two years by using the

1 current payroll growth rate assumptions; and

2 (B) adjusting, if necessary, for changes in
3 population or other known factors, provided those factors would
4 have a material impact on the calculation, as determined by the
5 board.

6 (17-d) "Retired member" means a member who has
7 separated from service and who is eligible to receive an immediate
8 service or disability pension under this article.

9 (17-e) "Salary" means pay provided for the classified
10 position in the police department held by the employee.

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

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

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

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

1 for each member is the difference between the member's present
2 value of future benefits based on the tier of benefits that apply to
3 the member and the member's present value of future normal costs
4 determined using the normal cost rate.

5 (27) "Unfunded actuarial accrued liability" means the
6 difference between the actuarial accrued liability and the
7 actuarial value of assets. For purposes of this definition:

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

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

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

21 (A) the remaining balance of all then-existing
22 liability layers as of the date of the risk sharing valuation study;
23 and

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

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

1 2017, took effect.

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

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

9 Sec. 2B. ALTERNATIVE RETIREMENT PLANS. (a) In this
10 section, "salary-based benefit plan" means a retirement plan
11 provided by the pension system under this article that provides
12 member benefits calculated in accordance with a formula that is
13 based on multiple factors, one of which is the member's salary at
14 the time of the member's retirement.

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

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

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

6 (1) enter into a written agreement under Section 27 of
7 this article to establish a cash balance retirement plan that
8 complies with Section 2C of this article; and

9 (2) require each employee first hired by the city on or
10 after the 90th day after the date the cash balance retirement plan
11 is established to participate in the cash balance retirement plan
12 established under this subsection instead of participating in the
13 salary-based benefit plan, provided the employee would have
14 otherwise been eligible to participate in the salary-based benefit
15 plan.

16 (d) If the city fails to deliver the proceeds of the pension
17 obligation bonds described by Section 9B(j)(1) of this article
18 within the time prescribed by that subdivision, notwithstanding the
19 funded ratio of the pension system, the board and the city may not
20 establish a cash balance retirement plan under Subsection (c) of
21 this section.

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

24 (1) "Cash balance plan participant" means an employee
25 who participates in a cash balance retirement plan.

26 (2) "Cash balance retirement plan" means a cash
27 balance retirement plan established by written agreement under

1 Section 2B(b) of this article or Section 2B(c) of this article.

2 (3) "Interest" means the interest credited to a cash
3 balance plan participant's notional account, which may not:

4 (A) exceed a percentage rate equal to the cash
5 balance retirement plan's most recent five fiscal years' smoothed
6 rate of return; or

7 (B) be less than zero percent.

8 (4) "Salary-based benefit plan" has the meaning
9 assigned by Section 2B of this article.

10 (b) The written agreement establishing a cash balance
11 retirement plan must:

12 (1) provide for the administration of the cash balance
13 retirement plan;

14 (2) provide for a closed amortization period not to
15 exceed 20 years from the date an actuarial gain or loss is realized;

16 (3) provide for the crediting of city and cash balance
17 plan participant contributions to each cash balance plan
18 participant's notional account;

19 (4) provide for the crediting of interest to each cash
20 balance plan participant's notional account;

21 (5) include a vesting schedule;

22 (6) include benefit options, including options for
23 cash balance plan participants who separate from service prior to
24 retirement;

25 (7) provide for death and disability benefits;

26 (8) allow a cash balance plan participant who is
27 eligible to retire under the plan to elect to:

1 (A) receive a monthly annuity payable for the
2 life of the cash balance plan participant in an amount actuarially
3 determined on the date of the cash balance plan participant's
4 retirement based on the cash balance plan participant's accumulated
5 notional account balance annuitized in accordance with the
6 actuarial assumptions and actuarial methods established in the most
7 recent actuarial experience study conducted under Section 9C of
8 this article, except that the assumed rate of return applied may not
9 exceed the pension system's assumed rate of return in the most
10 recent risk sharing valuation study; or

11 (B) receive a single, partial lump-sum payment
12 from the cash balance plan participant's accumulated account
13 balance and a monthly annuity payable for life in an amount
14 determined in accordance with Paragraph (A) of this subdivision
15 based on the cash balance plan participant's notional account
16 balance after receiving the partial lump-sum payment; and

17 (9) include any other provision determined necessary
18 by:

19 (A) the board and the city; or

20 (B) the pension system for purposes of
21 maintaining the tax-qualified status of the pension system under
22 Section 401 of the code.

23 (c) Notwithstanding any other law, including Sections 2(1),
24 11, and 12 of this article, an employee who participates in a cash
25 balance retirement plan:

26 (1) subject to Subsection (d) of this section, is not
27 eligible to be an active member of and may not participate in the

1 salary-based benefit plan; and

2 (2) may not accrue years of service or establish
3 service credit in the salary-based benefit plan during the period
4 the employee is participating in the cash balance retirement plan.

5 (d) A cash balance plan participant is considered an active
6 member for purposes of Sections 9 through 9G of this article.

7 (e) At the time of implementation of the cash balance
8 retirement plan, the employer normal cost rate of the cash balance
9 retirement plan may not exceed the employer normal cost rate of the
10 salary-based benefit plan.

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

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

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

17 (1) the administrative head of the city or the
18 administrative head's authorized representative;

19 (2) three employees of the police department having
20 membership in the pension system, elected by the active, inactive,
21 and retired members of the pension system;

22 (3) two retired members who are receiving pensions
23 from the system, who are elected by the active, inactive, and
24 retired members of the pension system, and who are not:

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

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

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

2 or

3 (ii) Chapter 88 (H.B. 1573), Acts of the
4 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
5 Texas Civil Statutes)~~[, elected by the active, inactive, and~~
6 ~~retired members of the pension system]; and~~

7 (4) the director of finance ~~[treasurer]~~ of the city or
8 the person discharging the duties of the director of finance, or the
9 director's designee ~~[city treasurer]~~.

10 (i) If a candidate for either an active or retired board
11 member position does not receive a majority vote for that position,
12 a runoff election for that position shall be held. The board shall
13 establish a policy for general and runoff elections for purposes of
14 this subsection.

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

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

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

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

24 Sec. 4. BOARD MEMBER LEAVE AND COMPENSATION. (a) The city
25 shall allow active members who are trustees to promptly attend all
26 board and committee meetings. The city shall allow trustees the
27 time required to travel to and attend educational workshops and

1 legislative hearings and to attend to other pension system
2 business, including meetings regarding proposed amendments to this
3 article, if attendance is consistent with a trustee's duty to the
4 board [~~Elected members of the board who are employees of the city's~~
5 ~~police department are entitled to leave from their employer to~~
6 ~~attend to the official business of the pension system and are not~~
7 ~~required to report to the city or any other governmental entity~~
8 ~~regarding travel or the official business of the pension system,~~
9 ~~except when on city business~~].

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

18 [~~(c)~~] The board, by an affirmative vote of at least four board
19 members, may elect to reimburse board members who are not employees
20 of the city for their time while attending to official business of
21 the pension system. The amount of any reimbursement may not exceed
22 \$750 [~~\$350~~] a month for each affected board member.

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

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

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

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

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

12 (b) Notwithstanding Subsection (a) of this section, the
13 city actuary must at least meet the qualifications required by the
14 board for the pension system actuary. The city actuary is not
15 required to have greater qualifications than those of the pension
16 system actuary.

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

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

1 (c) The protection from liability provided by this section
2 is cumulative of and in addition to any other constitutional,
3 statutory, or common law official or governmental immunity,
4 defense, and civil or procedural protection provided to the city or
5 pension system as a governmental entity and to a city or pension
6 system official or employee as an official or employee of a
7 governmental entity. Except for a waiver expressly provided by
8 this article, this article does not grant an implied waiver of any
9 immunity.

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

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

14 (1) administer the pension system;

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

17 (3) subject to Section 9F of this article, correct any
18 defect, supply any omission, and reconcile any inconsistency that
19 appears in this article; [7] and

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

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

27 (g) The board, if reasonably necessary in the course of

1 performing a board function, may issue process or subpoena a
2 witness or the production of a book, record, or other document as to
3 any matter affecting retirement, disability, or death benefits
4 under any pension plan provided by the pension system. The
5 presiding officer of the board may issue, in the name of the board,
6 a subpoena only if a majority of the board approves. The presiding
7 officer of the board, or the presiding officer's designee, shall
8 administer an oath to each witness. A peace officer shall serve a
9 subpoena issued by the board. If the person to whom a subpoena is
10 directed fails to comply, the board may bring suit to enforce the
11 subpoena in a district court of the county in which the person
12 resides or in the county in which the book, record, or other
13 document is located. If the district court finds that good cause
14 exists for issuance of the subpoena, the court shall order
15 compliance. The district court may modify the requirements of a
16 subpoena that the court finds are unreasonable. Failure to obey the
17 order of the district court is punishable as contempt.

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

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

3 (2) to an individual or entity actually providing for
4 the needs of and caring for the person, as trustee for the person;
5 or

6 (3) to a public agency or private charitable
7 organization providing assistance or services to the aged or
8 incapacitated that agrees to accept and manage the payment for the
9 benefit of the person as a trustee.

10 (j) The board or its designee is not responsible for
11 overseeing how a person to whom payment is made under Subsection (i)
12 of this section uses or otherwise applies the payments. Payments
13 made under Subsection (i) of this section constitute a complete
14 discharge of the pension system's liability and obligation to the
15 person on behalf of whom payment is made.

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

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

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

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

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

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

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

27 (c) With respect to each fiscal year:

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

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

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

27 (e) [(e)] The governing body of a city to which this article

1 applies by ordinance or resolution may provide that the city pick up
 2 active member contributions required by Section 8 of this article
 3 so that the contributions of all active members of the pension
 4 system qualify as picked-up contributions under Section 414(h)(2)
 5 of the code. If the governing body of a city adopts an ordinance or
 6 resolution under this section, the city, the board, and any other
 7 necessary party shall implement the action as soon as practicable.
 8 Contributions picked up as provided by this subsection shall be
 9 included in the determination of an active member's [~~total direct~~]
 10 pay, deposited to the individual account of the active member on
 11 whose behalf they are made, and treated for all purposes, other than
 12 federal tax purposes, in the same manner and with like effect as if
 13 they had been deducted from the salary of, and made by, the active
 14 member.

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

18 (g) Subsection (f) of this section does not affect changes
 19 to an amortization schedule of a liability layer under Section
 20 9A(a)(6)(F), 9B(i), or 9D(c)(4) of this article.

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

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

27 Sec. 9A. RISK SHARING VALUATION STUDIES. (a) The pension

1 system and the city shall separately cause their respective
2 actuaries to prepare a risk sharing valuation study in accordance
3 with this section and actuarial standards of practice. A risk
4 sharing valuation study must:

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

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

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

11 (4) be based on actuarial data provided by the pension
12 system actuary or, if actuarial data is not provided, on estimates
13 of actuarial data;

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

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

20 (A) an ultimate entry age normal actuarial
21 method;

22 (B) for purposes of determining the actuarial
23 value of assets:

24 (i) except as provided by Subparagraph (ii)
25 of this paragraph and Section 9D(c)(1) or 9E(c)(2) of this article,
26 an asset smoothing method recognizing actuarial losses and gains
27 over a five-year period applied prospectively beginning on the year

1 2017 effective date; and
2 (ii) for the initial risk sharing valuation
3 study prepared under Section 9B of this article, a marked-to-market
4 method applied as of June 30, 2016;
5 (C) closed layered amortization of liability
6 layers to ensure that the amortization period for each layer begins
7 12 months after the date of the risk sharing valuation study in
8 which the liability layer is first recognized;
9 (D) each liability layer is assigned an
10 amortization period;
11 (E) each liability loss layer amortized over a
12 period of 30 years from the first day of the fiscal year beginning
13 12 months after the date of the risk sharing valuation study in
14 which the liability loss layer is first recognized, except that the
15 legacy liability must be amortized from July 1, 2016, for a 30-year
16 period beginning July 1, 2017;
17 (F) the amortization period for each liability
18 gain layer being:
19 (i) equal to the remaining amortization
20 period on the largest remaining liability loss layer and the two
21 layers must be treated as one layer such that if the payoff year of
22 the liability loss layer is accelerated or extended, the payoff
23 year of the liability gain layer is also accelerated or extended; or
24 (ii) if there is no liability loss layer, a
25 period of 30 years from the first day of the fiscal year beginning
26 12 months after the date of the risk sharing valuation study in
27 which the liability gain layer is first recognized;

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

3 (H) the assumed rate of return, subject to
4 adjustment under Section 9D(c)(2) of this article or, if Section
5 9B(g) of this article applies, adjustment in accordance with a
6 written agreement entered into under Section 27 of this article,
7 except the assumed rate of return may not exceed seven percent per
8 annum;

9 (I) the price inflation assumption as of the most
10 recent actuarial experience study, which may be reset by the board
11 by plus or minus 50 basis points based on that actuarial experience
12 study;

13 (J) projected salary increases and payroll
14 growth rate set in consultation with the city's finance director;
15 and

16 (K) payroll for purposes of determining the
17 corridor midpoint and city contribution rate must be projected
18 using the annual payroll growth rate assumption, which for purposes
19 of preparing any amortization schedule may not exceed three
20 percent; and

21 (7) be revised and restated, if appropriate, not later
22 than:

23 (A) the date required by a written agreement
24 entered into between the city and the board; or

25 (B) the 30th day after the date required action
26 is taken by the board under Section 9D or 9E of this article to
27 reflect any changes required by either section.

1 (b) As soon as practicable after the end of a fiscal year,
2 the pension system actuary at the direction of the pension system
3 and the city actuary at the direction of the city shall separately
4 prepare a proposed risk sharing valuation study based on the fiscal
5 year that just ended.

6 (c) Not later than September 30 following the end of the
7 fiscal year, the pension system shall provide to the city actuary,
8 under a confidentiality agreement with the board in which the city
9 actuary agrees to comply with the confidentiality provisions of
10 Section 29 of this article, the actuarial data described by
11 Subsection (a)(4) of this section.

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

14 (1) the pension system actuary, at the direction of
15 the pension system, shall provide the proposed risk sharing
16 valuation study prepared by the pension system actuary under
17 Subsection (b) of this section to the city actuary; and

18 (2) the city actuary, at the direction of the city,
19 shall provide the proposed risk sharing valuation study prepared by
20 the city actuary under Subsection (b) of this section to the pension
21 system actuary.

22 (e) Each actuary described by Subsection (d) of this section
23 may provide copies of the proposed risk sharing valuation studies
24 to the city or to the pension system, as appropriate.

25 (f) If, after exchanging proposed risk sharing valuation
26 studies under Subsection (d) of this section, it is found that the
27 difference between the estimated city contribution rate

1 recommended in the proposed risk sharing valuation study prepared
2 by the pension system actuary and the estimated city contribution
3 rate recommended in the proposed risk sharing valuation study
4 prepared by the city actuary for the corresponding fiscal year is:

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

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

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

22 (i) the estimated city contribution rate
23 proposed under the reconciliation by the pension system actuary
24 will be the estimated city contribution rate for purposes of
25 Subsection (a)(5) of this section; and

26 (ii) the pension system's risk sharing
27 valuation study is considered to be the final risk sharing

1 valuation study for the fiscal year for the purposes of this
2 article; or

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

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

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

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

1 initial risk sharing valuation study under Section 9B of this
2 article shall be used to prepare each subsequent risk sharing
3 valuation study under this section, unless changed based on the
4 actuarial experience study conducted under Section 9C of this
5 article.

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

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

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

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

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

25 (1) the pension system shall provide to the city
26 actuary, under a confidentiality agreement, the necessary
27 actuarial data used by the pension system actuary to prepare the

1 proposed initial risk sharing valuation study; and

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

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

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

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

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

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

25 (A) if, as a result of reconciliation efforts
26 under this subdivision, the difference in any fiscal year is
27 reduced to less than or equal to two percentage points, the

1 estimated city contribution rate recommended by the pension system
2 actuary for that fiscal year will be the estimated city
3 contribution rate for purposes of Section 9A(a)(5) of this article;
4 or

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

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

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

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

27 (1) adjust the actuarial value of assets to be equal to

1 the market value of assets as of July 1, 2016;

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

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

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

19 (f) If the pension system actuary does not prepare a
20 proposed initial risk sharing valuation study for purposes of this
21 section, the proposed initial risk sharing valuation study prepared
22 by the city actuary will be the final risk sharing valuation study
23 for purposes of this article.

24 (g) The city and the board may agree on a written transition
25 plan for resetting the corridor midpoint:

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

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

3 (h) If the city and the board have not entered into an
4 agreement described by Subsection (g) of this section in a given
5 fiscal year, the corridor midpoint will be the corridor midpoint
6 determined for the 31st fiscal year in the initial risk sharing
7 valuation study prepared in accordance with this section.

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

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

17 (1) if the city fails to deliver the proceeds of
18 pension obligation bonds totaling \$750 million on or before March
19 31, 2018, the board shall:

20 (A) except as provided by Paragraph (B) of this
21 subdivision, immediately rescind, prospectively, any or all
22 benefit changes made effective under S.B. No. 2190, Acts of the
23 85th Legislature, Regular Session, 2017, as of the year 2017
24 effective date; or

25 (B) reestablish the deadline for the delivery of
26 pension obligation bond proceeds, which may not be later than May
27 31, 2018, reserving the right to rescind the benefit changes

1 authorized by this subdivision if the bond proceeds are not
2 delivered by the reestablished deadline; and

3 (2) subject to Subsection (k) of this section, if the
4 board rescinds benefit changes under Subdivision (1) of this
5 subsection or pension obligation bond proceeds are not delivered on
6 or before December 31, 2017, the initial risk sharing valuation
7 study shall be prepared again and restated without assuming the
8 delivery of the pension obligation bond proceeds, the later
9 delivery of pension obligation bond proceeds, or the rescinded
10 benefit changes, as applicable, and the resulting city contribution
11 rate will become effective in the fiscal year following the
12 completion of the restated initial risk sharing valuation study.

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

16 (1) ending June 30, 2019, if the board does not
17 reestablish the deadline under Subsection (j)(1) of this section;
18 or

19 (2) immediately following the reestablished deadline,
20 if the board reestablishes the deadline under Subsection (j)(1) of
21 this section and the city fails to deliver the pension obligation
22 bond proceeds described by Subsection (j)(1) of this section by the
23 reestablished deadline.

24 Sec. 9C. ACTUARIAL EXPERIENCE STUDIES. (a) At least once
25 every four years, the pension system actuary at the direction of the
26 pension system shall conduct an actuarial experience study in
27 accordance with actuarial standards of practice. The actuarial

1 experience study required by this subsection must be completed not
2 later than September 30 of the year in which the study is required
3 to be conducted.

4 (b) Except as otherwise expressly provided by Sections
5 9A(a)(6)(A)-(I) of this article, actuarial assumptions and methods
6 used in the preparation of a risk sharing valuation study, other
7 than the initial risk sharing valuation study, shall be based on the
8 results of the most recent actuarial experience study.

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

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

16 (2) summaries of the reconciled actuarial data used in
17 creation of the actuarial experience study.

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

1 (e) At the city actuary's written request, the pension
2 system shall provide additional actuarial data used by the pension
3 system actuary to prepare the draft actuarial experience study,
4 provided that confidential data may only be provided subject to a
5 confidentiality agreement in which the city actuary agrees to
6 comply with the confidentiality provisions of Section 29 of this
7 article.

8 (f) The city actuary at the direction of the city shall
9 provide in writing to the pension system actuary and the pension
10 system:

11 (1) any assumptions and methods recommended by the
12 city actuary that differ from the assumptions and methods
13 recommended by the pension system actuary; and

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

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

26 (h) An actuary may only be recommended, selected, or engaged
27 by the pension system as an independent actuary under this section

1 if the person:

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

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

10 and

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

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

26 (j) The independent actuary engaged under Subsection (i) of
27 this section shall receive on request from the city or the pension

1 system:

2 (1) the pension system's draft actuarial experience
3 study, including all assumptions and methods recommended by the
4 pension system actuary;

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

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

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

12 (5) if requested by the independent actuary and
13 subject to a confidentiality agreement in which the independent
14 actuary agrees to comply with the confidentiality provisions of
15 this article, additional confidential actuarial data.

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

27 (l) The pension system and the city may not seek any

1 information from any prospective independent actuary about
2 possible outcomes of the independent actuary's review.

3 (m) If an independent actuary has questions or concerns
4 regarding an engagement entered into under this section, the
5 independent actuary shall simultaneously consult with both the city
6 actuary and the pension system actuary regarding the questions or
7 concerns. This subsection does not limit the pension system's
8 authorization to take appropriate steps to complete the engagement
9 of the independent actuary on terms acceptable to both the pension
10 system and the city or to enter into a confidentiality agreement
11 with the independent actuary, if needed.

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

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

25 (b) If the funded ratio is:

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

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

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

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

11 (c) For purposes of Subsection (b)(2)(B) of this section,
12 the following adjustments shall be applied sequentially to the
13 extent required to increase the estimated city contribution rate to
14 equal the minimum contribution rate:

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

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

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

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

8 (d) If the funded ratio is:

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

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

12 (B) the applicable fiscal year is the payoff year
13 for the legacy liability; and

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

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

22 (A) the funded ratio is not less than 100
23 percent; and

24 (B) the city contribution rate is not more than
25 the minimum contribution rate.

26 (e) Except as provided by Subsection (f) of this section, if
27 an agreement under Subsection (d) of this section is not reached on

1 or before April 30 before the first day of the next fiscal year,
2 before the first day of the next fiscal year the board shall reduce
3 member contributions and implement or increase cost of living
4 adjustments, but only to the extent that the city contribution rate
5 is set at or below the minimum contribution rate and the funded
6 ratio is not less than 100 percent.

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

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

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

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

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

27 (c) For purposes of Subsection (b)(2) of this section, the

1 following adjustments shall be applied sequentially to the extent
2 required to decrease the estimated city contribution rate to equal
3 the corridor midpoint:

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

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

14 (d) If the city contribution rate after adjustment under
15 Subsection (c) of this section is greater than the third quarter
16 line rate:

17 (1) the city contribution rate equals the third
18 quarter line rate; and

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

24 (e) If an agreement under Subsection (d)(2) of this section
25 is not reached on or before April 30 before the first day of the next
26 fiscal year, before the start of the next fiscal year to which the
27 city contribution rate would apply, the board, to the extent

1 necessary to set the city contribution rate equal to the third
2 quarter line rate, shall:

3 (1) increase member contributions and decrease
4 cost-of-living adjustments;

5 (2) increase the normal retirement age; or

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

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

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

16 (1) in the risk sharing valuation study for the third
17 fiscal year described by Subsection (f) of this section, adjusting
18 the actuarial value of assets to equal the current market value of
19 assets, if making the adjustment causes the city contribution rate
20 to decrease; and

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

23 (A) increasing member contributions; and

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

26 (h) If an agreement under Subsection (g)(2) of this section
27 is not reached on or before April 30 before the first day of the next

1 fiscal year, before the start of the next fiscal year, the board, to
2 the extent necessary to set the city contribution rate equal to the
3 corridor midpoint, shall:

4 (1) increase member contributions and decrease
5 cost-of-living adjustments;

6 (2) increase the normal retirement age; or

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

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

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

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

19 Sec. 9G. STATE PENSION REVIEW BOARD; REPORT. (a) After
20 preparing a final risk sharing valuation study under Section 9A or
21 9B of this article, the pension system and the city shall jointly
22 submit a copy of the study or studies, as appropriate, to the State
23 Pension Review Board for a determination that the pension system
24 and city are in compliance with this article.

25 (b) Not later than the 30th day after the date an action is
26 taken under Section 9D or 9E of this article, the pension system
27 shall submit a report to the State Pension Review Board regarding

1 any actions taken under those sections.

2 (c) The State Pension Review Board shall notify the
3 governor, the lieutenant governor, the speaker of the house of
4 representatives, and the legislative committees having principal
5 jurisdiction over legislation governing public retirement systems
6 if the State Pension Review Board determines the pension system or
7 the city is not in compliance with Sections 9 through 9F of this
8 article.

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

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

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

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

25 (3) the pension system's portfolio structure,
26 including the system's need for liquidity, cash income, real
27 return, and inflation protection and the active, passive, or index

1 approaches for different portions of the portfolio;

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

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

6 (6) evaluation of fees and trading costs;

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

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

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

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

16 (2) any nonpublic information provided for the pension
17 system for the review.

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

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

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

25 (c) A member may not have any service credited for unused
26 sick leave, vacation pay, ~~[or]~~ accumulated overtime, or equivalent
27 types of pay until the date the member retires, at which time the

1 member may apply some or all of the service to satisfy the
2 requirements for retirement, although the member otherwise could
3 not meet the service requirement without the credit.

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

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

26 (b) Except as otherwise provided by this section, including
27 Subsection (b-3) of this section, the monthly service pension of a

1 member who:

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

7 (A) 2.75 percent of the member's final average
8 [~~total direct~~] pay multiplied by the member's years or partial
9 years of service [~~or, if the member retired before November 24,~~
10 ~~1998, 2.75 percent of the member's base salary,~~] for [~~each of~~] the
11 member's first 20 years of service; and

12 (B) [~~, plus an additional~~] two percent of the
13 member's final average [~~total direct~~] pay multiplied by the
14 member's years or partial years of service for the member's years of
15 service in excess of the 20 years of service described by Paragraph
16 (A) of this subdivision; or

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

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

24 (B) two percent of the member's final average pay
25 multiplied by the member's years or partial years of service in
26 excess of 20 years of service described by Paragraph (A) of this
27 subdivision [~~for each of the member's subsequent years of service,~~

1 ~~computed to the nearest one-twelfth of a year].~~

2 (b-1) A member who [~~separates from service after November~~
3 ~~23, 1998, including a member who was a DROP participant, and]~~ begins
4 to receive a monthly service pension under Subsection (b)(1) of
5 this section shall also receive a one-time lump-sum payment of
6 \$5,000 at the same time the first monthly pension payment is made.
7 The lump-sum payment under this subsection is not available to a
8 member who has previously received a \$5,000 payment under this
9 section or Section 16 of this article. A member described by
10 Subsection (b)(2) of this section may not receive the lump-sum
11 payment described by this subsection.

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

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

18 (c) Subject to Subsection (c-2) of this section, beginning
19 with the fiscal year ending June 30, 2021, the [The] pension payable
20 to a [each] retired member or survivor who is 55 years of age or
21 older as of April 1 of the applicable fiscal year, a member or
22 survivor who received benefits or survivor benefits before June 8,
23 1995, or a survivor of an active member who dies from a cause
24 connected with the performance of the member's duties [of the
25 pension system] shall be adjusted annually, effective April 1 of
26 each year, upward at a rate equal to the most recent five fiscal
27 years' smoothed return, as determined by the pension system

1 actuary, minus 500 basis points [~~two-thirds of any percentage~~
2 ~~increase in the Consumer Price Index for All Urban Consumers for the~~
3 ~~preceding year. The amount of the annual adjustment may not be less~~
4 ~~than three percent or more than eight percent of the pension being~~
5 ~~paid immediately before the adjustment, notwithstanding a greater~~
6 ~~or lesser increase in the consumer price index].~~

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

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

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

27 (e) At the end of each calendar year beginning after 1998,

1 and subject to the conditions provided by this subsection, the
 2 pension system shall make a 13th benefit payment to each member or
 3 survivor who is hired or rehired before October 9, 2004, including a
 4 member hired or rehired before October 9, 2004, who was reinstated
 5 under arbitration, civil service, or a court ruling after that
 6 date, and [person] who is receiving a service pension. The amount
 7 of the 13th payment shall be the same as the last monthly payment
 8 received by the retiree or survivor before issuance of the payment,
 9 except the payment received by any person who has been in pay status
 10 for less than 12 months shall be for a prorated amount determined by
 11 dividing the amount of the last payment received by 12 and
 12 multiplying this amount by the number of months the person has been
 13 in pay status. The 13th payment may be made only for those calendar
 14 years in which the pension system's funded ratio is 120 percent or
 15 greater[+]

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

18 ~~[(2) the rate of return on the fund's assets exceeded~~
 19 ~~9.25 percent for the last fiscal year ending before the payment, and~~

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

23 (h) Final average [~~Average total direct~~] pay for a member
 24 who retires after participating in a phase-down program in which
 25 the member receives a periodic payment that is generated from the
 26 member's accumulated sick time, vacation time, and overtime
 27 balances shall be based on the final average pay the member received

1 on the earlier of the date:

2 (1) immediately preceding the date the member began
3 phase-down participation; or

4 (2) if the member began DROP participation on or after
5 the year 2017 effective date, the member began participation in
6 DROP [~~highest pay period, excluding any pay for overtime work, in~~
7 ~~the periods during which the member worked full-time before~~
8 ~~participating in the phase-down program].~~

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

12 (j) A member participating in the phase-down program,
13 defined in the 2011 labor agreement between the city and the police
14 officers' union, who has separated from service is eligible to
15 receive a monthly service pension as if the member had attained
16 normal retirement age. Notwithstanding any other law, a member
17 participating in option A or B of the phase-down program whose
18 effective date of entry into DROP is on or before the year 2017
19 effective date is, on exiting the phase-down program and separating
20 from service, eligible to receive a monthly service pension equal
21 to the amount credited to the member's DROP account under Section
22 14(d) of this article immediately before the member separated from
23 service.

24 (k) If a member is hired on or after October 9, 2004, the
25 member may elect to receive a partial lump-sum optional payment
26 equal to not more than 20 percent of the actuarial value of the
27 member's accrued pension at retirement. The lump-sum payment under

1 this subsection shall be actuarially neutral. Notwithstanding any
2 other law, if a member elects to receive a lump-sum payment under
3 this subsection, the value of the member's monthly service pension
4 shall be reduced actuarially to reflect the lump-sum payment.

5 (1) A member who is receiving workers' compensation
6 payments or who has received workers' compensation and subsequently
7 retires or begins participation in DROP will have the member's
8 pension or DROP benefit, as applicable, calculated on the pay that
9 the member would have received had the member not been receiving
10 workers' compensation benefits.

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

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

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

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

25 (b) An active member who was hired before October 9, 2004,
26 including a member hired before October 9, 2004, who has been
27 reinstated under arbitration, civil service, or a court ruling

1 after that date, and has at least 20 years of service with the
2 police department may file with the pension system an election to
3 participate in DROP and receive a DROP benefit instead of the
4 standard form of pension provided by this article as of the date the
5 active member attained 20 years of service. The election may be
6 made, under procedures established by the board, by an eligible
7 active member who has attained the required years of service. A
8 DROP election that is made and accepted by the board may not be
9 revoked [~~before the member's separation from service~~].

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

14 (c-1) The monthly service pension or death benefits of an
15 active member who becomes a DROP participant on or after the year
16 2017 effective date will be determined as if the [~~active~~] member had
17 separated from service and begun receiving a pension on the
18 effective date of the member's DROP election and the [~~The active~~]
19 member does not retire but does not accrue additional service
20 credit beginning on the effective date of the member's entry into
21 DROP.

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

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

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

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

22 (e) As of the end of each month an amount is credited to each
23 active member's notional DROP account at the rate of one-twelfth of
24 a hypothetical earnings rate on amounts in the account. The
25 hypothetical earnings rate is determined for each calendar year
26 based on the compounded average of the aggregate annual rate of
27 return on investments of the pension system for the five

1 consecutive fiscal years ending June 30 preceding the calendar year
2 to which the earnings rate applies, multiplied by 65 percent. The
3 hypothetical earnings rate may not be less than 2.5 percent [~~zero~~].

4 (f-1) If a DROP participant separates from service due to
5 death, [~~and~~] the participant's surviving spouse is eligible [~~person~~
6 ~~entitled~~] to receive benefits under Sections 16 and 16A of this
7 article and the surviving spouse may elect to receive [~~does not~~
8 ~~revoke the DROP election,~~] the DROP benefit [~~may be received~~] in the
9 form of an additional annuity over the life expectancy of the
10 surviving spouse.

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

25 (i) A retired member who has not attained age 70-1/2,
26 whether or not a DROP participant before retirement, may elect to
27 have part or all of an amount equal to the monthly service pension

1 the retired member would otherwise be entitled to receive, less any
2 amount required to pay the retired member's share of group medical
3 insurance costs, credited to a DROP account, in which case the
4 amounts will become eligible to be credited with hypothetical
5 earnings in the same manner as the amounts described by Subsection
6 (g) of this section. On and after the year 2017 effective date,
7 additional amounts may not be credited to a DROP account under this
8 subsection. Any amounts credited under this subsection before the
9 year 2017 effective date shall remain accrued in a retired member's
10 DROP account [~~A retired member who has elected to have monthly~~
11 ~~service pension benefits credited to a DROP account under this~~
12 ~~subsection or Subsection (h) of this section may direct that the~~
13 ~~credits stop and the monthly service pension resume at any time.~~
14 ~~However, a retired member who stops the credits at any time after~~
15 ~~September 1, 1999, may not later resume the credits].~~

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

1 ~~DROP on the same basis as any other member].~~

2 (1) The maximum number of years an active member may
3 participate in DROP is 20 years. Except as provided by this
4 subsection, after the DROP participant has reached the maximum
5 number of years of DROP participation prescribed by this
6 subsection, including DROP participants with 20 years or more in
7 DROP on or before the year 2017 effective date, the DROP participant
8 may not receive the monthly service pension that was credited to a
9 notional DROP account but may receive the hypothetical earnings
10 rate stated in Subsection (e) of this section. Notwithstanding the
11 preceding, a member's DROP account balance before the year 2017
12 effective date may not be reduced under the preceding provisions of
13 this subsection [~~The DROP account of each DROP participant who was~~
14 ~~an active member on May 1, 2001, shall be recomputed and adjusted,~~
15 ~~effective on that date, to reflect the amount that would have been~~
16 ~~credited to the account if the member's pension had been computed~~
17 ~~based on 2.75 percent of the member's average total direct pay, or~~
18 ~~base pay if applicable, for each of the member's first 20 years of~~
19 ~~service. The DROP account adjustment shall also include the~~
20 ~~assumed earnings that would have been credited to the account if the~~
21 ~~2.75 percent multiplier for the first 20 years of service had been~~
22 ~~in effect from the time the member became a DROP participant].~~

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

27 (a) An active member who becomes totally and permanently

1 incapacitated for the performance of the member's duties as a
2 result of a bodily injury received in, or illness caused by, the
3 performance of those duties shall, on presentation to the board of
4 proof of total and permanent incapacity, be retired and shall
5 receive an immediate duty-connected disability pension equal to:

6 (1) for members hired or rehired before October 9,
7 2004, the greater of 55 percent of the member's final average [~~total~~
8 ~~direct~~] pay at the time of retirement or the member's accrued
9 service pension; or

10 (2) for members hired or rehired on or after October 9,
11 2004, the greater of 45 percent of the member's:

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

13 or

14 (B) accrued service pension.

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

1 under this article.

2 (b) A member [~~with 10 years or more of credited service~~] who
3 becomes totally and permanently incapacitated for the performance
4 of the member's duties and is not eligible for either an immediate
5 service pension or a duty-connected disability pension is eligible
6 for an immediate monthly pension computed in the same manner as a
7 service retirement pension but based on final average [~~total~~
8 ~~direct~~] pay and service accrued to the date of the disability. The
9 pension under this subsection may not be less than:

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

15 (2) except as provided by Subdivision (1) of this
16 subsection, for members hired or rehired on or after October 9,
17 2004, 22.5 percent of the member's final average pay.

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

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

26 (2) [~~The retired member shall also receive~~] an
27 additional amount each month equal to \$150, beginning on the later

1 of the date the pension begins or the date the first monthly payment
2 becomes due after June 18, 2001, and continuing as long as the
3 disability pension continues, to help defray the cost of group
4 medical insurance.

5 (c-1) For any year in which a 13th payment is made to retired
6 members under Section 12(e) of this article, a 13th payment,
7 computed in the same manner and subject to the same conditions,
8 shall also be paid to members who have retired under this section.

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

25 (e) A retired member who has been retired for disability is
26 subject at all times to reexamination by a physician chosen and
27 compensated by the board and shall submit to further examination as

1 the board may require. If a retired member refuses to submit to an
 2 examination, the board shall [~~may~~] order the payments stopped. If a
 3 retired member who has been receiving a disability pension under
 4 this section recovers so that in the opinion of the board the
 5 retired member is able to perform the usual and customary duties
 6 formerly performed for the police department, and the retired
 7 member is reinstated or offered reinstatement to the position, or
 8 hired by another law enforcement agency to a comparable position
 9 [~~reasonably comparable in rank and responsibility to the position,~~
 10 ~~held at the time of separation from service~~], the board shall order
 11 the member's disability pension stopped. A member may apply for a
 12 normal pension benefit, if eligible, if the member's disability
 13 benefit payments are stopped by the board under this subsection.

14 (i) Effective for payments that become due after April 30,
 15 2000, and instead of the disability benefit provided by Subsection
 16 (a) or [~~7~~] (b) [~~7 or (h)~~] of this section, a member who suffers a
 17 catastrophic injury shall receive a monthly benefit equal to 100
 18 percent of the member's final average [~~total direct~~] pay determined
 19 as of the date of retirement, and the member's DROP balance, if any.

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

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

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

27 (B) other substance abuse; or

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

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

7 (n) A person who fraudulently applies for or receives a
8 disability pension may be subject to criminal and civil
9 prosecution.

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

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

1 be treated as effective earlier than the date on which it was signed
2 before the notary public or similar official.

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

6 (1) to the surviving spouse for life, if there is a
7 surviving spouse, a sum equal to the pension that was being received
8 by the retired member at the time of death;

9 (2) to the guardian of any dependent child under 18
10 years of age or a child with a disability as long as the dependent
11 child complies with the definition of dependent child under Section
12 2(7) of this article ~~[children]~~, on behalf of the dependent child
13 ~~[children]~~, or directly to a dependent child described by Section
14 2(7)(B) of this article, and if there is no spouse eligible for
15 ~~[entitled to]~~ an allowance, the sum a surviving spouse would have
16 received, to be divided equally among all ~~[the]~~ dependent children
17 if there is more than one dependent child; or

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

22 (c) If an active ~~[a]~~ member of the pension system who has not
23 completed 20 ~~[10]~~ years of service in the police department is
24 killed or dies from any cause growing out of or in consequence of
25 any act clearly not in the actual performance of the member's
26 official duty, the member's surviving spouse, dependent child or
27 children, or dependent parent or parents are eligible ~~[entitled]~~ to

1 receive an immediate benefit. The benefit is computed in the same
2 manner as a service retirement pension but is based on the deceased
3 member's service and final average [~~total direct~~] pay at the time of
4 death. The monthly benefit may not be less than:

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

10 (2) 22.5 percent of the member's final average pay for
11 members hired or rehired on or after October 9, 2004.

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

23 (f) A surviving spouse who receives a survivor's benefit
24 under this article is eligible [~~entitled~~] to receive an additional
25 amount each month equal to \$150, beginning with the later of the
26 date the first payment of the survivor's benefit is due or the date
27 the first monthly payment becomes due after June 18, 2001, and

1 continuing until the end of the month in which the surviving spouse
2 dies.

3 (g) A surviving spouse or dependent who becomes eligible to
4 receive benefits with respect to an active member who was hired or
5 rehired before October 9, 2004, who dies in active service after
6 November 23, 1998, is eligible [~~entitled~~] to receive a one-time
7 lump-sum payment of \$5,000 at the time the first monthly pension
8 benefit is paid, if the member has not already received a \$5,000
9 lump-sum payment under Section 12 or 15(c) of this article. If more
10 than one dependent is eligible to receive a payment under this
11 subsection, the \$5,000 shall be divided equally among the eligible
12 dependents. This payment has no effect on the amount of the
13 surviving spouse's or dependents' monthly pension and may not be
14 paid more than once.

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

26 (i) If a member or individual receiving a survivor's pension
27 dies before monthly payments have been made for at least five years,

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

27 (j) A benefit payment made in accordance with this section

1 on behalf of a minor or other person under a legal disability fully
2 discharges the pension system's obligation to that person.

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

7 (l) The board may at any time require a person receiving
8 death benefits as a disabled child under this article to undergo a
9 medical examination by a physician appointed or selected by the
10 board for that purpose.

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

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

1 (1) to the member's spouse;

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

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

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

10 (b) If a member names a spouse as a beneficiary and is
11 subsequently divorced from that spouse, the divorce voids the
12 designation of the divorced spouse as the member's beneficiary. A
13 designation of a divorced spouse will cause the board to pay any
14 balance remaining in the member's DROP account in the order
15 prescribed by Subsection (a) of this section.

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

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

24 SECTION 2.19. Section 17, Article 6243g-4, Revised
25 Statutes, is amended by amending Subsections (b), (d), and (e) and
26 adding Subsection (i) to read as follows:

27 (b) A member of the pension system who has not completed 20

1 years of service at the time of separation from service with the
 2 police department is eligible for ~~[entitled to]~~ a refund of the
 3 total of the contributions the member made to the pension system,
 4 plus any amount that was contributed for the member by the city and
 5 not applied in accordance with this section to provide the member
 6 with 10 years of service. The refund does not include interest, and
 7 neither the city nor the member is eligible for ~~[entitled to]~~ a
 8 refund of the contributions the city made on the member's behalf,
 9 except as expressly provided by this subsection. By receiving the
 10 refund, the member forfeits any service earned before separation
 11 from service, even if it is otherwise nonforfeitable.

12 (d) A member must apply to the board for a refund within one
 13 year after the date of separation from service. Failure to apply
 14 for the refund within the one-year period results in a forfeiture of
 15 the right to the refund except for an inactive member who is
 16 eligible for a pension ~~[whose right to a pension is~~
 17 ~~nonforfeitable]~~. However, the board may reinstate any amount
 18 forfeited and allow the refund on application by the former member.

19 (e) Heirs, executors, administrators, personal
 20 representatives, or assignees are not eligible ~~[entitled]~~ to apply
 21 for and receive the refund authorized by this section ~~[except as~~
 22 ~~provided by Section 16(c) of this article]~~.

23 (i) Former members reemployed on or after October 9, 2004,
 24 or current members who left service after October 9, 2004, if
 25 reemployed by the city, may purchase prior service credit at a rate
 26 of interest equal to 2.25 percent per year. Active members hired
 27 before October 9, 2004, who have not yet purchased prior service

1 credit or members hired before October 9, 2004, who involuntarily
2 separated from service but have been retroactively reinstated under
3 arbitration, civil service, or a court ruling may purchase prior
4 service credit at a rate of interest equal to 2.75 percent per year.
5 The board may adopt rules necessary to implement this section.

6 SECTION 2.20. Section 18(a), Article 6243g-4, Revised
7 Statutes, is amended to read as follows:

8 (a) Except as provided by this section:

9 (1) credit may not be allowed to any person for service
10 with any department in the city other than the police department;
11 ~~and~~

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

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

21 SECTION 2.21. Sections 19(b) and (d), Article 6243g-4,
22 Revised Statutes, are amended to read as follows:

23 (b) A person who rejoins the pension system under this
24 section is eligible ~~entitled~~ to receive service credit for each
25 day of service and work performed by the person in a classified
26 position in the police department, except for any period during
27 which the person is a DROP participant. The board shall add service

1 earned after the transfer to the prior service the active member
2 accrued in a classified position in the police department.
3 However, the active member may not receive service credit under
4 this article, except to the extent provided by Section 18, for
5 service performed for the city other than in a classified position
6 in the police department.

7 (d) When a member who has transferred as described by this
8 section subsequently retires, the retired member is eligible for
9 ~~[entitled to]~~ a pension computed on the basis of the combined
10 service described by Subsection (b) of this section, after
11 deducting any period in which the member was suspended from duty
12 without pay, on leave of absence without pay, separated from
13 service, or employed by the city in a capacity other than in a
14 classified position in the police department.

15 SECTION 2.22. Section 21, Article 6243g-4, Revised
16 Statutes, is amended to read as follows:

17 Sec. 21. DETERMINATION OF BENEFITS; PROVISION OF
18 INFORMATION. (a) The board may require any member, survivor, or
19 other person or entity to furnish information the board requires
20 for the determination of benefits under this article. If a person
21 or entity does not cooperate in the furnishing or obtaining of
22 information required as provided by this section, the board may
23 withhold payment of the pension or other benefits dependent on the
24 information.

25 (b) The city, not later than the 14th day after the date the
26 city receives a request by or on behalf of the board, shall, unless
27 otherwise prohibited by law, supply the pension system with

1 personnel, payroll, and financial records in the city's possession
2 that the pension system determines necessary to provide pension
3 administrative and fiduciary services under this section, to
4 establish beneficiaries' eligibility for any benefit, or to
5 determine a member's credited service or the amount of any
6 benefits, including disability benefits, and such other
7 information the pension system may need, including:

8 (1) information needed to verify service, including
9 the following information:

10 (A) the date a person is sworn in to a position;

11 (B) the days a person is under suspension;

12 (C) the days a person is absent without pay,
13 including the days a person is on maternity leave;

14 (D) the date of a person's termination from
15 employment; and

16 (E) the date of a person's reemployment with the
17 city;

18 (2) medical records;

19 (3) workers' compensation records and pay information;

20 (4) payroll information;

21 (5) information needed to verify whether a member is
22 on military leave; and

23 (6) information regarding phase-down participants,
24 including information related to entry date and phase-down plan.

25 (c) The city shall provide any information that may be
26 reasonably necessary to enable the pension system to comply with
27 administrative services the pension system performs for the city as

1 reasonably necessary to obtain any ruling or determination letter
2 from the Internal Revenue Service.

3 (d) The information provided by the city shall be
4 transmitted to the pension system electronically in a format
5 specified by the pension system, to the extent available to the
6 city, or in writing if so requested on behalf of the pension system.

7 (e) The pension system shall determine each member's
8 credited service and pension benefits on the basis of the personnel
9 and financial records of the city and the records of the pension
10 system.

11 SECTION 2.23. Section 23, Article 6243g-4, Revised
12 Statutes, is amended to read as follows:

13 Sec. 23. MEMBERS IN MILITARY SERVICE. (a) A member of the
14 pension system engaged in active service in a uniformed service may
15 not be required to make the monthly payments into the fund and may
16 not lose any previous years' service with the city because of the
17 uniformed service. The uniformed service shall count as continuous
18 service in the police department if the member returns to the city
19 police department after discharge from the uniformed service as an
20 employee within the period required by the Uniformed Services
21 Employment and Reemployment Rights Act of 1994 (38 U.S.C. Section
22 4301 et seq.), as amended, and the uniformed service does not exceed
23 the period for which a person is eligible ~~entitled~~ to have service
24 counted pursuant to that Act. Notwithstanding any other provision
25 of this article, contributions and benefits shall be paid and
26 qualified service for military service shall be determined in
27 compliance with Section 414(u) of the code.

1 (b) The city is required to make its payments into the fund
2 on behalf of each member while the member is engaged in a uniformed
3 service. If a member who has less than 10 years of service in the
4 pension system dies directly or indirectly as a result of the
5 uniformed service, and without returning to active service, the
6 spouse, dependent children, dependent parent, or estate of the
7 member is eligible [~~entitled~~] to receive a benefit in the same
8 manner as described by Section 16(c) of this article.

9 SECTION 2.24. Section 24(b), Article 6243g-4, Revised
10 Statutes, is amended to read as follows:

11 (b) Payments due on behalf of a dependent child shall be
12 paid to the dependent child's guardian, if any, or if none to the
13 person with whom the dependent child is living, except that the
14 board may make payments directly to a dependent child in an
15 appropriate case and withhold payments otherwise due on behalf of
16 any person if the board has reason to believe the payments are not
17 being applied on behalf of the person eligible [~~entitled~~] to
18 receive them. The board may request a court of competent
19 jurisdiction to appoint a person to receive and administer the
20 payments due to any dependent child or person under a disability.

21 SECTION 2.25. Section 25, Article 6243g-4, Revised
22 Statutes, is amended by amending Subsections (b), (c), (d), (g),
23 and (h) and adding Subsections (c-1) and (h-1) through (h-13) to
24 read as follows:

25 (b) A member or survivor of a member of the pension system
26 may not accrue a retirement pension, disability retirement
27 allowance, death benefit allowance, DROP benefit, or any other

1 benefit under this article in excess of the benefit limits
2 applicable to the fund under Section 415 of the code. The board
3 shall reduce the amount of any benefit that exceeds those limits by
4 the amount of the excess. If total benefits under this fund and the
5 benefits and contributions to which any member is eligible
6 ~~[entitled]~~ under any other qualified plans maintained by the city
7 that employs the member would otherwise exceed the applicable
8 limits under Section 415 of the code, the benefits the member would
9 otherwise receive from the fund shall be reduced to the extent
10 necessary to enable the benefits to comply with Section 415.

11 (c) Subject to Subsection (c-1) of this section, any
12 distributee ~~[Any member or survivor]~~ who receives ~~[any distribution~~
13 ~~that is]~~ an eligible rollover distribution ~~[as defined by Section~~
14 ~~402(c)(4) of the code]~~ is eligible ~~[entitled]~~ to have that
15 distribution transferred directly to another eligible retirement
16 plan of the distributee's ~~[member's or survivor's]~~ choice on
17 providing direction to the pension system regarding that transfer
18 in accordance with procedures established by the board.

19 (c-1) For purposes of Subsection (c) of this section:

20 (1) "Direct rollover" means a payment by the plan to
21 the eligible retirement plan specified by the distributee.

22 (2) "Distributee" means a member or a member's
23 surviving spouse or non-spouse designated beneficiary or a member's
24 spouse or former spouse who is the alternate payee under a qualified
25 domestic relations order with regard to the interest of the spouse
26 or former spouse.

27 (3) "Eligible retirement plan" means:

1 (A) an individual retirement account as defined
2 by Section 408(a) of the code;

3 (B) an individual retirement annuity as defined
4 by Section 408(b) of the code;

5 (C) an annuity plan as described by Section
6 403(a) of the code;

7 (D) an eligible deferred compensation plan as
8 defined by Section 457(b) of the code that is maintained by an
9 eligible employer as described by Section 457(e)(1)(A) of the code;

10 (E) an annuity contract as described by Section
11 403(b) of the code;

12 (F) a qualified trust as described by Section
13 401(a) of the code that accepts the distributee's eligible rollover
14 distribution; and

15 (G) in the case of an eligible rollover
16 distribution, for a designated beneficiary that is not the
17 surviving spouse, a spouse, or a former spouse who is an alternate
18 payee under a qualified domestic relations order, an eligible
19 retirement plan means only an individual retirement account or
20 individual retirement annuity that is established for the purpose
21 of receiving the distribution on behalf of the beneficiary.

22 (4) "Eligible rollover distribution" means any
23 distribution of all or any portion of the balance to the credit of
24 the distributee, except that an eligible rollover distribution does
25 not include:

26 (A) any distribution that is one of a series of
27 substantially equal periodic payments, not less frequently than

1 annually, made for life or life expectancy of the distributee or the
2 joint lives or joint life expectancies of the distributee and the
3 distributee's designated beneficiary or for a specified period of
4 10 years or more;

5 (B) any distribution to the extent the
6 distribution is required under Section 401(a)(9) of the code; or

7 (C) any distribution that is made on hardship of
8 the employee.

9 (d) The annual compensation for each member [~~total salary~~]
10 taken into account for any purpose under this article [~~for any~~
11 ~~member of the pension system~~] may not exceed \$200,000 for any year
12 for an eligible participant, or for years beginning after 2001 for
13 an ineligible participant, or \$150,000 a year before 2001 for an
14 ineligible participant. These dollar limits shall be adjusted from
15 time to time in accordance with guidelines provided by the United
16 States secretary of the treasury and must comply with Section
17 401(a)(17) of the code. For purposes of this subsection, an
18 eligible participant is a person who first became an active member
19 before 1996, and an ineligible participant is a member who is not an
20 eligible participant.

21 (g) Distribution of benefits must begin not later than April
22 1 of the year following the calendar year during which the member
23 eligible for [~~entitled to~~] the benefits becomes 70-1/2 years of age
24 or terminates employment with the employer, whichever is later, and
25 must otherwise conform to Section 401(a)(9) of the code.

26 (h) For purposes of adjusting any benefit due to the
27 limitations prescribed by Section 415 of the code, the following

1 provisions shall apply:

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

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

14 (h-1) For purposes of adjusting any benefit due to the
15 limitations prescribed by Section 415(b) of the code, the following
16 provisions shall apply:

17 (1) before January 1, 1995, a member may not receive an
18 annual benefit that exceeds the limits specified in Section 415(b)
19 of the code, subject to the applicable adjustments in that section;

20 (2) on and after January 1, 1995, a member may not
21 receive an annual benefit that exceeds the dollar amount specified
22 in Section 415(b)(1)(A) of the code, subject to the applicable
23 adjustments in Section 415(b) of the code and subject to any
24 additional limits that may be specified in the pension system;

25 (3) in no event may a member's annual benefit payable
26 under the pension system, including any DROP benefits, in any
27 limitation year be greater than the limit applicable at the annuity

1 starting date, as increased in subsequent years pursuant to Section
2 415(d) of the code, including regulations adopted under that
3 section; and

4 (4) the "annual benefit" means a benefit payable
5 annually in the form of a straight life annuity, with no ancillary
6 benefits, without regard to the benefit attributable to any
7 after-tax employee contributions, unless attributable under
8 Section 415(n) of the code, and to rollover contributions as
9 defined in Section 415(b)(2)(A) of the code. For purposes of this
10 subdivision, the "benefit attributable" shall be determined in
11 accordance with applicable federal regulations.

12 (h-2) For purposes of adjustments to the basic limitation
13 under Section 415(b) of the code in the form of benefits, the
14 following provisions apply:

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

20 (2) if the form of benefit without regard to the
21 automatic benefit increase feature is not a straight life annuity
22 or a qualified joint and survivor annuity, Subdivision (1) of this
23 subsection is applied by either reducing the limit under Section
24 415(b) of the code applicable at the annuity starting date or
25 adjusting the form of benefit to an actuarially equivalent amount
26 determined by using the assumptions specified in Treasury
27 Regulation Section 1.415(b)-1(c)(2)(ii) that takes into account

1 the additional benefits under the form of benefit as follows:

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

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

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

18 (B) for a benefit paid in a form to which Section
19 417(e)(3) of the code applies, the actuarially equivalent straight
20 life annuity benefit that is the greatest of:

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

26 (ii) the annual amount of the straight life
27 annuity commencing at the annuity starting date that has the same

1 actuarial present value as the particular form of benefit payable,
2 computed using a 5.5 percent interest assumption or the applicable
3 statutory interest assumption, and for years prior to January 1,
4 2009, the applicable mortality tables for the distribution under
5 Treasury Regulation Section 1.417(e)-1(d)(2), and for years after
6 December 31, 2008, the applicable mortality tables described in
7 Section 417(e)(3)(B) of the code; or

8 (iii) the annual amount of the straight
9 life annuity commencing at the annuity starting date that has the
10 same actuarial present value as the particular form of benefit
11 payable computed using the applicable interest rate for the
12 distribution under Treasury Regulation Section 1.417(e)-1(d)(3)
13 using the rate in effect for the month prior to retirement before
14 January 1, 2017, and using the rate in effect for the first day of
15 the plan year with a one-year stabilization period on and after
16 January 1, 2017, and for years prior to January 1, 2009, the
17 applicable mortality tables for the distribution under Treasury
18 Regulation Section 1.417(e)-1(d)(2), and for years after December
19 31, 2008, the applicable mortality tables described in Section
20 417(e)(3)(B) of the code, divided by 1.05.

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

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

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

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

3 (3) any other benefit not required under Section
4 415(b)(2) of the code and regulations adopted under that section to
5 be taken into account for purposes of the limitation of Section
6 415(b)(1) of the code.

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

9 (1) in the event the member's pension benefits become
10 payable before the member attains 62 years of age, the limit
11 prescribed by this section shall be reduced in accordance with
12 federal regulations adopted under Section 415(b) of the code, so
13 that that limit, as reduced, equals an annual straight life annuity
14 benefit when the retirement income benefit begins, that is
15 equivalent to a \$160,000, as adjusted, annual benefit beginning at
16 62 years of age;

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

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

26 (h-6) The following provisions of this subsection govern
27 adjustment of the defined benefit dollar limitation for benefits

1 commenced after 65 years of age:

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

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

1 (3) notwithstanding the other requirements of this
2 section:

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

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

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

26 (h-8) The maximum pension benefits payable to any member who
27 has completed less than 10 years of participation shall be the

1 amount determined under Subsection (h-1) of this section, as
2 adjusted under Subsection (h-2) or (h-5) of this section,
3 multiplied by a fraction, the numerator of which is the number of
4 the member's years of participation and the denominator of which is
5 10. The limit under Subsection (h-9) of this section concerning the
6 \$10,000 limit shall be similarly reduced for any member who has
7 accrued less than 10 years of service, except the fraction shall be
8 determined with respect to years of service instead of years of
9 participation. The reduction provided by this subsection cannot
10 reduce the maximum benefit below 10 percent of the limit determined
11 without regard to this subsection. The reduction provided for in
12 this subsection may not be applicable to preretirement disability
13 benefits or preretirement death benefits.

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

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

27 (1) a member's applicable limit shall be applied to the

1 member's annual benefit in the member's first limitation year
2 without regard to any cost-of-living adjustments under Section 12
3 of this article;

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

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

15 (h-11) Any repayment of contributions, including interest
16 on contributions, to the plan with respect to an amount previously
17 refunded on a forfeiture of service credit under the plan or another
18 governmental plan maintained by the pension system may not be taken
19 into account for purposes of Section 415 of the code, in accordance
20 with applicable federal regulations.

21 (h-12) Reduction of benefits or contributions to all plans,
22 where required, shall be accomplished by:

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

1 other plans; and

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

8 (h-13) Notwithstanding Subsection (h-12) of this section,
9 reductions may be made in a different manner and priority pursuant
10 to the agreement of the pension system and the plan administrator of
11 all other plans covering such member. [If the amount of any benefit
12 is to be determined on the basis of actuarial assumptions that are
13 not otherwise specifically set forth for that purpose in this
14 article, the actuarial assumptions to be used are those earnings
15 and mortality assumptions being used on the date of the
16 determination by the pension system's actuary and approved by the
17 board. The actuarial assumptions being used at any particular time
18 shall be attached as an addendum to a copy of this article and
19 treated for all purposes as a part of this article. The actuarial
20 assumptions may be changed by the pension system's actuary at any
21 time if approved by the board, but a change in actuarial assumptions
22 may not result in any decrease in benefits accrued as of the
23 effective date of the change.]

24 SECTION 2.26. Section 26(b)(3), Article 6243g-4, Revised
25 Statutes, is amended to read as follows:

26 (3) "Maximum benefit" means the retirement benefit a
27 retired member and the spouse, dependent child, or dependent parent

1 of a retired member or deceased member or retiree are eligible
2 [~~entitled~~] to receive from all qualified plans in any month after
3 giving effect to Section 25(b) of this article and any similar
4 provisions of any other qualified plans designed to conform to
5 Section 415 of the code.

6 SECTION 2.27. Sections 26(c), (d), and (e), Article
7 6243g-4, Revised Statutes, are amended to read as follows:

8 (c) An excess benefit participant who is receiving benefits
9 from the pension system is eligible for [~~entitled to~~] a monthly
10 benefit under this excess benefit plan in an amount equal to the
11 lesser of:

12 (1) the member's unrestricted benefit less the maximum
13 benefit; or

14 (2) the amount by which the member's monthly benefit
15 from the fund has been reduced because of the limitations of Section
16 415 of the code.

17 (d) If a spouse, dependent child, or dependent parent is
18 eligible for [~~entitled to~~] preretirement or postretirement death
19 benefits under a qualified plan after the death of an excess benefit
20 participant, the surviving spouse, dependent child, or dependent
21 parent is eligible for [~~entitled to~~] a monthly benefit under the
22 excess benefit plan equal to the benefit determined in accordance
23 with this article without regard to the limitations under Section
24 25(b) of this article or Section 415 of the code, less the maximum
25 benefit.

26 (e) Any benefit to which a person is eligible [~~entitled~~]
27 under this section shall be paid at the same time and in the same

1 manner as the benefit would have been paid from the pension system
2 if payment of the benefit from the pension system had not been
3 precluded by Section 25(b) of this article. An excess benefit
4 participant or any beneficiary may not, under any circumstances,
5 elect to defer the receipt of all or any part of a payment due under
6 this section.

7 SECTION 2.28. The heading to Section 27, Article 6243g-4,
8 Revised Statutes, is amended to read as follows:

9 Sec. 27. CERTAIN WRITTEN AGREEMENTS BETWEEN PENSION SYSTEM
10 AND CITY AUTHORIZED [~~AGREEMENT TO CHANGE BENEFITS~~].

11 SECTION 2.29. Section 27, Article 6243g-4, Revised
12 Statutes, is amended by amending Subsection (b) and adding
13 Subsection (c) to read as follows:

14 (b) A pension benefit or allowance provided by this article
15 may be increased if the increase:

16 (1) is first approved by a qualified actuary selected
17 by the board;

18 (2) is approved by the board and the city in a written
19 agreement as authorized by this section; and

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

23 (c) In a written agreement entered into between the city and
24 the board under this section, the parties may not:

25 (1) alter Sections 9 through 9E of this article,
26 except and only to the extent necessary to comply with federal law;

27 (2) increase the assumed rate of return to more than

1 seven percent per year;

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

6 (4) allow a city contribution rate in any year that is
7 less than or greater than the city contribution rate required under
8 Section 9D or 9E of this article, as applicable.

9 SECTION 2.30. Section 29, Article 6243g-4, Revised
10 Statutes, is amended by adding Subsections (c), (d), (e), (f), and
11 (g) to read as follows:

12 (c) To carry out the provisions of Sections 9 through 9E of
13 this article, the board and the pension system shall provide the
14 city actuary under a confidentiality agreement the actuarial data
15 used by the pension system actuary for the pension system's
16 actuarial valuations or valuation studies and other data as agreed
17 to between the city and the pension system that the city actuary
18 determines is reasonably necessary for the city actuary to perform
19 the studies required by Sections 9A through 9E of this article.
20 Actuarial data described by this subsection does not include
21 information described by Subsection (a) of this section.

22 (d) A risk sharing valuation study prepared by either the
23 city actuary or the pension system actuary under Sections 9A
24 through 9E of this article may not:

25 (1) include information described by Subsection (a) of
26 this section; or

27 (2) provide confidential or private information

1 regarding specific individuals or be grouped in a manner that
2 allows confidential or private information regarding a specific
3 individual to be discerned.

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

10 (f) Subsection (e) of this section does not apply to:

11 (1) a proposed risk sharing valuation study prepared
12 by the pension system actuary and provided to the city actuary or
13 prepared by the city actuary and provided to the pension system
14 actuary under Section 9A(d) or 9B(b)(2) of this article; or

15 (2) a final risk sharing valuation study prepared
16 under Section 9A or 9B of this article.

17 (g) Before a union contract is approved by the city, the
18 mayor of the city must cause the city actuaries to deliver to the
19 mayor a report estimating the impact of the proposed union contract
20 on fund costs.

21 SECTION 2.31. Article 6243g-4, Revised Statutes, is amended
22 by adding Section 30 to read as follows:

23 Sec. 30. FORFEITURE OF BENEFITS. (a) Notwithstanding any
24 other law, a member who is convicted, after exhausting all appeals,
25 of an offense punishable as a felony of the first degree in relation
26 to, arising out of, or in connection with the member's service as a
27 classified police officer may not receive any benefits under this

1 article.

2 (b) After the member described by Subsection (a) of this
3 section is finally convicted, the member's spouse may apply for
4 benefits if the member, but for application of Subsection (a) of
5 this section, would have been eligible for a pension benefit or a
6 delayed payment of benefits. If the member would not have been
7 eligible for a pension benefit or a delayed payment of benefits, the
8 member's spouse may apply for a refund of the member's
9 contributions. A refund under this subsection does not include
10 interest and does not include contributions the city made on the
11 member's behalf. The city may not receive a refund of any
12 contributions the city made on the member's behalf.

13 SECTION 2.32. Sections 2(19) and (23), 8(b), 12(f), 14(f)
14 and (m), 15(h) and (j), and 18(b) and (c), Article 6243g-4, Revised
15 Statutes, are repealed.

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

23 SECTION 2.34. The pension system established under Article
24 6243g-4, Revised Statutes, shall require the pension system actuary
25 to prepare the first actuarial experience study required under
26 Section 9C, Article 6243g-4, Revised Statutes, as added by this
27 Act, not later than September 30, 2022.

ARTICLE 3. MUNICIPAL EMPLOYEES PENSION SYSTEM

SECTION 3.01. Section 1, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas Civil Statutes), is amended 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 read as follows:

(1) "Actuarial data" includes:

(A) the census data, assumption tables, disclosure of methods, and financial information that are routinely used by the pension system actuary for the pension system's studies or an actuarial experience study under Section 8D of this Act; and

(B) other data that is reasonably necessary to implement Sections 8A through 8F of this Act, as agreed to by the city and pension board.

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

(1-b) "Adjustment factor" means the assumed rate of return less two percentage points.

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

(1-d) "Amortization rate" means the sum of the scheduled amortization payments less the city contribution amount for a given fiscal year for the liability layers divided by the

1 projected pensionable payroll for the same fiscal year.

2 (1-e) "Assumed rate of return" means the assumed
3 market rate of return on pension system assets, which is seven
4 percent per annum unless adjusted as provided by this Act.

5 (1-f) "Authorized absence" means:

6 (A) each day an employee is absent due to an
7 approved holiday, vacation, accident, or sickness, if the employee
8 is continued on the employment rolls of the city or the pension
9 system, receives the employee's regular salary from the city or the
10 pension system for each day of absence, and remains eligible to work
11 on recovery or return; or

12 (B) any period that a person is on military leave
13 of absence under Section 18(a) of this Act, provided the person
14 complies with the requirements of that section.

15 (4) "City" means a municipality having a population of
16 more than two [~~1.5~~] million.

17 (4-a) "City contribution amount" means, for each
18 fiscal year, a predetermined payment amount expressed in dollars in
19 accordance with a payment schedule amortizing the legacy liability,
20 using the level percent of payroll method and the amortization
21 period and payoff year, that is included in the initial risk sharing
22 valuation study under Section 8C(a)(3) of this Act, as may be
23 restated from time to time in:

24 (A) a subsequent risk sharing valuation study to
25 reflect adjustments to the amortization schedule authorized by
26 Section 8E or 8F of this Act; or

27 (B) a restated initial risk sharing valuation

1 study or a subsequent risk sharing valuation study to reflect
2 adjustments authorized by Section 8C(i) or (j) of this Act.

3 (4-b) "City contribution rate" means a percent of
4 pensionable payroll that is the sum of the employer normal cost rate
5 and the amortization rate for liability layers, excluding the
6 legacy liability, except as determined otherwise under the express
7 provisions of Sections 8E and 8F of this Act.

8 (4-c) "Corridor" means the range of city contribution
9 rates that are:

10 (A) equal to or greater than the minimum
11 contribution rate; and

12 (B) equal to or less than the maximum
13 contribution rate.

14 (4-d) "Corridor margin" means five percentage points.

15 (4-e) "Corridor midpoint" means the projected city
16 contribution rate specified for each fiscal year for 31 years in the
17 initial risk sharing valuation study under Section 8C of this Act,
18 and as may be adjusted under Section 8E or 8F of this Act, and in
19 each case rounded to the nearest hundredths decimal place.

20 (4-f) "Cost-of-living adjustment percentage" means a
21 percentage that:

22 (A) except as provided by Paragraph (B), is equal
23 to the pension system's five-year investment return, based on a
24 rolling five-year basis and net of investment expenses, minus the
25 adjustment factor, and multiplied by 50 percent; and

26 (B) may not be less than zero or more than two
27 percent.

1 (5) "Credited service" means each day of service and
2 prior service of a member for which:

3 (A) the city [~~has~~] and~~[, for service in group A,]~~
4 the member have [~~has~~] made required contributions to the pension
5 fund that were not subsequently withdrawn;

6 (B) the member has purchased service credit or
7 converted service credit from group B to group A by paying into the
8 pension fund required amounts that were not subsequently withdrawn;

9 (C) the member has reinstated service under
10 Section 7(g) of this Act; and

11 (D) the member has previously made payments to
12 the pension fund that, under then existing provisions of law, make
13 the member eligible for credit for the service and that were not
14 subsequently withdrawn.

15 (7) "Dependent child" means an unmarried natural or
16 legally adopted child of a member, deferred participant, or retiree
17 who:

18 (A) was supported by the member, deferred
19 participant, or retiree before the termination of employment of the
20 member, deferred participant, or retiree; and

21 (B) is under 21 years of age or is totally and
22 permanently disabled from performing any full-time employment
23 because of an injury, illness, serious mental illness, intellectual
24 disability, or pervasive development disorder [~~or retardation~~]
25 that began before the child became 18 years of age and before the
26 termination of employment [~~death~~] of the member, deferred
27 participant, or retiree.

1 (11) "Employee" means any person, including an elected
2 official during the official's service to the city, who is eligible
3 to be a member of the pension system or to participate in an
4 alternative retirement plan established under this Act and:

5 (A) who holds a municipal position or a position
6 with the pension system;

7 (B) whose name appears on a regular full-time
8 payroll of a city or of the pension fund; and

9 (C) who is paid a regular salary for services.

10 (11-a) "Employer normal cost rate" means the normal
11 cost rate minus the applicable member contribution rate for newly
12 hired employees, initially set as three percent for group D members
13 on the year 2017 effective date. The present value of additional
14 member contributions different from the group D rate taken into
15 account for purposes of determining the employer normal cost rate
16 must be applied toward the actuarial accrued liability.

17 (11-b) "Estimated city contribution amount" means the
18 city contribution amount estimated in a final risk sharing
19 valuation study under Section 8B or 8C of this Act, as applicable,
20 as required by Section 8B(a)(5) of this Act.

21 (11-c) "Estimated city contribution rate" means the
22 city contribution rate estimated in a final risk sharing valuation
23 study under Section 8B or 8C of this Act, as applicable, as required
24 by Section 8B(a)(5) of this Act.

25 (11-d) "Estimated total city contribution" means the
26 total city contribution estimated by the pension system actuary or
27 the city actuary, as applicable, by using the estimated city

1 contribution rates and the estimated city contribution amounts
2 recommended by each actuary for purposes of preparing the initial
3 risk sharing valuation study under Section 8C of this Act.

4 (11-e) "Fiscal year," except as provided by Section 1B
5 of this Act, means a fiscal year beginning on July 1 and ending on
6 June 30.

7 (11-f) "Funded ratio" means the ratio of the pension
8 system's actuarial value of assets divided by the pension system's
9 actuarial accrued liability.

10 (11-g) "Legacy liability" means the unfunded
11 actuarial accrued liability:

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

14 (i) changes to benefits and contributions
15 under this Act that took effect on the year 2017 effective date;

16 (ii) the deposit of pension obligation bond
17 proceeds on December 31, 2017, in accordance with Section 8C(j)(2)
18 of this Act; and

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

22 (B) for each subsequent fiscal year:

23 (i) reduced by the city contribution amount
24 for that year allocated to the amortization of the legacy
25 liability; and

26 (ii) adjusted by the assumed rate of
27 return.

1 (11-h) "Level percent of payroll method" means the
2 amortization method that defines the amount of the liability layer
3 recognized each fiscal year as a level percent of pensionable
4 payroll until the amount of the liability layer remaining is
5 reduced to zero.

6 (11-i) "Liability gain layer" means a liability layer
7 that decreases the unfunded actuarial accrued liability.

8 (11-j) "Liability layer" means the legacy liability
9 established in the initial risk sharing valuation study under
10 Section 8C of this Act and the unanticipated change as established
11 in each subsequent risk sharing valuation study prepared under
12 Section 8B of this Act.

13 (11-k) "Liability loss layer" means a liability layer
14 that increases the unfunded actuarial accrued liability. For
15 purposes of this Act, the legacy liability is a liability loss
16 layer.

17 (12-a) "Maximum contribution rate" means the rate
18 equal to the corridor midpoint plus the corridor margin.

19 (12-b) "Minimum contribution rate" means the rate
20 equal to the corridor midpoint minus the corridor margin.

21 (14) "Military service" means active service in the
22 armed forces of the United States or wartime service in the armed
23 forces of the United States or in the allied forces, if credit for
24 military service has not been granted under any federal or other
25 state system or used in any other retirement system, except as
26 expressly required under federal law.

27 (14-a) "Normal cost rate" means the salary weighted

1 average of the individual normal cost rates determined for the
2 current active population, plus the assumed administrative
3 expenses determined in the most recent actuarial experience study
4 conducted under Section 8D of this Act, expressed as a rate,
5 provided the assumed administrative expenses may not exceed 1.25
6 percent of pensionable payroll for the current fiscal year unless
7 agreed to by the city.

8 (14-b) "Payoff year" means the year a liability layer
9 is fully amortized under the amortization period. A payoff year may
10 not be extended or accelerated for a period that is less than one
11 month.

12 (17-a) "Pension obligation bond" means a bond issued
13 in accordance with Chapter 107, Local Government Code.

14 (18) "Pension system," unless the context otherwise
15 requires, means the retirement, disability, and survivor benefit
16 plans for municipal employees of a city under this Act and employees
17 under Section 3(d) of this Act.

18 (18-a) "Pension system actuary" means the actuary
19 engaged by the pension system under Section 2B of this Act.

20 (18-b) "Pensionable payroll" means the combined
21 salaries, in an applicable fiscal year, paid to all:

22 (A) members; and

23 (B) if applicable, participants in any
24 alternative retirement plan established under Section 1C of this
25 Act, including a cash balance retirement plan established under
26 that section.

27 (20-a) "Price inflation assumption" means:

1 (A) the most recent headline consumer price index
2 10-year forecast published in the Federal Reserve Bank of
3 Philadelphia Survey of Professional Forecasters; or

4 (B) if the forecast described by Paragraph (A) of
5 this subdivision is not available, another standard as determined
6 by mutual agreement between the city and the pension board entered
7 into under Section 3(n) of this Act.

8 (21-a) "Projected pensionable payroll" means the
9 estimated pensionable payroll for the fiscal year beginning 12
10 months after the date of the risk sharing valuation study prepared
11 under Section 8B of this Act, at the time of calculation by:

12 (A) projecting the prior fiscal year's
13 pensionable payroll forward two years using the current payroll
14 growth rate assumptions; and

15 (B) adjusting, if necessary, for changes in
16 population or other known factors, provided those factors would
17 have a material impact on the calculation, as determined by the
18 pension board.

19 (26) "Surviving spouse" means a spouse by marriage of
20 [person who was married to] a member, deferred participant, or
21 retiree at the time of death of the member, deferred participant, or
22 retiree and as of the date of ~~before~~ separation from service by
23 the member, deferred participant, or retiree.

24 (26-a) "Third quarter line rate" means the corridor
25 midpoint plus 2.5 percentage points.

26 (26-b) "Total city contribution" means, for a fiscal
27 year, an amount equal to the sum of:

1 (A) the city contribution rate multiplied by the
2 pensionable payroll for the fiscal year; and

3 (B) the city contribution amount for the fiscal
4 year.

5 (28) "Ultimate entry age normal" means an actuarial
6 cost method under which a calculation is made to determine the
7 average uniform and constant percentage rate of contributions that,
8 if applied to the compensation of each member during the entire
9 period of the member's anticipated covered service, would be
10 required to meet the cost of all benefits payable on the member's
11 behalf based on the benefits provisions for newly hired employees.
12 For purposes of this definition, the actuarial accrued liability
13 for each member is the difference between the member's present
14 value of future benefits based on the tier of benefits that apply to
15 the member and the member's present value of future normal costs
16 determined using the normal cost rate.

17 (29) "Unfunded actuarial accrued liability" means the
18 difference between the actuarial accrued liability and the
19 actuarial value of assets. For purposes of this definition:

20 (A) "actuarial accrued liability" means the
21 portion of the actuarial present value of projected benefits
22 attributed to past periods of member service based on the cost
23 method used in the risk sharing valuation study prepared under
24 Section 8B or 8C of this Act, as applicable; and

25 (B) "actuarial value of assets" means the value
26 of pension plan investments as calculated using the asset smoothing
27 method used in the risk sharing valuation study prepared under

1 Section 8B or 8C of this Act, as applicable.

2 (30) "Unanticipated change" means, with respect to the
3 unfunded actuarial accrued liability in each subsequent risk
4 sharing valuation study prepared under Section 8B of this Act, the
5 difference between:

6 (A) the remaining balance of all then-existing
7 liability layers as of the date of the risk sharing valuation study;
8 and

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

11 (31) "Year 2017 effective date" means the date on
12 which S.B. No. 2190, Acts of the 85th Legislature, Regular Session,
13 2017, took effect.

14 SECTION 3.02. Chapter 88 (H.B. 1573), Acts of the 77th
15 Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's Texas
16 Civil Statutes), is amended by adding Sections 1A, 1B, 1C, 1D, and
17 1E to read as follows:

18 Sec. 1A. INTERPRETATION OF ACT. This Act does not and may
19 not be interpreted to:

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

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

27 (3) relieve the city, including any official or

1 employee of the city, from:

2 (A) paying or directing to pay required
3 contributions to the pension system or fund under Section 8 or 8A of
4 this Act or carrying out the provisions of Sections 8A through 8F of
5 this Act; or

6 (B) reducing or modifying the rights of the
7 pension board and any officer or employee of the pension board or
8 pension system to enforce obligations described by Subdivision (1)
9 of this section;

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

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

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

22 Sec. 1C. ALTERNATIVE RETIREMENT PLANS. (a) In this
23 section, "salary-based benefit plan" means a retirement plan
24 provided by the pension system under this Act that provides member
25 benefits that are calculated in accordance with a formula that is
26 based on multiple factors, one of which is the member's salary at
27 the time of the member's retirement.

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

7 (c) Notwithstanding any other law, including Section 8H of
8 this Act, and except as provided by Subsection (d) of this section,
9 if, beginning with the final risk sharing valuation study prepared
10 under Section 8B of this Act on or after July 1, 2027, either the
11 funded ratio of the pension system is less than 60 percent as
12 determined in the final risk sharing valuation study without making
13 any adjustments under Section 8E or 8F of this Act, or the funded
14 ratio of the pension system is less than 60 percent as determined in
15 a revised and restated risk sharing valuation study prepared under
16 Section 8B(a)(8) of this Act, the pension board and the city shall,
17 as soon as practicable but not later than the 60th day after the
18 date the determination is made:

19 (1) enter into a written agreement under Section 3(n)
20 of this Act to establish a cash balance retirement plan that
21 complies with Section 1D of this Act; and

22 (2) require each employee first hired by the city on or
23 after the 90th day after the date the cash balance retirement plan
24 is established to participate in the cash balance retirement plan
25 established under this subsection instead of participating in the
26 salary-based benefit plan, provided the employee would have
27 otherwise been eligible to participate in the salary-based benefit

1 plan.

2 (d) If the city fails to deliver the proceeds of the pension
3 obligation bonds described by Section 8C(j)(1) of this Act within
4 the time prescribed by that subdivision, notwithstanding the funded
5 ratio of the pension system, the pension board and the city may not
6 establish a cash balance retirement plan under Subsection (c) of
7 this section.

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

10 (1) "Cash balance plan participant" means an employee
11 who participates in a cash balance retirement plan.

12 (2) "Cash balance retirement plan" means a cash
13 balance retirement plan established by written agreement under
14 Section 1C(b) or Section 1C(c) of this Act.

15 (3) "Interest" means the interest credited to a cash
16 balance plan participant's notional account, which may not:

17 (A) exceed a percentage rate equal to the cash
18 balance retirement plan's most recent five fiscal years' smoothed
19 rate of return; or

20 (B) be less than zero percent.

21 (4) "Salary-based benefit plan" has the meaning
22 assigned by Section 1C of this Act.

23 (b) The written agreement establishing a cash balance
24 retirement plan must:

25 (1) provide for the administration of the cash balance
26 retirement plan;

27 (2) provide for a closed amortization period not to

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

1 based on the cash balance plan participant's account balance after
2 receiving the partial lump-sum payment; and

3 (9) include any other provision determined necessary
4 by:

5 (A) the pension board and the city; or

6 (B) the pension system for purposes of
7 maintaining the tax-qualified status of the pension system under
8 Section 401, Internal Revenue Code of 1986, as amended.

9 (c) Notwithstanding any other law, including Section 5 of
10 this Act, an employee who participates in a cash balance retirement
11 plan:

12 (1) subject to Subsection (d) of this section, is not
13 eligible to be a member of and may not participate in the
14 salary-based benefit plan; and

15 (2) may not earn credited service in the salary-based
16 benefit plan during the period the employee is participating in the
17 cash balance retirement plan.

18 (d) A cash balance plan participant is considered a member
19 for purposes of Section 8A through 8I of this Act.

20 (e) At the time of implementation of the cash balance
21 retirement plan, the employer normal cost rate of the cash balance
22 retirement plan may not exceed the employer normal cost rate of the
23 salary-based benefit plan.

24 Sec. 1E. CONFLICT OF LAW. To the extent of a conflict
25 between this Act and any other law, this Act prevails.

26 SECTION 3.03. Section 2, Chapter 88 (H.B. 1573), Acts of the
27 77th Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's

1 Texas Civil Statutes), is amended by amending Subsections (c), (d),
2 (g), (j), (l), and (n) and adding Subsections (c-1), (c-2), (c-3),
3 (c-4), (j-1), (j-2), (ee), (ff), (gg), (hh), (ii), and (jj) to read
4 as follows:

5 (c) The pension board consists of 11 [~~nine~~] trustees as
6 follows:

7 (1) one person appointed by the mayor of the city [~~or~~
8 ~~the director of the civil service commission as the mayor's~~
9 ~~representative~~];

10 (2) one person appointed by the controller of the city
11 [~~treasurer or a person performing the duties of treasurer~~];

12 (3) four municipal employees of the city who are
13 members of the pension system;

14 (4) two retirees, each of whom:

15 (A) has at least five years of credited service
16 in the pension system;

17 (B) receives a retirement pension from the
18 pension system; and

19 (C) is not an officer or employee of the city;
20 [~~and~~]

21 (5) one person appointed by the elected trustees who [~~+~~
22 [~~(A)~~] has been a resident of this state for the
23 three years preceding the date of initial appointment; and

24 (6) two persons appointed by the governing body of the
25 city [~~(B) is not a city officer or employee~~].

26 (c-1) To serve as a trustee under Subsection (c)(1), (2), or
27 (6) of this section, a person may not be a participant in or

1 beneficiary of the pension system.

2 (c-2) A trustee appointed under Subsection (c)(1), (2),
3 (5), or (6) of this section must have expertise in at least one of
4 the following areas: accounting, finance, pensions, investments,
5 or actuarial science. Of the trustees appointed under Subsections
6 (c)(1), (2), and (6) of this section, not more than two trustees may
7 have expertise in the same area.

8 (c-3) A trustee appointed under Subsection (c)(1) of this
9 section shall serve a three-year term expiring in July of the
10 applicable year. The appointed trustee may be removed at any time
11 by the mayor. The mayor shall fill a vacancy caused by the
12 trustee's death, resignation, or removal and the person appointed
13 to fill the vacancy shall serve the remainder of the unexpired term
14 of the replaced trustee and may not serve beyond the expiration of
15 the unexpired term unless appointed by the mayor.

16 (c-4) A trustee appointed under Subsection (c)(2) of this
17 section shall serve a three-year term expiring in July of the
18 applicable year. The appointed trustee may be removed at any time
19 by the controller. The controller shall fill a vacancy caused by
20 the trustee's death, resignation, or removal and the person
21 appointed to fill the vacancy shall serve the remainder of the
22 unexpired term of the replaced trustee and may not serve beyond the
23 expiration of the unexpired term unless appointed by the
24 controller.

25 (d) To serve as a trustee under Subsection (c)(3) of this
26 section, a person must be a member with at least five years of
27 credited service and be elected by the active members of the pension

1 system voting at an election called by the pension board. No more
2 than two of the employee trustees may be employees of the same
3 department.

4 (g) To serve as a trustee under Subsection (c)(4) of this
5 section, a person must be elected by a majority of the retirees
6 voting [~~retired members of the pension system~~] at an election
7 called by the pension board.

8 (j) To serve as a trustee under Subsection (c)(5) of this
9 section, the person must be appointed by a vote of a majority of the
10 elected trustees of the pension board. The trustee appointed under
11 Subsection (c)(5) of this section shall serve [~~serves~~] a three-year
12 [~~two-year~~] term. The appointment or reappointment of the appointed
13 trustee shall take place in July [~~January~~] of the [~~each~~
14 ~~even-numbered~~] year in which the term ends. The appointed trustee
15 may be removed at any time by a vote of a majority of the elected
16 trustees of the pension board. A vacancy caused by the appointed
17 trustee's death, resignation, or removal shall be filled by the
18 elected trustees of the pension board. The appointee serves for the
19 remainder of the unexpired term of the replaced trustee. An
20 appointed trustee may not serve beyond the expiration of the
21 three-year [~~two-year~~] term unless a majority of [~~other than by~~
22 ~~appointment for a new term by~~] the elected trustees of the pension
23 board reappoint the trustee for a new term.

24 (j-1) To serve as a trustee under Subsection (c)(6) of this
25 section, a person must be appointed by a vote of a majority of the
26 members of the governing body of the city. Each trustee appointed
27 under Subsection (c)(6) of this section shall serve three-year

1 terms expiring in July of the applicable year. A trustee appointed
2 under Subsection (c)(6) of this section may be removed at any time
3 by a vote of a majority of the members of the governing body of the
4 city. A vacancy caused by the appointed trustee's death,
5 resignation, or removal shall be filled by a vote of a majority of
6 the members of the governing body of the city. A person appointed
7 to fill the vacancy shall serve the remainder of the unexpired term
8 of the replaced trustee, and may not serve beyond the expiration of
9 the unexpired term unless appointed by the governing body of the
10 city.

11 (j-2) If a majority of the pension board determines that a
12 trustee appointed under Subsection (c)(1), (2), or (6) of this
13 section has acted or is acting in a manner that conflicts with the
14 interests of the pension system or is in violation of this Act or
15 any agreement between the pension board and the city entered into
16 under Section 3(n) of this Act, the pension board may recommend to
17 the mayor, controller, or governing body, as appropriate, that the
18 appointed trustee be removed from the pension board. If the
19 appointed trustee was appointed by the governing body of the city,
20 an action item concerning the pension board's recommendation shall
21 be placed on the governing body's agenda for consideration and
22 action. The governing body shall make a determination on the
23 recommendation and communicate the determination to the pension
24 system not later than the 45th day after the date of the
25 recommendation.

26 (1) To serve on the pension board, each [~~Each~~ trustee
27 shall, on or before [~~at~~ the first pension board meeting following

1 the trustee's most recent election or appointment, take an oath of
2 office that the trustee:

3 (1) will diligently and honestly administer the
4 pension system; and

5 (2) will not knowingly violate this Act or willingly
6 allow a violation of this Act to occur.

7 (n) The person serving as a trustee under Subsection (c)(2)
8 of this section serves as the treasurer of the pension fund ~~[under~~
9 ~~penalty of that person's official bond and oath of office]~~. The
10 treasurer shall file an [That person's] official bond payable to
11 the [city shall cover the person's position as treasurer of the]
12 pension system. The treasurer is [fund, and that person's sureties
13 are] liable on [for] the treasurer's official bond for the faithful
14 performance of the treasurer's duties under this Act in connection
15 with [actions pertaining to] the pension fund [to the same extent as
16 the sureties are liable under the terms of the bond for other
17 actions and conduct of the treasurer].

18 (ee) A trustee appointed under Subsection (c)(1), (2), (5),
19 or (6) of this section who fails to attend at least 50 percent of all
20 regular pension board meetings, as determined annually each July 1,
21 may be removed from the pension board by the appointing entity. A
22 trustee removed under this subsection may not be appointed as a
23 trustee for one year following removal.

24 (ff) All trustees appointed under Subsection (c) of this
25 section shall complete minimum educational training requirements
26 established by the State Pension Review Board. The appointing
27 entity may remove an appointed trustee who does not complete

1 minimum educational training requirements during the period
2 prescribed by the State Pension Review Board.

3 (gg) The pension board shall adopt an ethics policy
4 governing, among other matters, conflicts of interest that each
5 trustee must comply with during the trustee's term on the pension
6 board.

7 (hh) During a trustee's term on the pension board and for
8 one year after leaving the pension board, a trustee may not
9 represent any other person or organization in any formal or
10 informal appearance before the pension board or pension system
11 staff concerning a matter for which the person has or had
12 responsibility as a trustee.

13 (ii) The pension board may establish standing or temporary
14 committees as necessary to assist the board in carrying out its
15 business, including committees responsible for risk management or
16 governance, investments, administration and compensation,
17 financial and actuarial matters, audits, disability
18 determinations, and agreements under Section 3(n) of this Act. The
19 pension board shall establish a committee responsible for
20 agreements under Section 3(n) of this Act that must be composed of
21 the elected trustees and the trustee appointed by the elected
22 trustees. Except for a committee responsible for agreements under
23 Section 3(n) of this Act and any committee responsible for
24 personnel issues:

25 (1) each committee must include at least one elected
26 trustee and one trustee appointed by the mayor, controller, or
27 governing body of the city;

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

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

4 (jj) Subsections (x)(1) through (4), (y), and (cc) of this
5 section do not grant the pension board authority to modify or
6 terminate Sections 8A through 8F of this Act.

7 SECTION 3.04. Chapter 88 (H.B. 1573), Acts of the 77th
8 Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's Texas
9 Civil Statutes), is amended by adding Sections 2A, 2B, 2C, and 2D to
10 read as follows:

11 Sec. 2A. CONFLICTS OF INTEREST. (a) The existence or
12 appearance of a conflict of interest on the part of any trustee is
13 detrimental to the proper functioning of the pension system if not
14 properly addressed. An appointed trustee may not deliberate or
15 vote on an action relating to the investment of pension system
16 assets if:

17 (1) the trustee or an entity with which the trustee is
18 affiliated:

19 (A) is a competitor or an affiliate of the person
20 or firm that is the subject of or otherwise under consideration in
21 the action; or

22 (B) likely would be subject to a due diligence
23 review by the person or firm that is under consideration in the
24 investment-related action; or

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

1 affiliated.

2 (b) The city attorney shall:

3 (1) provide annual training to trustees appointed by
4 the city regarding conflicts of interest; and

5 (2) to the extent authorized by city ordinances, at
6 the request of the external affairs committee of the pension board,
7 review and take appropriate action on a complaint alleging a
8 conflict of interest on the part of a city-appointed trustee.

9 Sec. 2B. PENSION SYSTEM ACTUARY; ACTUARIAL VALUATIONS.

10 (a) The pension board shall retain an actuary or actuarial firm
11 for purposes of this Act.

12 (b) At least annually, the pension system actuary shall make
13 a valuation of the assets and liabilities of the pension fund. The
14 valuation must include the risk sharing valuation study conducted
15 under Section 8B or 8C of this Act, as applicable.

16 (c) The pension system shall provide a report of the
17 valuation to the city.

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

21 (1) is not already engaged by the pension system or any
22 other pension system or fund authorized under Article 6243e.2(1) or
23 6243g-4, Revised Statutes, to provide actuarial services to the
24 pension system or fund, as applicable;

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

27 (3) is a fellow of the Society of Actuaries or a member

1 of the American Academy of Actuaries and who, in carrying out duties
2 for the city, has met the applicable requirements to issue
3 statements of actuarial opinion.

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

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

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

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

25 (3) the pension system's portfolio structure,
26 including the pension system's need for liquidity, cash income,
27 real return, and inflation protection and the active, passive, or

1 index approaches for different portions of the portfolio;

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

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

6 (6) an evaluation of fees and trading costs;

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

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

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

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

16 (2) any nonpublic information provided for the pension
17 system for the review.

18 (c) The costs for the investment report required by this
19 section shall be paid from the pension fund.

20 SECTION 3.05. Section 3, Chapter 88 (H.B. 1573), Acts of the
21 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
22 Texas Civil Statutes), is amended by amending Subsections (f) and
23 (n) and adding Subsections (o), (p), (q), (r), and (s) to read as
24 follows:

25 (f) The pension board shall compensate from the pension fund
26 the persons performing services under Subsections (d) and (e) of
27 this section and may provide other employee benefits that the

1 pension board considers proper. Any person employed by the pension
2 board under Subsection (d) or (e) of this section who has service
3 credits with the pension system at the time of the person's
4 employment by the pension board retains the person's status in the
5 pension system. Any person employed by the pension system on or
6 after January 1, 2008, who does not have service credits with the
7 pension system at the time of employment is a group D [~~A~~] member in
8 accordance with Section 5 of this Act. The pension board shall
9 adopt a detailed annual budget detailing its proposed
10 administrative expenditures under this subsection for the next
11 fiscal year.

12 (n) Notwithstanding any other law and except as
13 specifically limited by Subsection (o) of this section, the pension
14 board may enter into a written agreement with the city regarding
15 pension issues and benefits. The agreement must be approved by the
16 pension board and the governing body of the city and signed by the
17 mayor and by the pension board or the pension board's designee. The
18 agreement is enforceable against and binding on the pension board,
19 the city, and the pension system, including the pension system's
20 members, retirees, deferred participants, beneficiaries, eligible
21 survivors, and alternate payees. Any reference in this Act to an
22 agreement between the city and the pension board or pension system
23 is a reference to an agreement entered under this subsection.

24 (o) In any written agreement entered into between the city
25 and the pension board under Subsection (n) of this section, the
26 parties may not:

27 (1) alter Sections 8A through 8F of this Act, except

1 and only to the extent necessary to comply with federal law;

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

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

8 (4) allow a total city contribution in any fiscal year
9 that is less than the total city contribution required under
10 Section 8E or 8F, as applicable, of this Act.

11 (p) Annually on or before the end of the fiscal year, the
12 pension board shall make a report to the mayor and the governing
13 body of the city, each of which shall provide a reasonable
14 opportunity for the pension board to prepare and present the
15 report.

16 (q) The pension board shall provide quarterly investment
17 reports to the mayor.

18 (r) At the mayor's request, the pension board shall meet,
19 discuss, and analyze with the mayor or the mayor's representatives
20 any city proposed policy changes and ordinances that may have a
21 financial effect on the pension system.

22 (s) The pension board shall work to reduce administrative
23 expenses, including by working with any other pension fund to which
24 the city contributes.

25 SECTION 3.06. Section 5, Chapter 88 (H.B. 1573), Acts of the
26 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
27 Texas Civil Statutes), is amended by amending Subsections (b), (e),

1 (f), and (g) and adding Subsections (j) and (k) to read as follows:

2 (b) Except as provided by Subsection (c), (j), or (k) of
3 this section and Sections 4 and 6 of this Act, an employee is a group
4 A member of the pension system as a condition of employment if the
5 employee:

6 (1) is hired or rehired as an employee by the city, the
7 predecessor system, or the pension system on or after September 1,
8 1999, and before January 1, 2008;

9 (2) was a member of the predecessor system before
10 September 1, 1981, under the terms of Chapter 358, Acts of the 48th
11 Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas
12 Civil Statutes), and did not make an election before December 1,
13 1981, under Section 22(a) of that Act to receive a refund of
14 contributions and become a group B member;

15 (3) was a group A member who terminated employment
16 included in the predecessor system before May 3, 1991, elected
17 under Section 16, Chapter 358, Acts of the 48th Legislature,
18 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil
19 Statutes), to leave the member's contributions in that pension
20 fund, met the minimum service requirements for retirement at an
21 attained age, was reemployed in a position included in the
22 predecessor system before September 1, 1999, and elected, not later
23 than the 30th day after the date reemployment began, to continue as
24 a group A member;

25 (4) became a member of, or resumed membership in, the
26 predecessor system as an employee or elected official of the city
27 after January 1, 1996, and before September 1, 1999, and elected by

1 submission of a signed and notarized form in a manner determined by
2 the pension board to become a group A member and to contribute a
3 portion of the person's salary to the pension fund as required by
4 Chapter 358, Acts of the 48th Legislature, Regular Session, 1943
5 (Article 6243g, Vernon's Texas Civil Statutes); or

6 (5) met the requirements of Section 3B, Chapter 358,
7 Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g,
8 Vernon's Texas Civil Statutes), or Subsection (f) of this section
9 for membership in group A.

10 (e) Any member or former member of the pension system
11 elected to an office of the city on or after September 1, 1999, and
12 before January 1, 2008, is [~~becomes~~] a group A member and is
13 eligible to receive credit for all previous service on the same
14 conditions as reemployed group A members under Sections 7(c), (d),
15 (e), and (f) of this Act, except as otherwise provided by this Act.
16 For purposes of this subsection [~~Notwithstanding any other~~
17 ~~provision in this Act or in Chapter 358, Acts of the 48th~~
18 ~~Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas~~
19 ~~Civil Statutes)], consecutive terms of office of any elected member
20 who is elected to an office of the city are considered to be
21 continuous employment for purposes of this Act.~~

22 (f) Each group B member of the pension system may make an
23 irrevocable election on a date and in a manner determined by the
24 pension board to change membership from group B to group A:

25 (1) for future service only; or

26 (2) for future service and to convert all past group B
27 service to group A service and comply with the requirements of

1 Subsection (h) of this section provided the service is converted
2 before December 31, 2005.

3 (g) Each group A member with service in group B may make an
4 irrevocable election not later than December 31, 2005, [~~on a date~~]
5 and in a manner determined by the pension board to convert all group
6 B service to group A service and to comply with the requirements of
7 Subsection (h) of this section.

8 (j) Except as provided by Subsection (k) of this section or
9 Section 4 of this Act, an employee is a group D member of the pension
10 system as a condition of employment if the employee is hired as an
11 employee by the city or the pension system on or after January 1,
12 2008.

13 (k) Notwithstanding any provision of this section, for
14 purposes of Subsection (j) of this section:

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

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

23 SECTION 3.07. Section 6, Chapter 88 (H.B. 1573), Acts of the
24 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
25 Texas Civil Statutes), is amended by adding Subsections (k) and (l)
26 to read as follows:

27 (k) Notwithstanding any other law, including Subsection

1 (b)(3) of this section, Subsections (a) through (j) of this section
2 do not apply to any employee on or after January 1, 2005. An
3 employee who meets the definition of "executive official" under
4 Subsection (b)(3) of this section is a group A member beginning
5 January 1, 2005, for credited service earned on or after January 1,
6 2005, or a member of the applicable group under Section 5 of this
7 Act. This subsection does not affect:

8 (1) any credited service or benefit percentage accrued
9 in group C before January 1, 2005;

10 (2) any group C benefit that a deferred participant or
11 retiree is eligible to receive that was earned before January 1,
12 2005; or

13 (3) the terms of any obligation to purchase service
14 credit or convert service credit to group C that was entered into
15 before January 1, 2005.

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

22 SECTION 3.08. Section 7, Chapter 88 (H.B. 1573), Acts of the
23 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
24 Texas Civil Statutes), is amended by amending Subsections (a), (c),
25 (e), (f), (g), and (h) and adding Subsections (g-1), (g-2), (i),
26 (j), (k), and (l) to read as follows:

27 (a) Notwithstanding any other provision of this Act,

1 duplication of service or credited service in group A, B, [~~C~~] C, or
2 D of the pension system or in the pension system and any other
3 defined benefit pension plan to which the city contributes is
4 prohibited.

5 (c) Except as provided by Section 12 of this Act, a [~~group A~~]
6 member may pay into the pension fund and obtain credit for any
7 service with the city or the pension system for which credit is
8 otherwise allowable [~~in group A~~] under this Act, except that:

9 (1) no required contributions were made by the member
10 for the service; or

11 (2) refunded contributions attributable to the
12 service have not been subsequently repaid.

13 (e) To establish service described by Subsection (c) of this
14 section that occurred on or after September 1, 1999, the member
15 shall pay a sum computed by multiplying the member's salary during
16 the service by the rate established [~~by the pension board~~] for
17 member contributions under Section 8 of this Act, and the city shall
18 pay into the pension fund an amount equal to the rate established
19 for city contributions under Section 8A [~~8~~] of this Act [~~multiplied~~
20 ~~by that member's salary for the same period~~].

21 (f) In addition to the amounts to be paid by the member under
22 Subsection (d) or (e) of this section, the member shall also pay
23 interest on those amounts at the current assumed rate of return [~~six~~
24 ~~percent~~] per year, not compounded, from the date the contributions
25 would have been deducted, if made, or from the date contributions
26 were refunded to the date of repayment of those contributions into
27 the pension fund.

1 (g) Before the year 2017 effective date, if [~~if~~] a group B or
2 group D member separates from service before completing five years
3 of credited service, the member's service credit is canceled at the
4 time of separation. If the member is reemployed by the city in a
5 position covered by the pension system before the first anniversary
6 of the date of separation, all credit for previous service is
7 restored. Any member whose service credit is canceled under this
8 subsection and who is reemployed by the city in a position covered
9 by the pension system after the first anniversary of the date of
10 separation receives one year of previous service credit in group B
11 or group D, as applicable, for each full year of subsequent service
12 up to the amount of the previous service that was canceled.

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

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

25 (2) if the member's service credit is canceled under
26 this subsection, the member is eligible to reinstate the canceled
27 credited service by paying the pension system the refund amount, if

1 any, plus interest on those amounts at the current assumed rate of
2 return per year, not compounded, from the date contributions were
3 refunded to the date of repayment of those contributions to the
4 pension fund.

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

10 (h) A group B member who was a group A member before
11 September 1, 1981, and who was eligible to purchase credit for
12 previous service under Chapter 358, Acts of the 48th Legislature,
13 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil
14 Statutes), may purchase the service credit in group B by paying into
15 the pension fund an amount equal to the assumed rate of return [~~six~~
16 ~~percent~~] per year, not compounded, on any contributions previously
17 withdrawn for the period from the date of withdrawal to the date of
18 purchase.

19 (i) Under rules and procedures adopted by the pension board,
20 a group D member may effectuate a direct trustee-to-trustee
21 transfer from a qualifying code Section 457(b) plan to the pension
22 system to purchase an increased or enhanced benefit in accordance
23 with the provisions of code Sections 415(n) and 457(e)(17) of the
24 Internal Revenue Code of 1986. The amount transferred under this
25 subsection shall be held by the pension system and the pension
26 system may not separately account for the amount. The pension board
27 by rule shall determine the additional benefit that a member is

1 entitled to based on a transfer under this subsection.

2 (j) For purposes of this subsection and Subsection (k) of
3 this section, "furlough time" means the number of days a person has
4 been furloughed. A person who has been voluntarily or
5 involuntarily furloughed shall receive credited service for each
6 day that the person has been furloughed, provided that:

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

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

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

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

23 (l) Notwithstanding any provision of this section, the
24 interest rate on any service purchase shall be the then current
25 assumed rate of return, not compounded.

26 SECTION 3.09. The heading to Section 8, Chapter 88 (H.B.
27 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article

1 6243h, Vernon's Texas Civil Statutes), is amended to read as
2 follows:

3 Sec. 8. MEMBER CONTRIBUTIONS.

4 SECTION 3.10. Sections 8(a), (b), and (c), Chapter 88 (H.B.
5 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
6 6243h, Vernon's Texas Civil Statutes), are amended to read as
7 follows:

8 (a) Subject to adjustments authorized under Section 8E or 8F
9 of this Act, beginning on the year 2017 effective date, each [~~Each~~
10 ~~group A~~] member of the pension system shall make biweekly [~~monthly~~]
11 contributions during employment in an amount determined in
12 accordance with this section [~~by the pension board and expressed as~~
13 ~~a percentage of salary~~]. The contributions shall be deducted by the
14 employer from the salary of each member and paid to the pension
15 system for deposit in the pension fund. Member contributions under
16 this section shall be made as follows:

17 (1) each group A member shall contribute:

18 (A) seven percent of the member's salary
19 beginning with the member's first full biweekly pay period that
20 occurs on or after the year 2017 effective date; and

21 (B) a total of eight percent of the member's
22 salary beginning with the member's first full biweekly pay period
23 for the member that occurs on or after July 1, 2018;

24 (2) each group B member shall contribute:

25 (A) two percent of the member's salary beginning
26 with the member's first full biweekly pay period that occurs on or
27 after the year 2017 effective date; and

1 (B) a total of four percent of the member's
2 salary beginning with the member's first full biweekly pay period
3 for the member that occurs on or after July 1, 2018; and

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

8 (b) This section does not increase or decrease the
9 contribution obligation of any member that arose before the year
10 2017 effective date [~~September 1, 2001,~~] or give rise to any claim
11 for a refund for any contributions made before that date.

12 (c) The employer shall pick up the contributions required of
13 [~~group A~~] members by Subsection (a) of this section and
14 contributions required of group D members under Section 10A(a) of
15 this Act as soon as reasonably practicable under applicable rules
16 for all salaries earned by members after the year 2017 effective
17 date and by January 1, 2018, for contributions required by Section
18 10A(a) of this Act. The city shall pay the pickup contributions to
19 the pension system from the same source of funds that is used for
20 paying salaries to the members. The pickup contributions are in
21 lieu of contributions by [~~group A~~] members. The city may pick up
22 those contributions by a deduction from each [~~group A~~] member's
23 salary equal to the amount of the member's contributions picked up
24 by the city. Members may not choose to receive the contributed
25 amounts directly instead of having the contributed amounts paid by
26 the city to the pension system. An accounting of member
27 contributions picked up by the employer shall be maintained, and

1 the contributions shall be treated for all other purposes as if the
2 amount were a part of the member's salary and had been deducted
3 under this section. Contributions picked up under this subsection
4 shall be treated as employer contributions in determining tax
5 treatment of the amounts under the Internal Revenue Code of 1986, as
6 amended.

7 SECTION 3.11. Chapter 88 (H.B. 1573), Acts of the 77th
8 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
9 Civil Statutes), is amended by adding Sections 8A, 8B, 8C, 8D, 8E,
10 8F, 8G, 8H, and 8I to read as follows:

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

15 (1) beginning with the year 2017 effective date and
16 ending with the fiscal year ending June 30, 2018, an amount equal to
17 the sum of:

18 (A) the city contribution rate, as determined in
19 the initial risk sharing valuation study conducted under Section 8C
20 of this Act, multiplied by the pensionable payroll for the fiscal
21 year; and

22 (B) the city contribution amount for the fiscal
23 year; and

24 (2) for each fiscal year after the fiscal year ending
25 June 30, 2018, an amount equal to the sum of:

26 (A) the city contribution rate, as determined in
27 a subsequent risk sharing valuation study conducted under Section

1 8B of this Act and adjusted under Section 8E or 8F of this Act, as
2 applicable, multiplied by the pensionable payroll for the
3 applicable fiscal year; and

4 (B) except as provided by Subsection (e) of this
5 section, the city contribution amount for the applicable fiscal
6 year.

7 (b) Except by written agreement between the city and the
8 pension board under Section 3(n) of this Act providing for an
9 earlier contribution date, at least biweekly, the city shall make
10 the contributions required by Subsection (a) of this section by
11 depositing with the pension system an amount equal to the sum of:

12 (1) the city contribution rate multiplied by the
13 pensionable payroll for the biweekly period; and

14 (2) the city contribution amount for the applicable
15 fiscal year divided by 26.

16 (c) With respect to each fiscal year:

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

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

25 (d) In addition to the amounts required under this section,
26 the city may at any time contribute additional amounts to the
27 pension system for deposit in the pension fund by entering into a

1 written agreement with the pension board in accordance with Section
2 3(n) of this Act.

3 (e) If, in any given fiscal year, the funded ratio is
4 greater than or equal to 100 percent, the city contribution under
5 this section may no longer include the city contribution amount.

6 (f) Contributions shall be made under this section by the
7 city to the pension system in order to be credited against any
8 amortization schedule of payments due to the pension system under
9 this Act.

10 (g) Subsection (f) of this section does not affect the
11 exclusion of contribution amounts under Subsection (e) of this
12 section or changes to an amortization schedule of a liability layer
13 under Section 8B(a)(7)(F), 8C(i)-(j), or 8E(c)(3)-(4) of this Act.

14 (h) Notwithstanding any other law and except for the pension
15 obligation bond assumed under Section 8C(d)(2) of this Act, the
16 city may not issue a pension obligation bond to fund the city
17 contribution rate under Subsection (a)(1)(A) or (a)(2)(A) of this
18 section or the city contribution amount under Subsection (a)(1)(B)
19 or (a)(2)(B) of this section.

20 Sec. 8B. RISK SHARING VALUATION STUDIES. (a) The pension
21 system and the city shall separately cause their respective
22 actuaries to prepare a risk sharing valuation study in accordance
23 with this section and actuarial standards of practice. A risk
24 sharing valuation study must:

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

27 (2) be included in the annual valuation study prepared

1 under Section 2B of this Act;

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

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

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

11 (6) detail the city contribution rate and the city
12 contribution amount, taking into account any adjustments required
13 under Section 8E or 8F of this Act for all applicable prior fiscal
14 years;

15 (7) subject to Subsection (g) of this section, be
16 based on the following assumptions and methods that are consistent
17 with actuarial standards of practice:

18 (A) an ultimate entry age normal actuarial
19 method;

20 (B) for purposes of determining the actuarial
21 value of assets:

22 (i) except as provided by Subparagraph (ii)
23 of this paragraph and Section 8E(c)(1) or 8F(c)(1) of this Act, an
24 asset smoothing method recognizing actuarial losses and gains over
25 a five-year period applied prospectively beginning on the year 2017
26 effective date; and

27 (ii) for the initial risk sharing valuation

1 study prepared under Section 8C of this Act, a marked-to-market
2 method applied as of June 30, 2016;

3 (C) closed layered amortization of liability
4 layers to ensure that the amortization period for each layer begins
5 12 months after the date of the risk sharing valuation study in
6 which the liability layer is first recognized;

7 (D) each liability layer is assigned an
8 amortization period;

9 (E) each liability loss layer amortized over a
10 period of 30 years from the first day of the fiscal year beginning
11 12 months after the date of the risk sharing valuation study in
12 which the liability loss layer is first recognized, except that the
13 legacy liability must be amortized from July 1, 2016, for a 30-year
14 period beginning July 1, 2017;

15 (F) the amortization period for each liability
16 gain layer being:

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

22 (ii) if there is no liability loss layer, a
23 period of 30 years from the first day of the fiscal year beginning
24 12 months after the date of the risk sharing valuation study in
25 which the liability gain layer is first recognized;

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

1 (H) the assumed rate of return, subject to
2 adjustment under Section 8E(c)(5) of this Act or, if Section 8C(g)
3 of this Act applies, adjustment in accordance with a written
4 agreement entered into under Section 3(n) of this Act, except that
5 the assumed rate of return may not exceed seven percent per annum;

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

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

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

17 (L) the city contribution rate calculated
18 without inclusion of the legacy liability; and

19 (8) be revised and restated, if appropriate, not later
20 than:

21 (A) the date required by a written agreement
22 entered into between the city and the pension board; or

23 (B) the 30th day after the date required action
24 is taken by the pension board under Section 8E or 8F of this Act to
25 reflect any changes required by either section.

26 (b) As soon as practicable after the end of a fiscal year,
27 the pension system actuary at the direction of the pension system

1 and the city actuary at the direction of the city shall separately
2 prepare a proposed risk sharing valuation study based on the fiscal
3 year that just ended.

4 (c) Not later than October 31 following the end of the
5 fiscal year, the pension system shall provide to the city actuary,
6 under a confidentiality agreement with the pension board in which
7 the city actuary agrees to comply with the confidentiality
8 provisions of Section 8G of this Act, the actuarial data described
9 by Subsection (a)(4) of this section.

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

12 (1) the pension system actuary, at the direction of
13 the pension system, shall provide the proposed risk sharing
14 valuation study prepared by the pension system actuary under
15 Subsection (b) of this section to the city actuary; and

16 (2) the city actuary, at the direction of the city,
17 shall provide the proposed risk sharing valuation study prepared by
18 the city actuary under Subsection (b) of this section to the pension
19 system actuary.

20 (e) Each actuary described by Subsection (d) of this section
21 may provide copies of the proposed risk sharing valuation studies
22 to the city or the pension system as appropriate.

23 (f) If, after exchanging proposed risk sharing valuation
24 studies under Subsection (d) of this section, it is found that the
25 difference between the estimated city contribution rate
26 recommended in the proposed risk sharing valuation study prepared
27 by the pension system actuary and the estimated city contribution

1 rate recommended in the proposed risk sharing valuation study
2 prepared by the city actuary for the corresponding fiscal year is:

3 (1) less than or equal to two percentage points, the
4 estimated city contribution rate recommended by the pension system
5 actuary will be the estimated city contribution rate for purposes
6 of Subsection (a)(5) of this section, and the proposed risk sharing
7 valuation study prepared for the pension system is considered to be
8 the final risk sharing valuation study for the fiscal year for the
9 purposes of this Act; or

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

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

20 (i) the estimated city contribution rate
21 proposed under the reconciliation by the pension system actuary
22 will be the estimated city contribution rate for purposes of
23 Subsection (a)(5) of this section; and

24 (ii) the pension system's risk sharing
25 valuation study is considered to be the final risk sharing
26 valuation study for the fiscal year for the purposes of this Act; or

27 (B) if, after 20 business days, the pension

1 system actuary and the city actuary are not able to reach a
2 reconciliation that reduces the difference to an amount less than
3 or equal to two percentage points:

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

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

23 (g) The assumptions and methods used and the types of
24 actuarial data and financial information used to prepare the
25 initial risk sharing valuation study under Section 8C of this Act
26 shall be used to prepare each subsequent risk sharing valuation
27 study under this section, unless changed based on the actuarial

1 experience study conducted under Section 8D of this Act.

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

5 Sec. 8C. INITIAL RISK SHARING VALUATION STUDIES; CORRIDOR
6 MIDPOINT AND CITY CONTRIBUTION AMOUNTS. (a) The pension system
7 and the city shall separately cause their respective actuaries to
8 prepare an initial risk sharing valuation study that is dated as of
9 July 1, 2016, in accordance with this section. An initial risk
10 sharing valuation study must:

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

16 (2) project the corridor midpoint for 31 fiscal years
17 beginning with the fiscal year beginning July 1, 2017; and

18 (3) subject to Subsections (i) and (j) of this
19 section, include a schedule of city contribution amounts for 30
20 fiscal years beginning with the fiscal year beginning July 1, 2017.

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

25 (1) the pension system shall provide to the city
26 actuary under a confidentiality agreement the necessary actuarial
27 data used by the pension system actuary to prepare the proposed

1 initial risk sharing valuation study; and

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

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

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

10 (c) If, after exchanging proposed initial risk sharing
11 valuation studies under Subsection (b)(2) of this section, it is
12 determined that the difference between the estimated total city
13 contribution divided by the pensionable payroll for any fiscal year
14 in the proposed initial risk sharing valuation study prepared by
15 the pension system actuary and in the proposed initial risk sharing
16 valuation study prepared by the city actuary is:

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

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

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

1 reduced to less than or equal to two percentage points, the city
2 contribution rate and the city contribution amount recommended by
3 the pension system actuary for that fiscal year will be the
4 estimated city contribution rate and the estimated city
5 contribution amount, as applicable, for purposes of Section
6 8B(a)(5) of this Act; or

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

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

17 (ii) the finance director and the executive
18 director shall execute a joint addendum to the final initial risk
19 sharing valuation study that is a part of each final initial risk
20 sharing valuation study for all purposes and that reflects the
21 arithmetic average of the estimated city contribution rate and the
22 estimated city contribution amount for each fiscal year in which
23 the difference was greater than two percentage points for purposes
24 of Section 8B(a)(5) of this Act, and for reporting purposes the
25 pension system may treat the pension system actuary's initial risk
26 sharing valuation study with the addendum as the final initial risk
27 sharing valuation study.

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

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

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

8 (3) assume benefit and contribution changes under this
9 Act as of the year 2017 effective date.

10 (e) If the city actuary does not prepare an initial risk
11 sharing valuation study for purposes of this section, the pension
12 system actuary's initial risk sharing valuation study will be used
13 as the final risk sharing valuation study for purposes of this Act
14 unless the city did not prepare a proposed initial risk sharing
15 valuation study because the pension system actuary did not provide
16 the necessary actuarial data in a timely manner. If the city did
17 not prepare a proposed initial risk sharing valuation study because
18 the pension system actuary did not provide the necessary actuarial
19 data in a timely manner, the city actuary shall have 60 days to
20 prepare the proposed initial risk sharing valuation study on
21 receipt of the necessary information.

22 (f) If the pension system actuary does not prepare a
23 proposed initial risk sharing valuation study for purposes of this
24 section, the proposed initial risk sharing valuation study prepared
25 by the city actuary will be the final risk sharing valuation study
26 for purposes of this Act.

27 (g) The city and the pension board may agree on a written

1 transition plan for resetting the corridor midpoint:

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

4 (2) for any fiscal year after the payoff year of the
5 legacy liability.

6 (h) If the city and the pension board have not entered into
7 an agreement described by Subsection (g) of this section in a given
8 fiscal year, the corridor midpoint will be the corridor midpoint
9 determined for the 31st fiscal year in the initial risk sharing
10 valuation study prepared in accordance with this section.

11 (i) If the city makes a contribution to the pension system
12 of at least \$5 million more than the amount that would be required
13 by Section 8A(a) of this Act, a liability gain layer with the same
14 remaining amortization period as the legacy liability is created.
15 In each subsequent risk sharing valuation study until the end of
16 that amortization period, the city contribution amount must be
17 decreased by the amortized amount in each fiscal year covered by the
18 liability gain layer.

19 (j) Notwithstanding any other provision of this Act,
20 including Section 8H of this Act:

21 (1) if the city fails to deliver the proceeds of
22 pension obligation bonds totaling \$250 million on or before March
23 31, 2018, the pension board shall have 30 days from March 31, 2018,
24 to rescind, prospectively, any or all benefit changes made
25 effective under S.B. No. 2190, Acts of the 85th Legislature,
26 Regular Session, 2017, as of the year 2017 effective date, or to
27 reestablish the deadline for the delivery of pension obligation

1 bond proceeds, reserving the right to rescind the benefit changes
2 authorized by this subdivision if the bond proceeds are not
3 delivered by the reestablished deadline; and

4 (2) subject to Subsection (k) of this section, if the
5 pension board rescinds benefit changes under Subdivision (1) of
6 this subsection or pension obligation bond proceeds are not
7 delivered on or before December 31, 2017, the initial risk sharing
8 valuation study shall be prepared again and restated without
9 assuming the delivery of the pension obligation bond proceeds, the
10 later delivery of pension obligation bond proceeds, or the
11 rescinded benefit changes, as applicable, including a
12 reamortization of the city contribution amount for the amortization
13 period remaining for the legacy liability, and the resulting city
14 contribution rate and city contribution amount will become
15 effective in the fiscal year following the completion of the
16 restated initial risk sharing valuation study.

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

20 (1) ending June 30, 2019, if the pension board does not
21 reestablish the deadline under Subsection (j)(1) of this section;
22 or

23 (2) immediately following the reestablished deadline,
24 if the pension board reestablishes the deadline under Subsection
25 (j)(1) of this section and the city fails to deliver the pension
26 obligation bond proceeds described by Subsection (j)(1) of this
27 section by the reestablished deadline.

1 Sec. 8D. ACTUARIAL EXPERIENCE STUDIES. (a) At least once
2 every four years, the pension system actuary, at the direction of
3 the pension system, shall conduct an actuarial experience study in
4 accordance with actuarial standards of practice. The actuarial
5 experience study required by this subsection must be completed not
6 later than September 30 of the year in which the study is required
7 to be conducted.

8 (b) Except as otherwise expressly provided by Sections
9 8B(a)(7)(A)-(I) of this Act, actuarial assumptions and methods used
10 in the preparation of a risk sharing valuation study, other than the
11 initial risk sharing valuation study, shall be based on the results
12 of the most recent actuarial experience study.

13 (c) Not later than the 180th day before the date the pension
14 board may consider adopting any assumptions and methods for
15 purposes of Section 8B of this Act, the pension system shall provide
16 the city actuary with a substantially final draft of the pension
17 system's actuarial experience study, including:

18 (1) all assumptions and methods recommended by the
19 pension system actuary; and

20 (2) summaries of the reconciled actuarial data used in
21 creation of the actuarial experience study.

22 (d) Not later than the 60th day after the date the city
23 receives the final draft of the pension system's actuarial
24 experience study under Subsection (c) of this section, the city
25 actuary and pension system actuary may communicate concerning the
26 assumptions and methods used in the actuarial experience study.
27 During the period prescribed by this subsection, the pension system

1 actuary may modify the recommended assumptions in the draft
2 actuarial experience study to reflect any changes to assumptions
3 and methods to which the pension system actuary and the city actuary
4 agree.

5 (e) At the city actuary's written request, the pension
6 system shall provide additional actuarial data used by the pension
7 system actuary to prepare the draft actuarial experience study,
8 provided that confidential data may only be provided subject to a
9 confidentiality agreement entered into between the pension system
10 and the city actuary.

11 (f) The city actuary, at the direction of the city, shall
12 provide in writing to the pension system actuary and the pension
13 system:

14 (1) any assumptions and methods recommended by the
15 city actuary that differ from the assumptions and methods
16 recommended by the pension system actuary; and

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

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

1 section.

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

5 (1) is not already engaged by the city, the pension
6 system, or any other pension system or fund authorized under
7 Article 6243e.2(1) or 6243g-4, Revised Statutes, to provide
8 actuarial services to the city, the pension system, or another
9 pension system or fund referenced in this subdivision;

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

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

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

27 (j) The independent actuary engaged under Subsection (i) of

1 this section shall receive on request from the city or the pension
2 system:

3 (1) the pension system's draft actuarial experience
4 study, including all assumptions and methods recommended by the
5 pension system actuary;

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

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

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

13 (5) if requested by the independent actuary and
14 subject to a confidentiality agreement between the pension system
15 and the independent actuary, additional confidential actuarial
16 data.

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

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

4 (m) If an independent actuary has questions or concerns
5 regarding an engagement entered into under this section, the
6 independent actuary shall simultaneously consult with both the city
7 actuary and the pension system actuary regarding the questions or
8 concerns. This subsection does not limit the pension system's
9 authorization to take appropriate steps to complete the engagement
10 of the independent actuary on terms acceptable to both the pension
11 system and the city or to enter into a confidentiality agreement
12 with the independent actuary, if needed.

13 (n) If the pension board does not adopt an assumption or
14 method recommended by the city actuary to which the independent
15 actuary agrees, or recommended by the pension system actuary, the
16 city actuary is authorized to use that recommended assumption or
17 method in connection with preparation of a subsequent risk sharing
18 valuation study under Section 8B of this Act until the risk sharing
19 valuation study following the next actuarial experience study is
20 prepared.

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

27 (b) If the funded ratio is:

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

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

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

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

13 (c) For purposes of Subsection (b)(2)(B) of this section,
14 the following adjustments shall be applied sequentially to the
15 extent required to increase the estimated city contribution rate to
16 equal the minimum contribution rate:

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

20 (2) second, under a written agreement between the city
21 and the pension board under Section 3(n) of this Act entered into
22 not later than the 30th day before the first day of the next fiscal
23 year, prospectively restore all or part of any benefit reductions
24 or reduce increased employee contributions, in each case made after
25 the year 2017 effective date;

26 (3) third, accelerate the payoff year of the legacy
27 liability by offsetting the remaining legacy liability by the

1 amount of the new liability loss layer, provided that during the
2 accelerated period the city will continue to pay the city
3 contribution amount as scheduled in the initial risk sharing
4 valuation study, subject to Section 8C(i) or (j) of this Act;

5 (4) fourth, accelerate the payoff year of existing
6 liability loss layers, excluding the legacy liability, by
7 accelerating the oldest liability loss layers first, to an
8 amortization period of not less than 20 years from the first day of
9 the fiscal year beginning 12 months after the date of the risk
10 sharing valuation study in which the liability loss layer is first
11 recognized; and

12 (5) fifth, under a written agreement between the city
13 and the pension board under Section 3(n) of this Act entered into
14 not later than the 30th day before the first day of the next fiscal
15 year, the city and the pension board may agree to reduce the assumed
16 rate of return.

17 (d) If the funded ratio is:

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

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

21 (B) the city contribution amount may no longer be
22 included in the city contribution under Section 8A of this Act; and

23 (C) the city and the pension system may mutually
24 agree to change assumptions in a written agreement entered into
25 between the city and the pension board under Section 3(n) of this
26 Act; and

27 (2) greater than 100 percent in a written agreement

1 between the city and the pension system entered into under Section
2 3(n) of this Act, the pension system may reduce member
3 contributions or increase pension benefits if as a result of the
4 action:

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

7 (B) the city contribution rate is not more than
8 the minimum contribution rate.

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

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

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

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

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

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

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

14 (1) first, adjust the actuarial value of assets to the
15 current market value of assets, if making the adjustment causes the
16 city contribution rate to decrease;

17 (2) second, if the payoff year of the legacy liability
18 was accelerated under Section 8E(c) of this Act:

19 (A) extend the payoff year of the legacy
20 liability by increasing the legacy liability by the amount of the
21 new liability gain layer to a maximum amount; and

22 (B) during the extended period provided by
23 Paragraph (A) of this subdivision, the city shall continue to pay
24 the city contribution amount for the extended period in accordance
25 with the schedule included in the initial risk sharing valuation
26 study, subject to Section 8C(i) or (j) of this Act; and

27 (3) third, if the payoff year of a liability loss layer

1 other than the legacy liability was previously accelerated under
2 Section 8E(c) of this Act, extend the payoff year of existing
3 liability loss layers, excluding the legacy liability, by extending
4 the most recent loss layers first, to a payoff year not later than
5 30 years from the first day of the fiscal year beginning 12 months
6 after the date of the risk sharing valuation study in which the
7 liability loss layer is first recognized.

8 (d) If the city contribution rate after adjustment under
9 Subsection (c) of this section is greater than the third quarter
10 line rate, the city contribution rate equals the third quarter line
11 rate. To the extent necessary to comply with this subsection, the
12 city and the pension board shall enter into a written agreement
13 under Section 3(n) of this Act to increase member contributions and
14 make other benefit or plan changes not otherwise prohibited by
15 applicable federal law or regulations.

16 (e) Gains resulting from adjustments made as the result of a
17 written agreement between the city and the pension board under
18 Subsection (d) of this section may not be used as a direct offset
19 against the city contribution amount in any fiscal year.

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

26 (1) increase member contributions; and

27 (2) decrease cost-of-living adjustments.

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

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

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

14 (2) under a written agreement entered into between the
15 city and the pension board under Section 3(n) of this Act:

16 (A) increasing member contributions; and

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

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

24 (1) increase member contributions; and

25 (2) decrease cost-of-living adjustments.

26 Sec. 8G. CONFIDENTIALITY. (a) The information, data, and
27 document exchanges under Sections 8A through 8F of this Act have all

1 the protections afforded by applicable law and are expressly exempt
2 from the disclosure requirements under Chapter 552, Government
3 Code, except as may be agreed to by the city and pension system in a
4 written agreement under Section 3(n) of this Act.

5 (b) Subsection (a) of this section does not apply to:

6 (1) a proposed risk sharing valuation study prepared
7 by the pension system actuary and provided to the city actuary or
8 prepared by the city actuary and provided to the pension system
9 actuary under Section 8B(d) or 8C(b)(2) of this Act; or

10 (2) a final risk sharing valuation study prepared
11 under Section 8B or 8C of this Act.

12 (c) A risk sharing valuation study prepared by either the
13 city actuary or the pension system actuary under Sections 8A
14 through 8F of this Act may not:

15 (1) include information in a form that includes
16 identifiable information relating to a specific individual; or

17 (2) provide confidential or private information
18 regarding specific individuals or be grouped in a manner that
19 allows confidential or private information regarding a specific
20 individual to be discerned.

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

1 Sec. 8I. STATE PENSION REVIEW BOARD; REPORT. (a) After
2 preparing a final risk sharing valuation study under Section 8B or
3 8C of this Act, the pension system and the city shall jointly submit
4 a copy of the study or studies, as appropriate, to the State Pension
5 Review Board for a determination that the pension system and city
6 are in compliance with this Act.

7 (b) Not later than the 30th day after the date an action is
8 taken under Section 8E or 8F of this Act, the pension system shall
9 submit a report to the State Pension Review Board regarding any
10 actions taken under those sections.

11 (c) The State Pension Review Board shall notify the
12 governor, the lieutenant governor, the speaker of the house of
13 representatives, and the legislative committees having principal
14 jurisdiction over legislation governing public retirement systems
15 if the State Pension Review Board determines the pension system or
16 the city is not in compliance with Sections 8A through 8H of this
17 Act.

18 SECTION 3.12. Section 9(c), Chapter 88 (H.B. 1573), Acts of
19 the 77th Legislature, Regular Session, 2001 (Article 6243h,
20 Vernon's Texas Civil Statutes), is amended to read as follows:

21 (c) If a member dies and there are no eligible survivors to
22 receive the allowance provided for in Section 14 of this Act, the
23 member's spouse [~~beneficiary~~] or, if there is no spouse
24 [~~beneficiary~~], the member's estate shall receive the refund amount.

25 SECTION 3.13. Section 10, Chapter 88 (H.B. 1573), Acts of
26 the 77th Legislature, Regular Session, 2001 (Article 6243h,
27 Vernon's Texas Civil Statutes), is amended by amending Subsections

1 (b), (d), (e), (g), and (h) and adding Subsections (c-1), (d-1), and
2 (e-1) to read as follows:

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

8 (1) 62 years of age; or

9 (2) a combination of years of age and years of credited
10 service, including parts of years, the sum of which equals or is
11 greater than the number:

12 (A) 75, provided the member is at least 50 years
13 of age; or

14 (B) 70, provided the member attained a
15 combination of years of age and years of credited service,
16 including parts of years, the sum of which equals or is greater than
17 the number 68 before January 1, 2005.

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

22 (d) Subject to Section 17 of this Act, the [The] amount of
23 the monthly normal retirement pension payable to an eligible:

24 (1) [retired] group A or group B member who retires
25 before January 1, 2005, shall be determined under the law in effect
26 on the member's last day of credited service;

27 (2) group A member who retires on or after January 1,

1 2005, is equal to the sum of:

2 (A) the member's average monthly salary
3 multiplied by the percentage rate accrued under the law in effect on
4 December 31, 2004, for each year of the member's years of credited
5 service in group A that is earned before January 1, 2005;

6 (B) the member's average monthly salary
7 multiplied by 2.5 [3-1/4] percent for each year of the member's
8 years of credited service in group A during the member's first 20
9 [10] years of service that is earned on or after January 1, 2005; [~~7~~
10 ~~3-1/2 percent for each of the member's years of credited service in~~
11 ~~group A during the member's next 10 years of service,~~] and

12 (C) the member's average monthly salary
13 multiplied by 3.25 [4-1/4] percent for each year of credited
14 service of the member in group A during the member's years of
15 service in excess of the 20 years described under Paragraph (B) of
16 this subdivision that is earned on or after January 1, 2005;

17 (3) group B member who retires on or after January 1,
18 2005, is equal to the sum of:

19 (A) the member's average monthly salary
20 multiplied by the percentage rate accrued under the law in effect on
21 December 31, 2004, for each year of the member's years of credited
22 service in group B that is earned before January 1, 2005;

23 (B) the member's average monthly salary
24 multiplied by 1.75 percent for each year of the member's years of
25 credited service in group B during the member's first 10 years of
26 service that is earned on or after January 1, 2005;

27 (C) the member's average monthly salary

1 multiplied by two percent for each of the member's years of credited
2 service in group B in excess of the 10 years described under
3 Paragraph (B) of this subdivision that is earned on or after January
4 1, 2005; and

5 (D) the member's average monthly salary
6 multiplied by 2.5 percent for each year of credited service of the
7 member in group B during the member's years of service in excess of
8 20 years that is earned on or after January 1, 2005; or

9 (4) group D member who retires on or after January 1,
10 2008, is equal to the sum of:

11 (A) the member's average monthly salary
12 multiplied by 1.8 percent for each year of the member's years of
13 credited service during the member's first 25 years of service; and

14 (B) the member's average monthly salary
15 multiplied by 1 percent for each year of credited service of the
16 member in group D during the member's years of service in excess of
17 25 years.

18 (d-1) For purposes of Subsection (d) of this section,
19 service credit is rounded to the nearest one-twelfth of a year [~~For~~
20 ~~purposes of this subsection, service credit is rounded to the~~
21 ~~nearest one-twelfth of a year. The normal retirement pension of a~~
22 ~~retired group A member may not exceed 90 percent of the member's~~
23 ~~average monthly salary].~~

24 (e) A group D member who terminates employment with the city
25 or the pension system may elect to receive an early retirement
26 pension payable as a reduced benefit if the member has attained:

27 (1) at least 10 years of credited service and is at

1 least 55 years of age; or

2 (2) five years of credited service and a combination
3 of years of age and years of credited service, including parts of
4 years, the sum of which equals or is greater than the number 75.

5 (e-1) The amount of the early retirement pension payable to
6 a retired group D member under Subsection (e) of this section shall
7 be equal to the monthly normal retirement pension reduced by 0.25
8 percent for each month the member is less than 62 years of age at
9 retirement [~~monthly normal retirement pension payable to an~~
10 ~~eligible retired group B member equals the member's average monthly~~
11 ~~salary multiplied by 1-3/4 percent for each year of the member's~~
12 ~~years of credited service in group B during the member's first 10~~
13 ~~years of service, 2 percent for each of the member's years of~~
14 ~~credited service in group B during the member's next 10 years of~~
15 ~~service, and 2-3/4 percent for each year of credited service of the~~
16 ~~member in group B during the member's years of service in excess of~~
17 ~~20 years. For purposes of this subsection, service credit is~~
18 ~~rounded to the nearest one-twelfth of a year. The normal retirement~~
19 ~~pension of a retired group B member may not exceed 90 percent of the~~
20 ~~member's average monthly salary].~~

21 (g) Notwithstanding any other provision of this Act, the
22 total normal retirement pension of a retired member with credited
23 service in group A, group B, [~~or~~] group C, or group D may not exceed
24 90 percent of the member's average monthly salary.

25 (h) On or after February 1, 2018, and for [~~For~~] future
26 payments only, pension benefits for all group A retirees and group B
27 retirees, and for all group D retirees who terminated employment on

1 or after the year 2017 effective date with at least five years of
 2 credited service, and survivor benefits for [~~all retirees and~~]
 3 eligible survivors of a former member of group A or group B, or of a
 4 former member of group D who terminated employment on or after the
 5 year 2017 effective date with at least five years of credited
 6 service, shall be increased annually by the cost-of-living
 7 adjustment percentage [~~four percent~~], not compounded, for all such
 8 eligible persons receiving a pension or survivor benefit as of
 9 January 1 of the year in which the increase is made.

10 SECTION 3.14. Chapter 88 (H.B. 1573), Acts of the 77th
 11 Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's Texas
 12 Civil Statutes), is amended by adding Section 10A to read as
 13 follows:

14 Sec. 10A. GROUP D MEMBER HYBRID COMPONENT. (a) On and
 15 after January 1, 2018, in addition to the group D member
 16 contributions under Section 8 of this Act, each group D member shall
 17 contribute one percent of the member's salary for each biweekly pay
 18 period beginning with the member's first full biweekly pay period
 19 after the later of January 1, 2018, or the group D member's first
 20 date of employment. The contribution required by this subsection:

21 (1) shall be picked up and paid in the same manner and
 22 at the same time as group D member contributions required under
 23 Section 8(a)(3) of this Act, subject to applicable rules;

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

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

1 this Act.

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

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

9 (2) interest on the balance of the group D member's
10 cash balance account determined by multiplying:

11 (A) an annual rate that is one-half the pension
12 system's five-year investment return based on a rolling
13 five-fiscal-year basis and net of investment expenses, with a
14 minimum annual rate of 2.5 percent and a maximum annual rate of 7.5
15 percent, and divided by 26; and

16 (B) the amount credited to the group D member's
17 cash balance account as of the end of the biweekly pay period.

18 (c) The pension system may not pay interest on amounts
19 credited to a cash balance account but not received by the pension
20 system under Subsection (b) of this section.

21 (d) On separation from service, a group D member is eligible
22 to receive only a distribution of the contributions credited to
23 that group D member's cash balance account, without interest, if
24 the group D member has attained less than one year of service while
25 contributing to the cash balance account. If a group D member
26 attains at least one year of service while contributing to the cash
27 balance account, the group D member is fully vested in the accrued

1 benefit represented by that group D member's cash balance account,
2 including interest.

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

10 (f) Contributions may not be made to a group D member's cash
11 balance account for a period that occurs after the date the group D
12 member terminates employment, except that interest at a rate that
13 is not greater than the rate under Subsection (b)(2) of this
14 section, as determined by the pension board, may be credited based
15 on the former group D member's undistributed cash balance account
16 after the date the group D member terminates employment.

17 (g) On the death of a group D member or former group D member
18 before the full distribution of the member's cash balance account,
19 the deceased member's cash balance account shall be payable in a
20 single lump-sum payment to:

21 (1) the deceased member's surviving spouse;

22 (2) if there is no surviving spouse, each designated
23 beneficiary of the deceased member, designated in the manner and on
24 a form prescribed by the pension board; or

25 (3) if there is no designated beneficiary, the
26 deceased member's estate.

27 (h) The lump-sum payment described by Subsection (g) of this

1 section shall be made within a reasonable time after the pension
2 board has determined that the individual or estate is eligible for
3 the distribution.

4 (i) Subject to the other provisions of this section, the
5 pension board may adopt rules necessary to implement this section,
6 including rules regarding the payment of the cash balance account
7 and limitations on the timing and frequency of payments. All
8 distributions and changes in the form of distribution must be made
9 in a manner and at a time that complies with the Internal Revenue
10 Code of 1986.

11 SECTION 3.15. Section 11, Chapter 88 (H.B. 1573), Acts of
12 the 77th Legislature, Regular Session, 2001 (Article 6243h,
13 Vernon's Texas Civil Statutes), is amended to read as follows:

14 Sec. 11. OPTION-ELIGIBLE PARTICIPANTS [~~GROUP B RETIREMENT~~
15 ~~OPTIONS~~]. (a) In this section, "J&S Annuity" means payment of a
16 normal retirement pension or early retirement pension under one of
17 the options provided by Subsection (b) of this section.

18 (a-1) For purposes of this section, an option-eligible
19 participant is:

20 (1) a former group A or group B member who terminates
21 employment with the city or the pension system on or after June 30,
22 2011, and who is eligible to receive a normal retirement pension,
23 provided the member was not married as of the date of the member's
24 termination of employment;

25 (2) a former group B member who terminated employment
26 with the city or the predecessor system before September 1, 1997,
27 and who is eligible to receive a normal retirement pension; or

1 (3) a former group D member who terminated employment
2 with the city or the pension system and who is eligible to receive a
3 normal retirement pension or an early retirement pension.

4 (a-2) The pension board, in its sole discretion, shall make
5 determinations regarding an individual's status as an
6 option-eligible participant.

7 (a-3) Before the date an option-eligible participant
8 commences receipt of a benefit, that option-eligible participant [A
9 group B member who terminated employment with the city or the
10 predecessor system before September 1, 1997,] must elect, in a
11 manner and at a time determined by the pension board, [before the
12 member's effective retirement date] whether to receive [have] the
13 participant's [member's] normal retirement pension or early
14 retirement pension, as applicable, or to have the option-eligible
15 participant's normal retirement pension or early retirement
16 pension, as applicable, paid under one of the options provided by
17 Subsection (b) of this section. The election may be revoked, in a
18 manner and at a time established by the pension board, not later
19 than the 60th day before the date the participant commences receipt
20 of a benefit [member's effective retirement date].

21 (b) The normal retirement pension or early retirement
22 pension may be one of the following actuarially equivalent amounts:

23 (1) option 1: a reduced pension payable to the
24 participant [member], then on the participant's [member's] death
25 one-half of the amount of that reduced pension is payable to the
26 participant's [member's] designated survivor, for life;

27 (2) option 2: a reduced pension payable to the

1 participant [~~member~~], then on the participant's [~~member's~~] death
 2 that same reduced pension is payable to the participant's
 3 [~~member's~~] designated survivor, for life; and

4 (3) option 3: a reduced pension payable to the
 5 participant [~~member~~], and if the participant [~~member~~] dies within
 6 10 years, the pension is paid to the participant's [~~member's~~]
 7 designated survivor for the remainder of the 10-year period
 8 beginning on the participant's benefit commencement [~~member's~~
 9 ~~effective retirement~~] date.

10 (c) If an option-eligible participant [~~a former group B~~
 11 ~~member~~] who has made the election provided by Subsection (b) of this
 12 section dies after terminating employment with at least five years
 13 of credited service but before attaining the age required to begin
 14 receiving a normal or early retirement pension, the person's
 15 designated survivor is eligible for the J&S Annuity [~~benefits~~]
 16 provided by the option selected by the option-eligible participant
 17 [~~former member~~] at the time of separation from service. The
 18 benefits first become payable to an eligible designated survivor on
 19 the date the option-eligible participant [~~former member~~] would have
 20 become eligible to begin receiving a pension. If the designated
 21 survivor elects for earlier payment, in a time and manner
 22 determined by the pension board, the actuarial equivalent of that
 23 amount shall be payable at that earlier date.

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

26 (1) except as provided by Subsection (e) of this
 27 section, an option-eligible participant [~~If a former group B member~~

1 ~~under Subsection (a) of this section]~~ does not elect one of the J&S
2 Annuity options under Subsection (b) of this section and dies
3 before retirement has commenced;

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

7 (3) an option-eligible participant dies after
8 retirement has commenced and that option-eligible participant:

9 (A) elected a normal retirement pension or early
10 retirement pension;

11 (B) did not make a valid election under
12 Subsection (b) of this section; or

13 (C) made an election that is void~~[, a survivor~~
14 ~~benefit is not payable].~~

15 (e) An option-eligible participant described by Subsection
16 (a-1)(3) of this section who did not elect one of the J&S Annuity
17 options under Subsection (b) of this section is considered to have
18 elected a J&S Annuity option under Subsection (b)(1) of this
19 section and to have designated the participant's surviving spouse
20 as the optional annuitant if the participant:

21 (1) was not in service with the city or the pension
22 system at the time of the participant's death;

23 (2) is survived by a surviving spouse; and

24 (3) dies before the participant's retirement has
25 commenced.

26 (f) If the option-eligible participant described by
27 Subsection (e) of this section has no surviving spouse, a survivor

1 benefit or J&S Annuity is not payable. If a J&S Annuity is paid
2 under Subsection (e) of this section, a survivor benefit is not
3 payable under this subsection or under Section 14 of this Act.

4 (g) If Subsection (d) of this section would otherwise apply
5 to prohibit the payment of a survivor benefit or J&S Annuity, but
6 there is one or more dependent children of the deceased
7 option-eligible participant, the provisions of Section 14 of this
8 Act control the payment of survivor benefits to the dependent child
9 or children. The pension system may not pay both a J&S Annuity
10 under this section and a survivor benefit under Section 14 of this
11 Act with respect to any option-eligible participant. If a J&S
12 Annuity is paid under Subsection (e) of this section, a survivor
13 benefit is not payable.

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

21 (i) If a former group B member with service before September
22 1, 1997, was rehired in a covered position and converted the group B
23 service covered by a J&S Annuity to group A service, and that member
24 terminates employment on or after January 1, 2012, and is not an
25 option-eligible participant at the time of the member's subsequent
26 termination, the previous election is void and survivor benefits
27 for an eligible survivor, if any, are payable as provided by Section

1 14 of this Act, provided benefits were not paid under the previous
2 election.

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

10 (k) A J&S Annuity payable to a designated survivor of a
11 retired option-eligible participant is effective on the first day
12 of the month following the month of the option-eligible
13 participant's death and ceases on the last day of the month of the
14 designated survivor's death or on the last day of the month in which
15 the survivor otherwise ceases to be eligible to receive a J&S
16 Annuity.

17 SECTION 3.16. Section 12(a)(5), Chapter 88 (H.B. 1573),
18 Acts of the 77th Legislature, Regular Session, 2001 (Article 6243h,
19 Vernon's Texas Civil Statutes), is amended to read as follows:

20 (5) "DROP entry date" means the date a member ceases to
21 earn service credit and begins earning credit for the member's DROP
22 account, which is the later of the date the member is eligible to
23 participate in the DROP, the date requested by the member, or
24 October 1, 1997, as approved by the pension board. The DROP entry
25 date is the first day of a month and is determined by the normal
26 retirement eligibility requirements of this Act or of Chapter 358,
27 Acts of the 48th Legislature, Regular Session, 1943 (Article 6243g,

1 Vernon's Texas Civil Statutes), as applicable, in effect on the
2 requested DROP entry date. A member who enters DROP on or after
3 January 1, 2005, may not have a DROP entry date that occurs before
4 the date the pension system receives the member's request to
5 participate in DROP.

6 SECTION 3.17. Section 12, Chapter 88 (H.B. 1573), Acts of
7 the 77th Legislature, Regular Session, 2001 (Article 6243h,
8 Vernon's Texas Civil Statutes), is amended by adding Subsections
9 (b-1), (d-1), (o-1), (r), (s), and (t) and amending Subsections
10 (d), (f), (g), (h), (j), (k), (m), (o), and (p) to read as follows:

11 (b-1) Notwithstanding Subsection (b) of this section, for
12 DROP participation beginning on or after January 1, 2005, a member
13 must meet the normal retirement eligibility requirements under
14 Section 10(b) or (c) of this Act to be eligible to elect to
15 participate in DROP. This subsection does not apply to a member
16 who:

17 (1) met the eligibility requirements under Section
18 10(b) of this Act in effect before January 1, 2005; or

19 (2) before January 1, 2005, had at least five years of
20 credited service and a combination of years of age and years of
21 credited service, including parts of years, the sum of which
22 equaled or was greater than 68.

23 (d) Credited service and normal retirement benefits cease
24 to accrue on the day preceding the member's DROP entry date. The
25 period of a member's DROP participation, unless revoked as provided
26 by Subsection (j) of this section, begins on the DROP participant's
27 DROP entry date and ends on the date of the DROP participant's last

1 day of active service with the city or the pension system. On the
2 first day of the month following the month in which the pension
3 board approves the member's DROP election, the DROP election
4 becomes effective and the pension board shall establish a DROP
5 account for the DROP participant. For each month during the period
6 of DROP participation before a DROP participant's termination of
7 employment, the following amounts shall be credited to the DROP
8 participant's DROP account, including prorated amounts for partial
9 months of service:

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

20 (2) subject to Subsection (d-1) of this section, [~~for~~
21 ~~a group A member, the member's contributions to the pension fund~~
22 ~~required under Section 8 of this Act during the member's~~
23 ~~participation in the DROP, and~~

24 [~~(3)~~] interest on the DROP participant's DROP account
25 balance computed at a rate determined by the pension board and
26 compounded at intervals designated by the pension board, but at
27 least once in each 13-month period.

1 (d-1) Beginning January 1, 2018, the pension board shall
2 establish the interest rate applicable under Subsection (d)(2) of
3 this section as of January 1 of each year at a rate:

4 (1) except as provided by Subdivision (2) of this
5 subsection, equal to half the pension system's five-year investment
6 return based on a rolling five-fiscal-year basis and net of
7 investment expenses; and

8 (2) that may not be less than 2.5 percent or more than
9 7.5 percent.

10 (f) The period for credits to a DROP participant's DROP
11 account includes each month beginning with the DROP participant's
12 DROP entry date through the date the DROP participant terminates
13 employment with the city or the pension system. Credits may not be
14 made to a DROP participant's DROP account for a period that occurs
15 after the date the DROP participant terminates employment, except
16 that interest at a rate determined by the pension board may be paid
17 on the person's undistributed DROP account balance after the date
18 the person terminates employment. A DROP participant must pay
19 required contributions to the pension system for all time in DROP
20 that would otherwise constitute service in order to receive
21 allowable credits to the DROP participant's DROP account.

22 (g) A DROP participant who terminates employment is
23 eligible to elect to receive the DROP participant's DROP benefit in
24 a lump sum, in substantially equal periodic payments, ~~or~~ in a
25 partial lump sum followed by substantially equal periodic payments,
26 or in partial payments from the participant's DROP account, in a
27 manner and form determined by the pension board. The pension board

1 may establish procedures concerning partial payments under this
2 subsection, including limitations on the timing and frequency of
3 those payments. A participant who elects partial payments may
4 elect to receive the participant's entire remaining DROP account
5 balance in a single lump-sum payment. The pension board shall
6 determine a reasonable time for lump-sum and periodic payments of
7 the DROP benefit. [~~An election concerning single lump-sum or~~
8 ~~partial payments as provided by this subsection must satisfy the~~
9 ~~requirements of Section 401(a)(9), Internal Revenue Code of 1986,~~
10 ~~as amended.] All distributions and changes in the form of
11 distribution must be made in a manner and at a time that complies
12 with that provision of the Internal Revenue Code of 1986, as
13 amended.~~

14 (h) If a DROP participant dies before the full distribution
15 of the DROP participant's DROP account balance, the undistributed
16 DROP account balance shall be distributed to the DROP participant's
17 surviving spouse, if any, in a lump-sum payment within a reasonable
18 time after the pension board has determined that the surviving
19 spouse is eligible for the distribution. If there is no surviving
20 spouse, each beneficiary of the DROP participant [~~participant's~~
21 ~~beneficiary~~], as designated in the manner and on a form established
22 by the pension board, is eligible to receive the beneficiary's
23 applicable portion of the deceased DROP participant's
24 undistributed DROP account balance in a lump-sum payment within a
25 reasonable time after the pension board has determined that the
26 beneficiary is eligible for the distribution. If no beneficiary is
27 designated, the undistributed DROP account balance shall be

1 distributed to the deceased participant's [~~member's~~] estate.

2 (j) An election to participate in the DROP is irrevocable,
3 except that:

4 (1) if a DROP participant is approved for a service
5 disability pension, the DROP participant's DROP election is
6 automatically revoked; and

7 (2) if a DROP participant dies, the surviving spouse,
8 if any, or the beneficiary, if any, may elect to revoke the DROP
9 participant's DROP election, at a time and in a manner determined by
10 the pension board, only if the revocation occurs before a
11 distribution from the DROP participant's DROP account or the
12 payment of a survivor benefit under this Act or Chapter 358, Acts of
13 the 48th Legislature, Regular Session, 1943 (Article 6243g,
14 Vernon's Texas Civil Statutes) [~~, and~~

15 [~~(3) a DROP participant approved by the pension board
16 of the predecessor system before September 1, 1999, to participate
17 in the DROP may make a one-time, irrevocable election before
18 termination of employment, on a date and in a manner determined by
19 the pension board, to revoke the DROP election and waive any and all
20 rights associated with the DROP election].~~

21 (k) On revocation of a DROP election under Subsection (j) of
22 this section, the DROP account balance becomes zero, and a
23 distribution of DROP benefits may not be made to the participant
24 [~~member~~], the participant's [~~member's~~] surviving spouse, or the
25 participant's [~~member's~~] beneficiaries. In the event of
26 revocation, the benefits based on the participant's [~~member's~~]
27 service are determined as if the participant's [~~member's~~] DROP

1 election had never occurred.

2 (m) If an unanticipated actuarial cost occurs in
3 administering the DROP, the pension board, on the advice of the
4 pension system [~~system's~~] actuary, may take action necessary to
5 mitigate the unanticipated cost, including refusal to accept
6 additional elections to participate in the DROP [~~plan~~]. The
7 pension system shall continue to administer the DROP [~~plan~~] for the
8 DROP participants participating in the DROP [~~plan~~] before the date
9 of the mitigating action.

10 (o) Except as provided by Subsection (o-1) of this section,
11 on [~~On~~] termination of employment, a DROP participant shall receive
12 a normal retirement pension under Section 10 of this Act or under
13 Section 11, 22A, or 24 of Chapter 358, Acts of the 48th Legislature,
14 Regular Session, 1943 (Article 6243g, Vernon's Texas Civil
15 Statutes), as those sections read on the day preceding the
16 participant's DROP entry date, as applicable, except that the
17 credited service under that section is the member's credited
18 service as of the day before the member's DROP entry date, the
19 benefit accrual rate applicable to the credited service shall be
20 the benefit accrual rate in effect on the member's DROP election
21 date, the maximum allowable benefit shall be the maximum allowable
22 benefit in effect on the member's DROP election date, and the
23 member's average monthly salary is the average monthly salary
24 determined as of the later [~~date~~] of the member's DROP entry date or
25 January 1, 2005, as applicable [~~termination of employment~~]. The
26 DROP participant's normal retirement pension is increased by any
27 cost-of-living adjustments applied to the monthly credit to the

1 member's DROP account under Subsection (d)(1) of this section
2 during the member's participation in the DROP. Cost-of-living
3 adjustments applicable to periods after the date of the DROP
4 participant's termination of employment are based on the DROP
5 participant's normal retirement pension computed under this
6 subsection or Subsection (o-1) of this section, as applicable,
7 excluding any cost-of-living adjustments.

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

16 (p) If a DROP election is not revoked under Subsection (j)
17 of this section, the survivor benefit payable to an eligible
18 survivor of a deceased DROP participant under Section 14 of this Act
19 is computed as a percentage of the monthly ordinary disability
20 pension that the member would have been eligible to receive had the
21 member suffered a disability the day before the member's DROP entry
22 date, except that the ordinary disability pension is computed based
23 on the DROP participant's credited service as of the day before the
24 DROP participant's DROP entry date, the benefit accrual rate
25 applicable to the credited service as of the DROP participant's
26 DROP election date, and the DROP participant's average monthly
27 salary as of the later [~~date~~] of the DROP participant's DROP entry

1 date or January 1, 2005, as applicable ~~[death]~~. A surviving spouse,
2 if any, of a DROP participant who dies from a cause directly
3 resulting from a specific incident in the performance of the DROP
4 participant's duties for the city or the pension system is
5 ineligible to receive enhanced survivor benefits under Section
6 14(c) of this Act unless the DROP election is revoked under
7 Subsection (j)(2) of this section and the surviving spouse receives
8 a survivor benefit as otherwise provided by this subsection.

9 (r) Except as provided by Subsection (s) of this section,
10 the pension system may not credit a DROP account with a
11 cost-of-living adjustment percentage on or after February 1, 2018.

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

17 (t) The pension board may establish deadlines for the
18 submission of any information, document, or other record pertaining
19 to DROP.

20 SECTION 3.18. Sections 13(a), (b), and (c), Chapter 88
21 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001
22 (Article 6243h, Vernon's Texas Civil Statutes), are amended to read
23 as follows:

24 (a) A member who has completed five or more years of
25 credited service and who becomes disabled is eligible, regardless
26 of age, for an ordinary disability retirement and shall receive a
27 monthly disability pension computed in accordance with Section

1 10(d) of this Act [~~for group A members and Section 10(e) for group B~~
2 ~~members~~].

3 (b) A member who is disabled by reason of a personal injury
4 sustained or a hazard undergone as a result of, and while in the
5 performance of, the member's employment duties at some definite
6 place and at some definite time on or after the date of becoming a
7 member, without serious and wilful misconduct on the member's part,
8 is eligible for a service disability retirement and shall receive a
9 monthly disability pension equal to the greater of:

10 (1) the monthly normal retirement pension computed
11 under Section 10(d) of this Act [~~for a group A member or Section~~
12 ~~10(e) for a group B member~~]; or

13 (2) 20 percent of the member's monthly salary on the
14 date the injury occurred or the hazard was undergone.

15 (c) In addition to the monthly disability pension under
16 Subsection (b)(2) of this section, a group A member shall receive
17 one percent of the salary under Subsection (b)(2) of this section
18 for each year of credited service. The total disability pension
19 computed under Subsection (b)(2) of this section may not exceed the
20 greater of:

21 (1) 40 percent of that monthly salary; or

22 (2) the monthly normal retirement pension computed in
23 accordance with Section 10(d) of this Act [~~for a group A member or~~
24 ~~Section 10(e) for a group B member~~].

25 SECTION 3.19. Section 14, Chapter 88 (H.B. 1573), Acts of
26 the 77th Legislature, Regular Session, 2001 (Article 6243h,
27 Vernon's Texas Civil Statutes), is amended by amending Subsections

1 (a), (b), (c), (d), (e), and (h) and adding Subsection (b-1) to read
2 as follows:

3 (a) Except as provided by Section 11 or [Section] 12 of this
4 Act, the pension board shall order survivor benefits to be paid to
5 an eligible survivor in the form of a monthly allowance under this
6 section if:

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

10 (2) while in the service of the city or the pension
11 system, a member dies from any cause directly resulting from a
12 specific incident in the performance of the member's duty; ~~[or]~~

13 (3) a member of group A or group B dies after the date
14 the member retires on a pension because of length of service or a
15 disability and the member leaves an eligible survivor; or

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

20 (b) A surviving spouse of a member described by Subsection
21 (a)(1) or (4) of this section ~~[or former member]~~ who dies while
22 still in ~~[dies after having completed five years of credited]~~
23 service with the city or the pension system~~[, but before beginning~~
24 ~~to receive retirement benefits,~~] is eligible for a sum equal to the
25 following applicable percentage ~~[100 percent]~~ of the retirement
26 benefits to which the deceased member or former member would have
27 been eligible had the member been totally disabled with an ordinary

1 disability at the time of the member's last day of credited service:

2 (1) 80 percent, if the member's death occurs on or
3 after the year 2017 effective date and the spouse was married to the
4 member for at least one continuous year as of the member's date of
5 death, except that the allowance payable to the surviving spouse
6 may not be less than \$100 a month; or

7 (2) 50 percent, if the member's death occurs on or
8 after the year 2017 effective date and the spouse was married to the
9 member for less than one continuous year as of the date of the
10 member's death.

11 (b-1) A surviving spouse of a former member described by
12 Subsection (a)(1) of this section who dies on or after the year 2017
13 effective date while not in the service of the city or the pension
14 system and before the member's retirement commenced, is eligible
15 for a sum equal to 50 percent of the deceased former member's normal
16 accrued pension at the time of the deceased former member's last day
17 of credited service. Benefits under this subsection first become
18 payable on the date the former member would have become eligible to
19 begin receiving a pension. If the surviving spouse elects for
20 earlier payment, in a time and manner determined by the pension
21 board, the actuarial equivalent of that amount shall be payable at
22 that earlier date.

23 (c) A surviving spouse of a member described by Subsection
24 (a)(2) of this section who dies from a cause directly resulting from
25 a specific incident in the performance of the member's duty with the
26 city or the pension system, without serious or wilful misconduct on
27 the member's part, is eligible for a sum equal to 80 [~~100~~] percent

1 of the deceased member's final average salary.

2 (d) A surviving spouse of a retiree described by Subsection
3 (a)(3) of this section who dies after having received retirement
4 benefits is eligible for a sum equal to the following applicable
5 percentage [~~100 percent~~] of the retirement benefits being received
6 at the time of the retiree's death, including any applicable [~~The~~]
7 cost-of-living adjustment in the survivor benefit under Section
8 10(h) of this Act [~~is~~] computed based on the unadjusted normal
9 retirement pension of the deceased retiree:

10 (1) 80 percent, if the retiree's death occurs on or
11 after the year 2017 effective date and the retiree separated from
12 service with the city or pension system before the year 2017
13 effective date;

14 (2) 80 percent, if the retiree's death occurs on or
15 after the year 2017 effective date and the retiree separated from
16 service with the city or pension system on or after the year 2017
17 effective date, provided the surviving spouse was married to the
18 retiree at the time of the retiree's death and for at least one
19 continuous year as of the date of the retiree's separation from
20 service; or

21 (3) 50 percent, if both the retiree's separation from
22 service and death occur on or after the year 2017 effective date and
23 the surviving spouse was married to the retiree at the time of the
24 retiree's death for less than one continuous year as of the date of
25 the retiree's separation from service.

26 (e) If there is a surviving spouse, each dependent child
27 shall receive a survivor benefit equal to 10 percent of the pension

1 the member would have received if the member had been disabled at
2 the time of death up to a maximum of 20 percent for all dependent
3 children, except that if the total amount payable to the surviving
4 spouse and dependent children is greater than 80 [~~100~~] percent of
5 the benefit the member would have received, the percentage of
6 benefits payable to the surviving spouse shall be reduced so that
7 the total amount is not greater than 80 [~~100~~] percent of the benefit
8 the member would have received, and the reduction shall continue
9 until the total amount payable to the surviving spouse and
10 dependent child, if any, would not be greater than 80 [~~100~~] percent
11 of the benefit the member would have received.

12 (h) If a retiree dies and there is no eligible survivor, the
13 retiree's spouse, if any, or if there is no spouse, the retiree's
14 estate, is eligible to receive a lump-sum payment of the
15 unamortized balance of the retiree's accrued employee
16 contributions, if any, other than contributions after the DROP
17 entry date, as determined by an amortization schedule and method
18 approved by the pension board. A pension payable to a retiree
19 ceases on the last day of the month [~~preceding the month~~] of the
20 retiree's death. A survivor benefit payable to an eligible
21 survivor is effective on the first day of the month following the
22 month of the retiree's death and ceases on the last day of [~~month~~
23 ~~preceding~~] the month of the eligible survivor's death or on the last
24 day of the month in which the survivor otherwise ceases to be
25 eligible to receive a survivor's benefit.

26 SECTION 3.20. Sections 16(a) and (e), Chapter 88 (H.B.
27 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article

1 [6243h](#), Vernon's Texas Civil Statutes), are amended to read as
2 follows:

3 (a) Notwithstanding any other provision of this Act, the
4 pension board may pay to a member, deferred participant, eligible
5 survivor, alternate payee, or beneficiary in a lump-sum payment the
6 present value of any benefit payable to such a person that is less
7 than \$20,000 [~~\$10,000~~] instead of paying any other benefit payable
8 under this Act. If the lump-sum present value of the benefit is at
9 least \$1,000 [~~\$5,000~~] but less than \$20,000 [~~\$10,000~~], the pension
10 board may make a lump-sum payment only on written request by the
11 member, deferred participant, eligible survivor, alternate payee,
12 or other beneficiary. The pension board shall make any payment
13 under this subsection as soon as practicable after eligibility
14 under this section has been determined by the pension board.

15 (e) A member who is reemployed by the city or the pension
16 system and who has at least two years of continuous credited service
17 after reemployment may reinstate service for which the member
18 received a lump-sum payment under this section by paying into the
19 pension fund the amount of the lump-sum payment, plus interest on
20 that amount at the applicable assumed rate of return [~~six percent~~
21 ~~per year~~], not compounded, from the date the lump-sum payment was
22 made to the member until the date of repayment to the pension fund.

23 SECTION 3.21. Section 17, Chapter 88 (H.B. 1573), Acts of
24 the 77th Legislature, Regular Session, 2001 (Article [6243h](#),
25 Vernon's Texas Civil Statutes), is amended by amending Subsections
26 (a), (c), (d), (e), (f), (g), (h), (i), (j), (k), and (l) and adding
27 Subsections (c-1), (c-2), (q), (r), and (s) to read as follows:

1 (a) A member who terminates employment with the city
2 involuntarily due to a reduction in workforce, as determined by the
3 pension board, before the member becomes eligible for a normal
4 retirement pension or attains five years of credited service, is
5 eligible to [~~by written notice to the pension board, may make an~~
6 ~~irrevocable election to~~] leave the person's contributions in the
7 pension fund until the first anniversary of the date of
8 termination. If during that period the person is reemployed by the
9 city and has not withdrawn the person's contributions, all rights
10 and service credit as a member shall be immediately restored
11 without penalty. If reemployment with the city does not occur
12 before the first anniversary of the date of termination, all
13 payments made by the person into the pension fund by salary
14 deductions or other authorized contributions shall be refunded to
15 the person without interest. If the person is subsequently
16 reemployed, the person may have credit restored, subject to the
17 provisions applicable at the time of reemployment.

18 (c) A former member of group A or group B whose employment is
19 terminated for a reason other than death or receipt of a retirement
20 or disability pension after the completion of five years of
21 credited service may elect, in a manner determined by the pension
22 board, to receive a deferred retirement pension that begins on the
23 member's effective retirement date after the member attains the
24 eligibility requirements for normal retirement under Section 10 of
25 this Act as it existed on the member's last day of credited service
26 [~~either 62 years of age or a combination of years of age and years of~~
27 ~~credited service, including parts of years, the sum of which equals~~

1 ~~the number 70~~]. The amount of monthly benefit shall be computed in
2 the same manner as for a normal retirement pension, but based on
3 average monthly salary and credited service as of the member's last
4 day of credited service and subject to the provisions of this Act or
5 Chapter 358, Acts of 48th Legislature, Regular Session, 1943
6 (Article 6243g, Vernon's Texas Civil Statutes), in effect on the
7 former member's last day of credited service.

8 (c-1) A former member of group D whose employment is
9 terminated for a reason other than death or receipt of a retirement
10 or disability pension after the completion of five years of
11 credited service may elect, in a manner determined by the pension
12 board, to receive a deferred normal retirement pension that begins
13 on the former member's effective retirement date after the member
14 attains 62 years of age. The amount of a monthly benefit under this
15 subsection shall be computed in the same manner as a normal
16 retirement pension, except the benefit shall be based on the
17 average monthly salary and credited service of the former member as
18 of the former member's last day of credited service and subject to
19 the provisions of this Act in effect on the former member's last day
20 of credited service.

21 (c-2) A former member of group D whose employment is
22 terminated for a reason other than death or receipt of a retirement
23 or disability pension and who has met the minimum years of credited
24 service to receive an early reduced retirement pension under
25 Section 10(e) of this Act on attaining the required age, may elect,
26 in a manner determined by the pension board, to receive a deferred
27 early retirement pension that begins on the former member's

1 effective retirement date after the member attains the required age
2 under Section 10(e) of this Act. The amount of monthly benefit
3 shall be computed in the same manner as for an early retirement
4 pension under Section 10(e) of this Act, except that the benefit
5 shall be based on the average monthly salary and credited service of
6 the former member as of the former member's last day of credited
7 service and subject to the provisions of this Act in effect on the
8 former member's last day of credited service.

9 (d) If a member dies while still employed by the city,
10 whether eligible for a pension or not, and Sections 12 and 14 of
11 this Act do not apply, all of the member's rights in the pension
12 fund shall be satisfied by the refund to the member's spouse
13 ~~[designated beneficiary]~~, if any, or if there is no spouse
14 ~~[designated beneficiary]~~, to the member's estate, of all eligible
15 payments, if any, made by the member into the pension fund, without
16 interest.

17 (e) ~~[The provisions of Section 14 of this Act concerning~~
18 ~~payments to eligible survivors apply in the case of any former~~
19 ~~member who has made the election permitted by Subsection (c) of this~~
20 ~~section and who dies before reaching the age at which the former~~
21 ~~member would be eligible to receive a pension.]~~ If there is no
22 eligible survivor of the former member, all of the former member's
23 rights in the pension fund shall be satisfied by the refund to the
24 former member's spouse ~~[designated beneficiary]~~, if any, or if
25 there is no spouse ~~[designated beneficiary]~~, to the former member's
26 estate, of all eligible payments made by the former member into the
27 pension fund by way of employee contributions, without interest.

1 (f) This Act does not change the status of any former member
2 of the predecessor system whose services with the city or the
3 pension system were terminated under Chapter 358, Acts of the 48th
4 Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas
5 Civil Statutes), except as otherwise expressly provided. Refunds
6 of contributions made under this section shall be paid to the
7 departing member, the member's spouse [~~beneficiary~~], or the
8 member's estate on written request and approval by the pension
9 board in a lump sum, except that if the pension board determines
10 that funds are insufficient to justify the lump-sum payment, the
11 payment shall be refunded on a monthly basis in amounts determined
12 by the pension board.

13 (g) If a deferred participant is reemployed by the city or
14 the pension system before receiving a deferred retirement pension
15 or if a retiree is reemployed by the city or the pension system,
16 Subsections (h) and (j) of this section apply to the computation of
17 the member's pension following the member's subsequent separation
18 from service if the member was a member on or after May 11, 2001, and
19 is not otherwise subject to Subsection (g) of this section.

20 (h) If a member described in Subsection (g) of this section
21 accrues not more than two years of continuous credited service
22 after reemployment:

23 (1) the portion of the member's deferred or normal
24 retirement pension attributable to the member's period of credited
25 service accrued before the date of the member's original or
26 previous separation from service is computed on the basis of the
27 applicable provisions of this Act or the predecessor system that

1 were in effect on the member's last day of credited service for the
2 original or previous period of credited service;

3 (2) the portion of the member's deferred or normal
4 retirement pension attributable to the member's period of credited
5 service accrued after the date of the member's reemployment by the
6 city or the pension system is computed on the basis of the
7 applicable provisions of this Act or the predecessor system in
8 effect on the member's last day of credited service for the
9 subsequent period of credited service; and

10 (3) the disability pension or survivor benefit
11 attributable to the member's period of credited service accrued
12 both before the date of the member's original or previous
13 separation from service and after the date of the member's
14 reemployment by the city or the pension system is computed on the
15 basis of the applicable provisions of this Act or the predecessor
16 system that were in effect on the member's last day of credited
17 service for the original or previous period of credited service.

18 (i) Subject to Subsection (1) of this section, the
19 disability pension or survivor benefit under Subsection (h)(3) of
20 this section is computed by adding the following amounts:

21 (1) the amount of the benefit derived from the member's
22 credited service accrued after the date of reemployment based on
23 the benefit accrual rate in effect on the member's last day of
24 original or previous credited service in the group in which the
25 member participated on the member's last day of subsequent credited
26 service; and

27 (2) the amount of the benefit the member, beneficiary,

1 or eligible survivor was eligible to receive based on the member's
2 original or previous credited service and the provisions in effect
3 on the member's last day of original or previous credited service.

4 (j) If a [~~the~~] member described by Subsection (g) of this
5 section accrues more than two years of continuous credited service
6 after reemployment, for purposes of future payment only, a deferred
7 retirement pension, normal retirement pension, disability pension,
8 or survivor benefit is computed on the basis of the applicable
9 provisions of this Act or the predecessor system in effect on the
10 member's last day of credited service for the subsequent service.

11 (k) Notwithstanding any other provision of this Act, if a
12 retiree is reemployed by the city or the pension system and becomes
13 a member, the retiree's pension under this Act ceases on the day
14 before the date the retiree is reemployed. Payment of the pension
15 shall be suspended during the period of reemployment and may not
16 begin until the month following the month in which the reemployed
17 retiree subsequently terminates employment. On subsequent
18 separation, benefits payable are computed under Subsections (h) and
19 (j) of this section, as applicable. If the reemployed retiree
20 receives any pension during the period of reemployment, the retiree
21 shall return all of the pension received during that period to the
22 pension system not later than the 30th day after the date of
23 receipt. If the reemployed retiree does not timely return all of
24 the pension, the pension board shall offset the amount not returned
25 against the payment of any future retirement pension, disability
26 pension, DROP balance, or survivor benefit payable on behalf of the
27 reemployed retiree, plus interest on the disallowed pension at the

1 applicable assumed rate of return, not compounded, from the date
2 the reemployed retiree received the disallowed pension to the date
3 of the offset on the disallowed pension.

4 (1) Except as provided by Section 14 of this Act, if [~~if~~] a
5 member is covered by Subsection (h) of this section and has made an
6 election or was eligible to make an election under Section 11 of
7 this Act or an optional annuity election under Section 29, Chapter
8 358, Acts of the 48th Legislature, Regular Session, 1943 (Article
9 6243g, Vernon's Texas Civil Statutes), or has received a pension
10 computed on the basis of an optional annuity election, the optional
11 annuity election, including any designation of an eligible
12 designated survivor, governs the payment of any pension or benefit
13 for the period of service covered by the optional annuity election,
14 and no other survivor benefit is payable for that period of service.
15 If a member meets the requirements of Subsection (j) of this section
16 and has made an optional annuity election or has received a pension
17 computed on the basis of an optional annuity election, the optional
18 annuity election, including any designation of an eligible
19 designated survivor, shall control the payment of any pension or
20 benefit, and no other survivor benefit is payable unless the member
21 elects, not later than the 90th day after the date of the separation
22 of employment and before payment of a pension, to revoke the
23 optional annuity election for future payment of benefits. If
24 revocation occurs, any survivor benefit is paid under Subsection
25 (j) of this section.

26 (q) Subsections (g) through (l) of this section do not apply
27 to the calculation of any benefit for or attributable to the period

1 of service following:

2 (1) the employment or reemployment of a member hired
3 or rehired on or after January 1, 2005; or

4 (2) the reemployment of a deferred retiree or retiree
5 who is reemployed in a pension system covered position before
6 January 1, 2005, but for a period of two years or less of continuous
7 credited service.

8 (r) If a deferred retiree or retiree subject to Subsection
9 (q)(2) of this section is reemployed in a pension system covered
10 position, the retiree's pension due on the retiree's subsequent
11 retirement shall be computed as follows:

12 (1) the portion of the retiree's pension attributable
13 to the retiree's periods of credited service that accrued before
14 the retiree's reemployment shall be calculated on the basis of the
15 schedule of benefits for retiring members that was in effect at the
16 time of the member's previous termination or terminations of
17 employment; and

18 (2) the portion of the member's pension attributable
19 to the member's period of credited service that accrued after the
20 member's reemployment shall be calculated on the basis of the
21 schedule of benefits for retiring members that is in effect at the
22 time of the member's subsequent retirement.

23 (s) The computation under Subsection (r) of this section may
24 not result in a lower pension benefit amount for the previous
25 service of the retiree than the pension benefit amount the retiree
26 was eligible to receive for the retiree's previous service before
27 the date of reemployment.

1 SECTION 3.22. Section 18(d), Chapter 88 (H.B. 1573), Acts
2 of the 77th Legislature, Regular Session, 2001 (Article 6243h,
3 Vernon's Texas Civil Statutes), is amended to read as follows:

4 (d) The military service credited under Subsection (c) of
5 this section:

6 (1) may not exceed a total of 60 months; and

7 (2) may be claimed as service solely in the group in
8 which the member participates [~~A only if the member is a group A~~
9 ~~member or group C member~~] at the time the member claims the
10 service[~~, and~~

11 [~~(3) may be claimed as service in group B only if the~~
12 ~~member is a group B member at the time the member claims the~~
13 ~~service~~].

14 SECTION 3.23. Sections 24(h) and (i), Chapter 88 (H.B.
15 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article
16 6243h, Vernon's Texas Civil Statutes), are amended to read as
17 follows:

18 (h) Contributions may not accumulate under the excess
19 benefit plan to pay future retirement benefits. The executive
20 director shall reduce each payment of employer contributions that
21 would otherwise be made to the pension fund under Section 8A [~~8~~] of
22 this Act by the amount determined to be necessary to meet the
23 requirements for retirement benefits under the plan, including
24 reasonable administrative expenses, until the next payment of
25 municipal contributions is expected to be made to the pension fund.
26 The employer shall pay to the plan, from the withheld
27 contributions, not earlier than the 30th day before the date each

1 distribution of monthly retirement benefits is required to be made
2 from the plan, the amount necessary to satisfy the obligation to pay
3 monthly retirement benefits from the plan. The executive director
4 shall satisfy the obligation of the plan to pay retirement benefits
5 from the employer contributions transferred for that month.

6 (i) Employer contributions otherwise required to be made to
7 the pension fund under Section 8A [~~8~~] of this Act and to any other
8 qualified plan shall be divided into those contributions required
9 to pay retirement benefits under this section and those
10 contributions paid into and accumulated to pay the maximum benefits
11 required under the qualified plan. Employer contributions made to
12 provide retirement benefits under this section may not be
13 commingled with the money of the pension fund or any other qualified
14 plan.

15 SECTION 3.24. Section 8(d), Chapter 88 (H.B. 1573), Acts of
16 the 77th Legislature, Regular Session, 2001 (Article [6243h](#),
17 Vernon's Texas Civil Statutes), is repealed.

18 SECTION 3.25. (a) The change in law made by this Act to
19 Section 2, Chapter 88 (H.B. 1573), Acts of the 77th Legislature,
20 Regular Session, 2001 (Article [6243h](#), Vernon's Texas Civil
21 Statutes), applies only to the appointment or election of a trustee
22 of the board of trustees of the pension system established under
23 that law that occurs on or after the effective date of this Act.

24 (b) A person who is serving as a trustee immediately before
25 the effective date of this Act may continue to serve for the
26 remainder of the trustee's term, and that trustee's qualifications
27 for serving as a trustee for that term are governed by the law in

1 effect immediately before the effective date of this Act.

2 SECTION 3.26. The pension system established under Chapter
3 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001
4 (Article 6243h, Vernon's Texas Civil Statutes), shall require the
5 pension system actuary to prepare the first actuarial experience
6 study required under Section 8D, Chapter 88 (H.B. 1573), Acts of the
7 77th Legislature, Regular Session, 2001 (Article 6243h, Vernon's
8 Texas Civil Statutes), as added by this Act, not later than
9 September 30, 2021.

10 ARTICLE 4. PROVISIONS APPLICABLE TO EACH PUBLIC RETIREMENT SYSTEM
11 SUBJECT TO ACT

12 SECTION 4.01. Chapter 107, Local Government Code, is
13 amended by adding Section 107.0036 to read as follows:

14 Sec. 107.0036. VOTER APPROVAL REQUIRED FOR CERTAIN PENSION
15 FUND OBLIGATIONS. (a) This section applies only to a public
16 pension fund subject to:

17 (1) Article 6243e.2(1), Revised Statutes;

18 (2) Chapter 88 (H.B. 1573), Acts of the 77th
19 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
20 Civil Statutes); and

21 (3) Article 6243g-4, Revised Statutes.

22 (b) A municipality may issue an obligation under Section
23 107.003 to fund all or any part of the unfunded liability of a
24 public pension fund subject to this section only if the issuance is
25 approved by a majority of the qualified voters of the municipality
26 voting at an election held for that purpose.

27 SECTION 4.02. Section 107.0036, Local Government Code, as

1 added by this Act, applies only to obligations for which the
2 governing body of a municipality executes an agreement under
3 Section 107.003(b), Local Government Code, on or after the
4 effective date of this Act.

5 ARTICLE 5. CONFLICTING LEGISLATION; EFFECTIVE DATE

6 SECTION 5.01. If this Act conflicts with any other Act of
7 the 85th Legislature, Regular Session, 2017, this Act controls
8 unless the conflict is expressly resolved by the legislature by
9 reference to this Act.

10 SECTION 5.02. This Act takes effect July 1, 2017, if it
11 receives a vote of two-thirds of all the members elected to each
12 house, as provided by Section 39, Article III, Texas Constitution.
13 If this Act does not receive the vote necessary for effect on that
14 date, this Act takes effect September 1, 2017.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 2190 passed the Senate on May 1, 2017, by the following vote: Yeas 25, Nays 5, one present not voting; May 10, 2017, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 16, 2017, House granted request of the Senate; May 23, 2017, Senate adopted Conference Committee Report by the following vote: Yeas 25, Nays 5, one present not voting.

Secretary of the Senate

I hereby certify that S.B. No. 2190 passed the House, with amendments, on May 9, 2017, by the following vote: Yeas 115, Nays 29, three present not voting; May 16, 2017, House granted request of the Senate for appointment of Conference Committee; May 24, 2017, House adopted Conference Committee Report by the following vote: Yeas 103, Nays 43, three present not voting.

Chief Clerk of the House

Approved:

Date

Governor