

BILL ANALYSIS

Senate Research Center

S.B. 1444
By: Zaffirini; Eckhardt
Finance
6/13/2023
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The City of Austin Employees' Retirement System (COAERS) amortization period of 34 years places it outside the Pension Review Board Funding Guidelines. State law requires systems that are outside the guidelines for three consecutive years to develop a Funding Soundness Restoration Plan (FSRP) with the plan sponsor. Presently, COAERS is on a trajectory to trigger the FSRP requirements in 2024.

Current law regarding COAERS provides for an employer contribution rate of at least 8 percent; a member contribution rate of 8 percent; several measures related to various service purchase options for supplemental, sick leave, non-contributory, and military, which either further erode the System's financial position or create financial risk; board of trustees authority for a cost-of-living adjustment (COLA) or additional payment to retirees; and the board composition of four active members, two retired members, three taxpayers, and two appointed members of the plan sponsor.

Generally, S.B. 1444 is a proactive, agreed-upon comprehensive framework between COAERS and its plan sponsor, the City of Austin, to improve the long-term financial outlook of the System. Specifically, S.B. 1444 would increase member contribution rate from 8 percent to 10 percent over two years; establish an actuarially determined employer contribution with limits on the maximum employer contributions; eliminate the Unfunded Actuarial Accrued Liability on a fixed 30-year schedule; establish a process for future COLAs which requires certification by the System's actuary that the COLA can be provided within actuarial guidelines and approval by the System's Board of Trustees, the City Council, and the Legislature; reduce financial risk and mitigate financial losses by restructuring the conditions associated with service purchases, military service purchases, and sick leave conversions; and create a more balanced Board of Trustees with the conversion of one active member position to a city-appointed position. Overall, S.B. 1444 would provide greater financial stability to COAERS and ensure that it can continue to provide retirement benefits to its members.

S.B. 1444 amends current law relating to the public retirement systems for employees of certain municipalities.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2, Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), by adding Subdivisions (2A), (3A), (5A), (5B), (10A), (10B), (13A), (13B), (13C), (19A), (19B), (19C), (20A), (26A), (26B), (26C), (26D), (26E), (29A), (31A), (31B), (33A), (33B), (35A), (44A), and (44B) to define "actuarial accrued liability," "actuarial value of assets," "amortization period," "amortization rate," "city," "city legacy contribution amount," "corridor," "corridor margin," "corridor midpoint," "employer contribution rate," "employer normal cost rate," "estimated employer contribution rate," "funded ratio," "legacy liability," "level percent of payroll method," "liability gain layer," "liability layer," "liability loss layer," "maximum employer contribution rate," "minimum employer contribution

rate," "normal cost rate," "payoff year," "pensionable payroll," "projected pensionable payroll," "unanticipated change," and "unfunded actuarial accrued liability."

SECTION 2. Amends Section 3, Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), as follows:

Sec. 3. ESTABLISHMENT AND APPLICABILITY. Provides that subject to the authority granted under this Act, rather than the authority granted under the board of trustees of the retirement system for certain municipalities (retirement board) in Section 7(d) (relating to authorizing certain municipal retirement boards to take certain annual actions) of this Act:

(1)-(3) makes no changes to these subdivisions.

SECTION 3. Amends Section 4(b), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), as follows:

(b) Provides that the retirement board consists of 11 members as follows:

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

(3) places three through five: three qualified voters of the city who:

(A) creates this paragraph from existing text;

(B) have experience in the field of securities investment, pension administration, pension law, or governmental finance; and

(C) creates this paragraph from existing text;

(4) place six: the director of finance of the municipality or the director's designee;

(5) places seven through nine: three, rather than four, active-contributory members elected by the active-contributory members: and

(6) makes a nonsubstantive change to this subdivision.

SECTION 4. Amends Section 4(c)(3), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), as follows:

(3) Provides that the places seven through nine, rather than places six through nine, retirement board members each serve on the retirement board for a four-year term, unless service is earlier terminated by the death, resignation, termination of employment, disability, retirement, or removal of the retirement board member. Makes a conforming change.

SECTION 5. Amends Sections (4)(d), (e), (f), (k), (t), and (w), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), as follows:

(d) Requires members for places seven through eleven, rather than places six through eleven, to be elected in accordance with certain subsections of this section.

(e) Requires only active contributory members to be eligible for election for places seven through nine, rather than places six through nine.

(f) Requires members for places seven through nine, rather than places six through nine, to be elected to four-year terms with the place seven term beginning January 1, 2024, and the terms for places eight and nine beginning January 1 of the following even-numbered year, rather than four-year staggered terms with the terms of two of such retirement board members beginning January 1 each even-numbered year.

(k) Requires that elections for places seven through nine, rather than places six through nine, be held in December of odd-numbered years.

(t) Requires the retirement board to have charge of and administer the trust fund of assets for the retirement system (fund) as trustee of the fund and to order payments from the fund in accordance with this Act. Deletes existing text authorizing the retirement board to increase, under Section 10(g) of this Act, the benefits and allowances the retirement board pays from the fund.

(w) Requires the actuary to make an actuarial investigation of the mortality, service, and compensation experience of members, retired members, surviving spouses, and beneficiaries of the retirement system and to make a valuation of the assets and liabilities of the funds of the system at least once every five years, rather than from time to time on the advice of the actuary and the direction of the retirement board.

SECTION 6. Amends Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), by adding Section 4A, as follows:

Sec. 4A. EXPERIENCE STUDY AND DETERMINING ACTUARIAL ASSUMPTIONS. (a) Requires the retirement board to cause the retirement system's actuary to conduct an experience study to review the actuarial assumptions and methods adopted by the retirement board for the purposes of determining the actuarial liabilities and actuarially determined contribution rates of the system at least once every five years. Requires the system to notify the city at the beginning of an upcoming experience study by the system's actuary.

(b) Authorizes the city, in connection with the retirement system's experience study, to:

(1) conduct a separate experience study using an actuary chosen by the city;

(2) have the city's actuary review the experience study prepared by the system's actuary; or

(3) accept the experience study prepared by the system's actuary.

(c) Requires the city to complete the study not later than the 91st day after the date the retirement system notified the city of the system's intent to conduct an experience study if the city conducts a separate experience study using the city's actuary.

(d) Requires the city to complete the review not later than the 31st day after the date the preliminary results of the experience study are presented to the retirement board if the city elects to have the city's actuary review the retirement system's experience study.

(e) Requires the system's actuary and the city's actuary to determine what the hypothetical employer contribution rate would be using the proposed actuarial assumptions from the experience studies and data from the most recent actuarial valuation if the city chooses to have the city's own experience study performed or to have the city's actuary review the system's experience study.

(f) Provides that if the difference between the hypothetical employer contribution rates determined by the retirement system's actuary and the city's actuary:

(1) is less than or equal to two percent of pensionable payroll, no further action is needed and the retirement board is required to use the experience

study performed by the retirement system's actuary in determining assumptions; or

(2) is greater than two percent of pensionable payroll, the system's actuary and the city's actuary are required to have 20 days to reconcile the difference in actuarial assumptions or methods causing the different hypothetical employer contribution rates, and if:

(A) as a result of the reconciliation efforts under this subdivision, the difference between the employer contribution rates determined by the system's actuary and the city's actuary is reduced to less than or equal to two percentage points, no further action is needed and the retirement board is required to use the experience study performed by the system's actuary in determining actuarial assumptions; or

(B) after the 20th business day, the system's actuary and the city's actuary are not able to reach a reconciliation that reduces the difference in the hypothetical employer contribution rates to an amount less than or equal to two percentage points, a third-party actuary is required to be retained to opine on the differences in the assumptions made and actuarial methods used by the system's actuary and the city's actuary.

(g) Requires the independent third-party actuary retained under this section to be chosen by the city from a list of three actuarial firms provided by the retirement system.

(h) Requires the third-party actuary's findings to be presented to the retirement board with the experience study conducted by the system's actuary and, if applicable, the city's actuary, if a third-party actuary is retained under this section. Provides that if the retirement board adopts actuarial assumptions or methods contrary to the third-party actuary's findings:

(1) the system is required to provide a formal letter describing the rationale for the retirement board's action to the governing body and State Pension Review Board; and

(2) the system's actuary and executive director are required to be made available at the request of the governing body or the State Pension Review Board to present in person the rationale for the retirement board's action.

(i) Requires the retirement system and the city to follow the same process prescribed by this section with respect to an experience study in connection with the proposed change if the retirement board proposes a change to actuarial assumptions or methods that is not in connection with an experience study described by this section.

SECTION 7. Amends Section 5(e), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), effective January 1, 2024, as follows:

(e) Provides that the interest rate assumed to have been earned by the fund for any period is equal to the actuarial assumed rate of return in effect on the date of purchase, rather than the interest rate credited for that period to the accumulated deposits of members, divided by 0.75.

SECTION 8. Amends Section 6(b), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), as follows:

(b) Requires the retirement board, subject to the provisions of this Act and in accordance with such administrative rules and regulations as the retirement board is authorized from time to time to adopt, to:

(1) verify the records for creditable service claims filed by the members of the retirement system; and

(2) establish time frames during which a member is required to act to ensure that the purchase of creditable service or the conversion of sick leave to creditable service coincides with the member's retirement.

Makes nonsubstantive changes.

SECTION 9. Amends Section 6(c)(3), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), effective January 1, 2024, as follows:

(3) Requires a member, to establish creditable service under this subdivision, to contribute at retirement a lump-sum payment equal to the full actuarial cost of the additional creditable service, as determined by the retirement board acting on the advice of the actuary, rather than equal to 25 percent of the estimated cost of the retirement benefits the member will be entitled to receive.

SECTION 10. Amends Sections 6(e), (e-1) and (e-2), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), effective January 1, 2024, as follows:

(e) Authorizes the member to purchase noncontributory creditable service at retirement, rather than at any time before a member's actual retirement date, equal in amount to the period the member:

(1)-(3) makes no changes to these subdivisions.

(e-1) Requires the member, rather than both the employer and the member, to make the equivalent amount of retirement contributions that would have been made had the sick hours been exercised and used as sick leave hours. Requires that the employer's cost for sick leave conversions be funded through the contribution rates.

(e-2) Authorizes a member, at retirement, to purchase nonqualified permissive creditable service:

(1)-(3) makes no changes to these subdivisions.

SECTION 11. Amends Sections 7(h) and (hh), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), as follows:

(h) Provides that before a cost of living adjustment or additional payment to retirees, beneficiaries, or other payees may be provided:

(1) the retirement system's actuary is required to certify in writing that, based on the sound application of actuarial assumptions and methods consistent with sound actuarial principles and standards, it is demonstrable that the fund has and likely will continue to have the ability to pay such an amount after all other obligations of the fund have been paid;

(2) the retirement board is required to approve the adjustment or additional payment;

(3) the governing body is required to approve the adjustment or additional payment; and

(4) this Act is required to be amended to provide for the adjustment or additional payment.

Deletes existing text requiring the actuary, prior to the retirement board's authorizing the payment of an adjustment or additional payment, to recommend such an adjustment or additional payment to the retirement board and certify in writing that, based on the sound application of actuarial assumptions and methods consistent with sound actuarial principles and standards, it is demonstrable that the fund has and likely will continue to have the ability to pay such an amount out of its realized income after all other obligations of the fund have been paid.

(hh) Prohibits this subsection from precluding an increase in benefits by amendment to this Act, including by amendment in accordance with Subsection (h) of this section, if applicable, that is made possible by forfeitures or for any other reason. Deletes existing text prohibiting this subsection from precluding an increase in benefits by amendment to this Act or action of the retirement board in accordance with Subsection (d) of this section that is made possible by forfeitures or for any other reason.

SECTION 12. Amends Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), by amending Section 10 and adding Sections 10A through 10G, as follows:

Sec. 10. New heading: MEMBER CONTRIBUTIONS. (a) Requires each active-contributory member, subject to adjustment under this Act and except as provided by Subsection (a-2) of this section, to make deposits to the retirement system at a rate equal to:

(1) beginning with the first pay period of:

- (A) the 2024 calendar year, nine percent of the member's base pay, exclusive of overtime, incentive, or terminal pay; and
- (B) the 2025 calendar year, 10 percent of the member's base pay exclusive of overtime, incentive, or terminal pay; or

(2) the member contribution rate otherwise prescribed by this section.

Deletes existing text requiring each active-contributory member to make deposits to the retirement system at a rate equal to eight percent of the member's base compensation, pay, or salary exclusive of overtime, incentive, or terminal pay or at a higher contribution rate approved by a majority vote of regular full-time employee members.

(a-1) Requires the employee, if a regular full-time employee works at least 75 percent of a normal 40-hour work week but less than the full 40 hours, to make deposits as though working a normal 40-hour work week even though the rate of contribution is authorized to exceed the member contribution period prescribed in this section, rather than exceed eight percent of the employee's actual compensation, pay, or salary, and the employee's average final compensation is required to be computed on the basis of the compensation, pay, or salary for a normal 40-hour work week.

(a-2) Authorizes the contribution rate of active-contributory members to be increased by a majority vote of all such members voting at an election to consider an increase in contributions to a rate above 10 percent or a higher rate than the rate that was in effect at the time of the election.

Deletes existing text authorizing the regular full-time employee members to increase, by a majority vote of all such members voting at an election to consider

an increase in contributions, each member's contributions above eight percent or above the higher rate in effect and approved by majority vote in whatever amount the retirement board recommends.

Sec. 10A. EMPLOYER CONTRIBUTIONS. (a) Provides that beginning with the first pay period of:

(1) calendar year 2024, and before the first pay period of calendar year 2025, the employer is required to contribute an amount equal to the sum of:

(A) the employer contribution rate, as determined in the initial risk sharing valuation study as of December 31, 2022, multiplied by the pensionable payroll for the applicable pay period; and

(B) 1/26 of the city's legacy contribution amount for the 2024 calendar year, as determined and adjusted in the initial risk sharing valuation study conducted under Section 10B of this Act; and

(2) calendar year 2025, and for each subsequent calendar year, the employer is required to contribute an amount equal to the sum of:

(A) the employer's contribution rate for the applicable calendar year, as determined in a subsequent risk sharing valuation study conducted and adjusted under Section 10C of this Act, as applicable, multiplied by the pensionable payroll for the applicable pay period; and

(B) 1/26 of the city's legacy contribution amount for the applicable calendar year, as determined and adjusted in the initial risk sharing valuation study conducted under Section 10B of this Act.

Deletes existing text requiring each employer to contribute amounts equal to eight percent of the compensation, pay, or salary of each active-contributory member and each inactive-contributory member employed by the employer, exclusive of overtime, incentive, or terminal pay, or a higher contribution rate agreed by the employer.

(b) Requires that the fractional amounts of the employer's legacy contribution stated in Subsections (a)(1)(B) and (a)(2)(B) of this section be adjusted such that the employer's calendar year contribution equals the contribution required under Subsection (a)(1) or (a)(2), as applicable, if the employer elects to change the employer's payroll period to a period other than a biweekly payroll period.

Sec. 10B. INITIAL RISK SHARING VALUATION STUDY. (a) Requires the retirement system's actuary to prepare an initial risk sharing valuation study as of December 31, 2022. Requires that the initial risk sharing valuation study:

(1) except as otherwise provided by this section, be prepared in accordance with the requirements of Section 10C of this Act;

(2) be based on the actuarial assumptions that were used by the system's actuary in the valuation completed for the year ended December 31, 2022;

(3) project the corridor midpoint for the next 30 calendar years beginning with the calendar year that begins on January 1, 2024;

(4) include a schedule of city legacy contribution amounts for 30 calendar years beginning with the calendar year that begins on January 1, 2024; and

(5) include an employer contribution:

(A) for the calendar years under Sections 10A(a)(1) and (2) of this Act that begin on January 1, 2024, and January 1, 2025, that is required to be adjusted to reflect the impact of the phase-in prescribed by Subsection (b) of this section; and

(B) for each calendar year under Section 10A(a)(2) of this Act that begins on January 1, 2026, through January 1, 2053, that is required to reflect a city legacy contribution amount that is three percent greater than the city legacy contribution amount for the preceding calendar year.

(b) Requires that the schedule of city legacy contribution amounts under Subsection (a)(4) of this section be determined such that the total annual city legacy contribution amount for the first two calendar years results in a phase-in of the anticipated increase in the employer's contribution rate from the calendar year that begins on January 1, 2023, to the rate equal to the sum of the estimated contribution rate for the calendar year that begins on January 1, 2024, and the rate of pensionable payroll equal to the city legacy contribution amount for January 1, 2024, determined as if there was no phase-in of the increase to the city legacy contribution amount. Requires that the phase-in reflect approximately one-half of the increase each year over the two-year phase-in period.

(c) Requires that the estimated employer contribution rate for the calendar year that begins on January 1, 2024, be based on the projected pensionable payroll, as determined under the initial risk sharing valuation study required by this section, assuming a payroll growth rate adopted by the retirement board.

Sec. 10C. SUBSEQUENT RISK SHARING VALUATION STUDIES. (a) Requires the retirement system to cause the system's actuary to prepare a risk sharing valuation study in accordance with this section and actuarial standards of practice for each calendar year beginning with January 1, 2024. Requires that each risk sharing valuation study:

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

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

(3) calculate the estimated employer contribution rate for the following calendar year;

(4) determine the employer contribution rate and the member contribution rate for the following calendar year, taking into account any adjustments required under this section, as applicable; and

(5) except as provided by Subsection (d) of this section, be based on the assumptions and methods adopted by the retirement board, if applicable, and be consistent with actuarial standards of practice and the following principles:

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

(B) each liability layer is assigned an amortization period;

(C) each liability loss layer is amortized at the remaining amortization period of the legacy liability but not less than 20 years from the first day of the calendar year beginning 12 months after the date of the risk sharing valuation study in which the liability loss layer is first recognized, except that the legacy liability is required to be amortized over a 30-year period beginning January 1, 2024;

(D) each liability gain layer is amortized over:

(i) a period equal to the remaining amortization period on the largest remaining liability loss layer; or

(ii) if there is no liability loss layer, a period of 20 years from the first day of the calendar year beginning 12 months after the date of the risk sharing valuation study in which the liability gain layer is first recognized;

(E) liability layers are funded according to the level percent of payroll method;

(F) payroll for purposes of determining the corridor midpoint, employer contribution rate, and city legacy contribution amount is required to be projected using the annual payroll growth rate assumption adopted by the retirement board; and

(G) the employer contribution rate is calculated each calendar year without inclusion of the legacy liability.

(b) Authorizes the city to contribute an amount in addition to the scheduled city legacy contribution amounts to reduce the number or amount of scheduled future city legacy contribution payments. Requires the retirement system's actuary to create a new schedule of city legacy contribution amounts that reflects payment of the additional contribution if the city contributes an additional amount under this subsection.

(c) Authorizes the city and the retirement board to agree on a written transition plan for resetting the corridor midpoint, member contribution rates, or employer contribution rates:

(1) if at any time the funded ratio of the retirement system is equal to or greater than 100 percent; or

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

(d) Authorizes the retirement board, by rule, to adopt actuarial principles other than those required under this section, provided the actuarial principles:

(1) are consistent with actuarial standards of practice;

(2) are approved by the retirement system's actuary; and

(3) do not operate to change the city legacy contribution amount.

Sec. 10D. ADJUSTMENT TO EMPLOYER CONTRIBUTION RATE IF ESTIMATED EMPLOYER CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT. (a) Provides that the employer contribution rate for the applicable year, subject to Subsection (b) of this section, for the calendar year beginning January 1, 2024, and for each subsequent calendar year, if the estimated employer contribution rate is lower than the corridor midpoint, is:

(1) the corridor midpoint if the funded ratio is less than 90 percent; or

(2) the estimated employer contribution rate if the funded ratio is 90 percent or greater.

(b) Prohibits the employer contribution rate from being lower than the minimum employer contribution rate.

(c) Provides that if the funding ratio is equal to or greater than 100 percent:

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

(2) the city legacy contribution amount is prohibited from being included in the employer contribution any longer.

Sec. 10E. ADJUSTMENT TO EMPLOYER CONTRIBUTION RATE IF ESTIMATED EMPLOYER CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR MIDPOINT. Provides that, for the calendar year beginning January 1, 2024, and for each subsequent calendar year, if the estimated employer contribution rate is equal to or greater than the corridor midpoint and:

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

(2) greater than the maximum employer contribution rate for the corresponding calendar year, the employer contribution rate is the maximum employer contribution rate.

Sec. 10F. ADJUSTMENT TO MEMBER CONTRIBUTION RATE IF ESTIMATED EMPLOYER CONTRIBUTION RATE GREATER THAN CORRIDOR MAXIMUM.

(a) Provides that the member contribution rate will increase by an amount equal to the difference between the estimated employer contribution rate and the maximum employer contribution rate, except as provided by Subsection (b) of this section, if the estimated employer contribution rate is ever greater than the corridor maximum.

(b) Prohibits the member contribution rate from being increased by more than two percentage points under Subsection (a) of this section.

(c) Requires the city and the retirement board to enter into discussions to determine additional funding solutions if the estimated employer contribution rate is more than two percentage points above the maximum employer contribution rate.

Sec. 10G. ADDITIONAL EMPLOYER CONTRIBUTIONS; OTHER PROVISIONS GOVERNING METHODS OF FINANCING. (a) Requires the employer to make contributions for an employee as though that employee works a normal 40-hour work week even though the rate of contribution may exceed the member contribution rate required by Section 10 of this Act, rather than eight percent of that employee's actual compensation, pay, or salary, if a regular full-time employee of the employer works at least 75 percent of a normal 40-hour work week but less than the full 40 hours.

(b) Requires the city to contribute to the retirement fund each month two-thirds of such amounts as are required for the payment of prior service pensions that are payable during that month, and requires that one-third of each prior service pension payable that month be made from Fund No. 2, in addition to the contributions required by Section 10A of this Act, rather than in addition to the contributions by the city required by Subsection (a) of this section.

(c)-(f) Makes no changes to these subsections.

SECTION 13. Repealers: Sections 7(d) (relating to authorizing the retirement board to make certain payments) and (e) (relating to requiring the retirement board to determine annually on an adjustment or additional payment), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes).

Repealers: Sections 7(f) (relating to requiring the retirement board to be governed by certain subsections in determining any extra payment) and (g) (relating to requiring that an additional payment be based on the ability of the fund to pay the amount), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes).

Repealers: Sections 7(i) (relating to determining the amount of extra payments) and (j) (relating to requiring that any extra payment is in addition to regular benefits), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes).

SECTION 14. (a) Defines "retirement board."

(b) Provides that Section 4, Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), as amended by this Act, does not affect the term of a member of the retirement board appointed or elected under that section, as that section existed immediately before the effective date of this Act, and serving on the retirement board on the effective date of this Act.

(c) Provides that when the terms of the members serving in place six and place seven of the retirement board elected under Section 4(b)(4), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), as that section existed immediately before the effective date of this Act, who have terms that expire in December 2023, expire:

(1) the resulting vacancy in place six on the retirement board is required to be filled by the director of finance of the municipality or the director's designee in accordance with Section 4(b)(4), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), as amended by this Act; and

(2) the resulting vacancy in place seven on the retirement board is required to be filled by election of the active-contributory members in accordance with Section 4, Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), as amended by this Act.

SECTION 15. Makes application of 5(e), Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), as amended by this Act, prospective.

SECTION 16. Makes application of Section 6, Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), as amended by this Act, prospective.

SECTION 17. Effective date: September 1, 2023.