

## **BILL ANALYSIS**

Senate Research Center  
89R11871 KFF-F

S.B. 2345  
By: Schwertner  
Finance  
3/19/2025  
As Filed

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

The Austin Firefighters Retirement Fund (AFRF or the fund) was first established in 1937. In 2022, the board provided a statutory cost-of-living adjustment based on market conditions. The following year, the fund was deemed actuarially unsound by the Pension Review Board and received a Funding Soundness Restoration Plan (FSRP) "At Risk" letter. As a result, the AFRF board of trustees created the "Pension Funding Working Group" to assess the current financial health of the plan, project any future funding concerns, and to keep the membership apprised of the situation. S.B. 2345 would codify the Voluntary FSRP working group recommendations to ensure the fund has sufficient assets in the long-term to preserve the ability to pay promised benefits, better match fund liabilities, and provide a more predictable COLA that can be adequately pre-funded.

As proposed, S.B. 2345 amends current law relating to the administration of, contributions to, and benefits under retirement systems for firefighters in 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 the heading to Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), to read as follows:

Art. 6243e.1. FIREFIGHTERS RELIEF AND RETIREMENT FUND IN CITIES OF 950,000 TO 1,050,000.

SECTION 2. Amends Section 1.02, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), by amending Subdivisions (1), (2), (3), and (4) and adding Subdivisions (1-a), (2-a), (2-b), (2-c), (2-d), (5-a), (5-b), (5-c), (5-d), (6-a), (6-b), (6-c), (6-d), (6-e), (9-a), (9-b), (9-c), (10-a), (10-b), (10-c), (10-d), (10-e), (10-f), (11-a), (11-b), (11-c), (11-d), (11-e), (11-f), (11-g), (13-a), and (13-b) to redefine "accumulated contributions," "actuarial equivalent," "board of trustees," and "board's actuary" and define "actuarial accrued liability," "actuarial value of assets," "amortization period," "amortization rate," "annual investment return," "board," "corridor," "corridor lower margin," "corridor midpoint," "corridor upper margin," "DROP," "DROP participant," "DROP period," "employer normal cost rate," "estimated municipal contribution rate," "funded ratio," "Group A member," "Group B member," "legacy liability," "level percent of payroll method," "liability gain layer," "liability layer," "liability loss layer," "maximum municipal contribution rate," "minimum municipal contribution rate," "municipal contribution rate," "municipal legacy contribution amount," "normal cost rate," "payoff year," "pensionable payroll," "projected pensionable payroll," "unanticipated change," and "unfunded actuarial accrued liability."

SECTION 3. Amends Article 1, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), by adding Section 1.031, as follows:

Sec. 1.031. OPERATING NAME. Authorizes the board of trustees of the Austin Firefighters Retirement Fund (board) to by rule adopt a name under which the fund is authorized to operate other than the name prescribed by Section 1.03 (Continued Existence) of this Act.

SECTION 4. Amends Article 2, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), by adding Section 2.015, as follows:

Sec. 2.015. FUND QUALIFICATION. Requires that this Act be construed, and the Austin Firefighters Retirement Fund (fund) be administered, in a manner that maintains the qualified status of the fund under Section 401(a) of the Internal Revenue Code.

SECTION 5. Amends Section 2.02, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 2.02. COMPOSITION OF BOARD. (a) Creates this subsection from existing text. Provides that the board is composed of:

- (1) the mayor of the municipality or a governing body of the municipality member designated by the mayor;
- (2) makes a nonsubstantive change to this subdivision;
- (3) four, rather than three, members of the fund to be selected by vote of the firefighters and retirees in the manner provided by this Act; and
- (4) one member of the public selected and appointed by the governing body of the municipality in accordance with Section 2.025 of this Act.

(b) Authorizes the board to by rule specify the number of elected members of the board under Subsection (a) of this section who are required to be firefighters or retirees.

SECTION 6. Amends Article 2, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), by adding Section 2.025, as follows:

Sec. 2.025. APPOINTED PUBLIC MEMBER OF BOARD. (a) Provides that to serve on the board under Section 2.02(a)(4) of this Act, a person:

- (1) is required to be a qualified voter, be a resident and have been a resident of the municipality for the five-year period preceding the date of the appointment, and have demonstrated experience in the field of finance or investments; and
- (2) is prohibited from being an employee of the municipality or a member of the fund.

(b) Provides that a member of the board under Section 2.02(a)(4) of this Act holds office for a term of four years and serves during the term for which the member was appointed and until the member's successor is selected and has qualified, unless a vacancy results because of death, resignation, or removal.

(c) Requires that a vacancy on the board in the position under Section 2.02(a)(4) of this Act be filled in the same manner as the original appointment.

SECTION 7. Amends Section 2.03, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), by amending Subsections (c), (e), and (h) and adding Subsection (c-1), as follows:

(c) Provides that each election is by secret ballot, rather than secret written ballot, on a date and using a method the board determines. Provides that only persons who have been nominated are authorized to be listed on the ballot, rather than written ballot. Provides that nominations:

(1) are authorized to be made in person, by mail, by telephone, or by any other method approved by the board, rather than to the office of the fund; and

(2) creates this subdivision from existing text and makes no further changes.

Makes nonsubstantive changes to this subsection.

(c-1) Authorizes nominations or elections to be conducted by electronic means.

(e) Provides that the elected members of the board hold office for staggered terms of four, rather than three, years with the term of one trustee expiring each year.

(h) Prohibits assets of the fund from being used to pay campaign expenses incurred by or for a candidate, rather than member.

SECTION 8. Amends Section 2.05, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 2.05. OFFICERS. Requires the board to elect annually from its membership a chair to serve as the presiding officer and a vice-chair to serve as the alternate presiding officer who is required to preside in the absence or disability of the chair, rather than the mayor. Deletes existing text providing that the mayor is the presiding officer and the city treasurer is the secretary-treasurer of the board. Makes a nonsubstantive change.

SECTION 9. Amends Section 2.07, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 2.07. MEETINGS; MINUTES. Requires the board to hold regular meetings, rather than regular monthly meetings, not fewer than four times each calendar year at a time and place that it designates and authorizes it to hold special meetings on the call of the presiding officer or alternate presiding officer.

SECTION 10. Amends Section 2.08, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 2.08. ADMINISTRATION OF FUNDS. Requires the board to perform certain actions, including keeping a record of all claims, receipts, and disbursements and make disbursements only by such persons as the board designates, rather than only on vouchers signed by such persons as the board designates by resolution.

SECTION 11. Amends Section 2.09, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 2.09. DETERMINATION BY BOARD. (a) Creates this subsection from existing text. Provides that the board is authorized to hear and determine all matters regarding certain determinations, including any other subjects, related to the administration of the fund. Makes nonsubstantive changes.

(b) Requires that all determinations made by the board be final and binding.

SECTION 12. Amends Section 2.13(a), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

(a) Provides that information contained in records in the custody of the fund concerning an individual member, retiree, annuitant, or beneficiary is confidential and not subject to public disclosure under Chapter 552 (Public Information), rather than confidential under Section 552.101 (Exception: Confidential Information), Government Code, and is prohibited from being disclosed in a form identifiable with a specific individual unless:

(1) the information is disclosed to:

(A) certain persons who the executive director, rather than administrator, of the fund determines are acting in the interest of the individual or the individual's estate;

(B)-(C) makes conforming changes to these paragraphs; or

(D) makes no changes to this paragraph; or

(2) makes a conforming change to this subdivision.

SECTION 13. Amends Article 2, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), by adding Section 2.14, as follows:

Sec. 2.14. PROCESS FOR EXPERIENCE STUDIES AND CHANGES TO ACTUARIAL ASSUMPTIONS. (a) Requires the board, at least once every five years, to have the board's actuary conduct an experience study to review the actuarial assumptions and methods adopted by the board for the purposes of determining the actuarial liabilities and actuarially determined contribution rates of the fund. Requires the fund to notify the municipality at the beginning of an upcoming experience study by the board's actuary.

(b) Authorizes the municipality, in connection with the fund's experience study, to:

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

(2) have the municipality's actuary review the experience study prepared by the board's actuary; or

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

(c) Provides that, if the municipality chooses to have a separate experience study performed under Subsection (b)(1) of this section, the municipality is required to complete the study not later than three months after the date the fund notified the municipality of the fund's intent to conduct an experience study or have the municipality's actuary review the fund's experience study under Subsection (b)(2) of this section, the municipality is required to complete the review not later than one month after the date the preliminary results of the experience study are presented to the board.

(d) Provides that, if the municipality chooses to have a separate experience study performed under Subsection (b)(1) of this section, or to have the municipality's actuary review the fund's experience study under Subsection (b)(2) of this section, the board's actuary and the municipality's actuary are required to determine what the hypothetical municipal contribution rate would be using the proposed actuarial assumptions from the experience studies and data from the most recent actuarial valuation.

(e) Provides that, if the difference between the hypothetical municipal contribution rates determined by the board's actuary and the municipality's actuary under Subsection (d) of this section:

(1) is less than or equal to two percent of pensionable payroll, then no further action is needed and the board is required to use the experience study performed by the board's actuary in determining assumptions; or

(2) is greater than two percent of pensionable payroll, then the board's actuary and the municipality's actuary is required to have not more than 20 business days after the date of determination to reconcile the difference in actuarial assumptions or methods causing the different hypothetical municipal contribution rates, and:

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

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

(f) Requires the independent third-party actuary retained in accordance with Subsection (e)(2)(B) of this section to be chosen by the municipality from a list of three actuarial firms provided by the fund.

(g) Provides that if an independent third-party actuary is retained under Subsection (e)(2)(B) of this section, the third-party actuary's findings will be presented to the board along with the experience study conducted by the board's actuary and, if applicable, the municipality's actuary. Provides that, if the board adopts actuarial assumptions or methods contrary to the third-party actuary's findings, the fund is required to provide a formal letter describing the rationale for the board's action to the governing body of the municipality and State Pension Review Board (pension review board) and the board's actuary and executive director are required to be made available at the request of the governing body of the municipality or the pension review board to present in person the rationale for the board's action.

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

SECTION 14. Amends Section 3.01, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 3.01. GENERAL REQUIREMENT. Provides that a person who begins service as a firefighter in a municipality to which this Act applies and who is not ineligible for membership in the fund becomes a member of the fund as a condition of that person's employment, rather than appointment. Requires each member to be a group A member or group B member in accordance with Section 3.011.

SECTION 15. Amends Article 3, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), by adding Section 3.011, as follows:

Sec. 3.011. GROUP A AND GROUP B MEMBERSHIP. Provides that each member of the fund is either a group A member or a group B member as follows:

(1) a member of the fund is a group A member if the member was:

(A) a retiree on December 31, 2025;

(B) employed by the municipality as a firefighter on December 31, 2025;  
or

(C) terminated from employment with the municipality as a firefighter on or before December 31, 2025, if the member has at least 10 years of accumulated service credit and has not withdrawn the member's accumulated contributions under Section 9.06 (Withdrawal of Contributions) of this Act or refunded the member's accumulated contributions under Section 4.04 (Other Absence) of this Act; and

(2) a member of the fund is a group B member if the member, except as provided by Subdivision (1)(C) of this section, became employed by the municipality as a firefighter on or after January 1, 2026, or otherwise does not satisfy the requirements of a group A member.

SECTION 16. Amends Section 4.02, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 4.02. MILITARY SERVICE. (a) Creates this subsection from existing text. Provides that a member of the fund retains all accumulated service credit and is allowed service credit for each month during which the member leaves employment with the fire department and performs active duty service in the armed forces or the armed forces reserves of the United States or their auxiliaries, except that certain conditions are required to be met, including, for military service credit related to military service performed on or after January 1, 2026, the member and the municipality are required to each deposit to the fund an amount equal to the sum of contributions that would have been contributed to the fund by the member and the municipality, respectively, if the member had remained in active employment with the fire department during the period the claimed military service was performed. Makes nonsubstantive changes.

(b) Requires that the payments required under this section be made in accordance with the applicable requirements of Section 414(u) of the Internal Revenue Code and the Uniformed Services Employment and Reemployment Rights Act of 1994 (38 U.S.C. Section 4301 et seq.). Authorizes the board to adopt rules relating to the payment of contributions under this section as the board considers necessary for the administration of this section.

SECTION 17. Amends Section 5.04(a), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

(a) Provides that the service retirement annuity of:

(1) a group A member who retires under Section 5.01 (Normal Service Retirement Eligibility) of this Act, rather than a person who retires under Section 5.01 of this Act on or after January 1, 1995, is a monthly payment that is equal to 3.3, rather than three, percent of the member's average monthly compensation multiplied by the member's number of years of service credit and any fraction of a year of service credit; or

(2) a group B member who retires under Section 5.01 of this Act is a monthly payment that is equal to three percent of the member's average monthly

compensation multiplied by the member's number of years of service credit and any fraction of a year of service credit.

SECTION 18. Amends Section 5.05, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 5.05. EARLY RETIREMENT. (a) Provides that a group A member is eligible to retire and receive a normal service retirement annuity if the member, while serving as a firefighter in the fire department has met certain standards.

(b) Provides that the retirement annuity of a group A member, rather than person, who retires under this section after September 1, 1997, is the same as for normal service retirement, but is prohibited from being increased under certain sections of this Act, as applicable, rather than under Section 9.04 (Cost-Of-Living Adjustment; Other Adjustments), until the person would have met the requirements of Section 5.01 of this Act if the person meets certain requirements, including otherwise satisfying the requirements for the increase. Makes nonsubstantive changes.

(c) Provides that a group B member is not eligible for early retirement under this section.

SECTION 19. Amends Section 6.01, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 6.01. INITIAL ELIGIBILITY FOR DISABILITY RETIREMENT. Deletes existing text providing that a firefighter is eligible to retire and receive a disability retirement annuity if the board determines that, although no application has been filed, retirement is for the good of the fire department.

SECTION 20. Amends Section 6.03, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 6.03. AMOUNT OF DISABILITY BENEFIT. (a) Creates this subsection from existing text and makes no further changes.

(b) Requires that a disability retirement benefit payable under Article 6 (Disability Retirement Benefits), for a calendar year beginning on or after January 1, 2027, be increased by one percent each year beginning on January 1 of the calendar year immediately following the later of the year in which the member attains 62 years of age or the fifth anniversary of the date the member's disability retirement benefit commenced.

SECTION 21. Amends Section 6.04, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 6.04. TERMINATION DURING FIRST 2-1/2 YEARS. Authorizes the board, if during the first 2-1/2 years of disability retirement a retiree recovers to the extent that the person is able to perform the duties of the person's job as a firefighter, to terminate the disability retirement benefit, rather than terminate the retirement benefit and restore the person to active service at not less than the same rank the person held at the time of disability retirement.

SECTION 22. Amends Section 7.01, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 7.01. SURVIVING SPOUSE OF FIREFIGHTER. Provides that, if a firefighter dies before retirement, regardless of whether the firefighter is a group A or group B member, the firefighter's surviving spouse is entitled to receive an immediate monthly benefit of a certain amount.

SECTION 23. Amends Section 7.02, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 7.02. New heading: SURVIVING SPOUSE OF GROUP A RETIREE. (a) Provides that, on the death of a retiree who is a group A member, the retiree's surviving spouse is entitled to receive an immediate monthly benefit from the fund of 75 percent of the retirement benefit that was being paid to the retiree if the spouse was married to the retiree at the time of the retiree's retirement. Deletes existing text providing that on the death of a retiree, the retiree's surviving spouse is entitled to receive an immediate monthly benefit from the fund of 75 percent of the retirement benefit that was being paid to the retiree if the spouse married the retiree after the retiree's retirement and was married to the retiree for at least 24 consecutive months. Makes nonsubstantive changes.

(b) Makes a nonsubstantive change to this subsection.

SECTION 24. Amends the heading to Section 7.03, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), to read as follows:

Sec. 7.03. SURVIVING SPOUSE OF FORMER GROUP A FIREFIGHTER.

SECTION 25. Amends Section 7.03(a), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), to provide that an immediate monthly benefit is payable to the surviving spouse of a former firefighter who meets certain criteria, including being a group A member, and to make nonsubstantive changes.

SECTION 26. Amends Sections 7.05(a) and (b), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

(a) Provides that, on the death of a member who was a firefighter or a retired group A member, if there is no surviving spouse, a benefit is payable to the decedent's surviving dependent children, if any.

(b) Makes conforming and nonsubstantive changes to this subsection.

SECTION 27. Amends Section 7.06, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), to make a conforming change.

SECTION 28. Amends Section 7.09, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 7.09. SURVIVING BENEFICIARY OF CERTAIN UNMARRIED MEMBERS. (a) Provides that, on the death of a member, including a retiree, who is a group A member and, at the time of the member's death, was eligible for retirement but had not retired, a benefit is payable under this section if certain conditions are met. Makes nonsubstantive and conforming changes.

(b)-(d) Makes conforming changes to these subsections.

SECTION 29. Amends Section 8.01, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), to make a nonsubstantive change.

SECTION 30. Amends Section 8.02, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 8.02. ELECTION TO PARTICIPATE IN DROP. Provides that an election to participate in the deferred retirement option plan (DROP) has no effect on either the



municipality's or the member's contributions under Article 10 (Collection of Contributions; Interest), rather than Section 10.01 (Municipal and Member Contributions), of this Act.

SECTION 31. Amends Section 8.03, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 8.03. New heading: CREDITS TO MEMBER'S DROP ACCOUNT DURING DROP PERIOD. (a) Creates this subsection from existing text. Requires the board each month during a member's DROP period, rather than after a member makes an election to participate in the DROP and until the member's retirement, to cause an amount equal to the retirement annuity that the member would have received under Section 5.04 (Normal Service Retirement Benefit) of this Act for that month if the member had left active service and been granted a retirement annuity on the effective date of the election under Section 8.02 of this Act to be credited to a separate DROP account maintained within the fund for the benefit of the member. Requires that the firefighter's, rather than member's, contributions under Section 10.011, rather than Section 10.01(d), of this Act made after the effective date of the election to participate in the DROP, also be credited to the member's DROP account.

(b) Creates this subsection from existing text. Requires that amounts held in a member's DROP account during the DROP period be credited with interest on December 31 of each calendar year at a rate equal to five percent for a group A member or four percent for a group B member.

Deletes existing text requiring that amounts held in a member's DROP account be credited at the end of each calendar month with interest at a rate equal to one-twelfth of five percent until the member's retirement. Makes nonsubstantive changes.

SECTION 32. Amends Article 8, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), by adding Section 8.031, as follows:

Sec. 8.031. INTEREST CREDITED AFTER DROP PERIOD. (a) Requires that amounts held in a member's DROP account after the DROP period be credited with interest:

(1) if the member is a group A member, for each period:

(A) before January 1, 2026, at the end of each calendar month at a rate equal to one-twelfth of five percent; or

(B) on or after January 1, 2026, on December 31 of each calendar year at a rate equal to five percent, if the fund's annual investment return for the preceding calendar year is greater than zero percent, or 2.5 percent, if the fund's annual investment return for the preceding calendar year is equal to or less than zero percent; or

(2) if the member is a group B member, on December 31 of each calendar year at a rate equal to:

(A) four percent, if the fund's annual investment return for the preceding calendar year is greater than zero percent; or

(B) two percent, if the fund's annual investment return for the preceding calendar year is equal to or less than zero percent.

SECTION 33. Amends Section 8.04, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 8.04. New heading: ADJUSTMENTS TO CREDITS TO MEMBER'S DROP ACCOUNT. Provides that the amount credited to the member's DROP account:

(1) is required to be increased by any applicable annual cost-of-living adjustments that occur during the member's DROP period, including adjustments granted before January 1, 2026, but only as to amounts credited to the member's DROP account after a cost-of-living adjustment; and

(2) redesignates existing Subdivision (3) as Subdivision (2).

Deletes existing text providing that the amount credited monthly to the member's DROP account is required to be increased as a result of any increase in the formula used in computing service retirement benefits under Section 5.04 of this Act that occurs after the effective date of the member's election to participate in the DROP but before the effective date of the member's retirement and is required to be increased by any annual cost-of-living adjustments under Section 9.04 of this Act that occur between the effective date of the member's election to participate in the DROP and the effective date of the member's retirement but only as to amounts credited to the member's DROP account after a cost-of-living adjustment. Makes a nonsubstantive change.

SECTION 34. Amends Section 8.05(d), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), to make a nonsubstantive change.

SECTION 35. Amends Section 8.06, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 8.06. New heading: ESTABLISHMENT OF DROP ACCOUNT AT RETIREMENT FOR GROUP A MEMBERS. (a) Authorizes a group A member who is eligible for normal service retirement or early retirement and who terminates or has terminated active service as a firefighter, in lieu of electing to participate in the DROP before actual retirement, to establish a DROP account under this section.

(b) Makes a conforming change to this subsection.

(c) Provides that if a group A member elects to participate in the DROP under this section:

(1) the board is required to cause to be credited to a DROP account maintained within the fund for the benefit of that person an amount equal to the credits that the member's DROP account would have received, including interest in accordance with Section 8.03 of this Act, if the member had established the DROP account after becoming eligible for service retirement, but not more than seven years before the effective date of the person's retirement;

(2) makes a nonsubstantive change to this subdivision;

(3) makes no changes to this subdivision; and

(4) the member's DROP account is required to be credited with interest as provided by Section 8.03, rather than 8.05 (Distributions From Member's DROP Account), of this Act.

(d)-(e) Makes conforming and nonsubstantive changes to these subsections.

(f) Provides that a group B member is not eligible to establish a DROP account under this section.

SECTION 36. Amends Section 8.08, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 8.08. SUBSEQUENT DISABILITY OF DROP PARTICIPANT. Requires the board, if the board determines that the member would have been eligible for disability retirement, to grant a normal service retirement annuity as described by Section 5.04 of this Act and to pay the member both:

- (1) the service retirement annuity as calculated under Section 8.03(a) of this Act; and
- (2) a distribution of the DROP account that has accumulated as of the date of termination of employment in accordance with, rather than as described by, Section 8.05 of this Act.

SECTION 37. Amends Section 8.09, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 8.09. RETIREMENT BENEFIT PAYABLE TO DROP PARTICIPANT. Provides that the retirement benefit payable under Article 5 (Service Retirement Benefits) or 6 of this Act to a person who participates in the DROP:

- (1) redesignates existing Subdivision (2) as Subdivision (1) and makes no further changes;
- (2) is required to be increased by any applicable annual cost-of-living adjustments that occur during the member's DROP period, including adjustments granted before January 1, 2026; and
- (3)-(4) redesignates existing Subdivisions (4) and (5) as Subdivisions (3) and (4) and makes no further changes.

Deletes existing text providing that the retirement benefit payable under Article 5 or 6 of this Act to a person who participates in the DROP is prohibited from being increased as a result of any increase in the formula used in computing service retirement benefits under Section 5.04 of this Act that occurs after the effective date of the member's election to participate in the DROP and is required to be increased by any annual cost-of-living adjustments under Section 9.04 of this Act that occur between the effective date of the member's election to participate in the DROP and the effective date of the member's retirement. Makes a nonsubstantive change.

SECTION 38. Amends Section 8.10, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 8.10. TERMINATION OR MODIFICATION OF DROP BY FUND. Authorizes the board, if the board's actuary certifies to the board that DROP participation is resulting in a significant actuarial loss to the fund, to perform certain actions. Deletes existing text authorizing the board, if the board's actuary, not sooner than January 1, 2000, certifies to the board that DROP participation is resulting in a significant actuarial loss to the fund, to perform certain actions.

SECTION 39. Amends Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), by adding Article 8A, as follows:

#### ARTICLE 8A. BENEFIT INCREASES

Sec. 8A.01. ANNUAL COST-OF-LIVING ADJUSTMENT FOR CERTAIN MEMBERS. (a) Requires that the service retirement annuity benefit payable under Article 5 of this Act to a member who is not a current or former DROP participant,

except as provided by Subsection (b) of this section, for each calendar year beginning on or after January 1, 2027, be increased by one percent each year beginning on January 1 of the calendar year immediately following the later of the year in which the member attains 62 years of age or that is the fifth anniversary of the effective date of the member's retirement.

(b) Requires that the early retirement annuity benefit payable to a member under Section 5.05 of this Act who is not a current or former DROP participant, for each calendar year beginning on or after January 1, 2027, be increased by one percent each year beginning on January 1 of the calendar year immediately following the year in which the member attains 67 years of age.

(c) Provides that a member who is a current or former DROP participant, except as provided by Section 8A.02 or 8A.03 of this Act, is not entitled to a benefit increase under this Act.

**Sec. 8A.02. ANNUAL COST-OF-LIVING ADJUSTMENT FOR CERTAIN RETIREES WHO ARE CURRENT OR FORMER DROP PARTICIPANTS.** (a) Provides that this section applies only to a member who was a retiree on January 1, 2026, and made an election to participate in DROP before January 1, 2026.

(b) Provides that the retirement benefit payable to a retiree subject to this section, for each calendar year beginning on or after January 1, 2027:

(1) whose DROP account has been fully distributed on or before January 1, 2026, will be increased by one percent each year beginning on January 1 of the calendar year immediately following the later of the year in which the retiree attains 62 years of age or that is the fifth anniversary of the retiree's effective date of retirement; or

(2) whose DROP account has not been fully distributed on or before January 1, 2026, will be increased by one percent each year beginning on January 1 of the calendar year immediately following the later of the year in which the retiree takes a full distribution of the retiree's DROP account, in which the retiree attains 67 years of age, or that is the fifth anniversary of the effective date of the retiree's retirement.

**Sec. 8A.03. ANNUAL COST-OF-LIVING ADJUSTMENT FOR CERTAIN ACTIVE MEMBERS WHO ARE CURRENT OR FORMER DROP PARTICIPANTS: GRANDFATHERED ACTIVE MEMBERS.** (a) Provides that this section applies only to a member who on January 1, 2026, is employed with the fire department and eligible for a normal service retirement benefit under Section 5.01 of this Act.

(b) Provides that, except as provided by Subsection (d) of this section, for each calendar year beginning on or after January 1, 2027, the normal service retirement benefit payable to a member subject to this section who elects to participate in DROP on or after January 1, 2026, will be increased by one percent each year beginning on January 1 of the calendar year immediately following the later of the year:

(1) in which the member attains the age of 67; or

(2) except as provided by Subsection (c) of this section, that is the fifth anniversary of the effective date of the member's retirement.

(c) Provides that Subsection (b)(2) of this section applies only if the member's DROP account is fully distributed before the date the member attains 62 years of age.

(d) Provides that a member subject to this section who maintains a DROP account on or after the date the member attains 62 years of age is not eligible for any increase to the member's retirement benefit under this section.

Sec. 8A.04. ANNUAL COST-OF-LIVING ADJUSTMENTS FOR SURVIVORS. (a) Requires that a survivor benefit payable under Article 7 (Survivor's Benefits) of this Act to the survivor of a member who was otherwise eligible to receive a benefit increase under Article 8 (Deferred Retirement Option Plan), except as provided by Subsection (b) of this section, for a calendar year beginning on or after January 1, 2027, be increased by one percent each year beginning on January 1 of the calendar year immediately following the year in which the member died.

(b) Requires that the benefit increase provided under Subsection (a) of this section, if, on the date of the member's death, a member described by Subsection (a) of this section had not yet attained the age required to be eligible for a benefit increase under the applicable provision of this article, take effect on January 1 of the calendar year immediately following the later of the year in which the member would have attained the applicable age or that is the fifth anniversary of the effective date of the member's retirement.

SECTION 40. Amends Section 9.03, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 9.03. LIMITATION ON PAYMENT OF BENEFITS. (a) Makes a nonsubstantive change to this subsection.

(b) Prohibits a person's vested accrued benefit in effect on September 1, 2025, rather than September 1, 1995, from being reduced under this section.

SECTION 41. Amends Sections 9.10(a), (d), and (f), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

(a) Deletes existing text providing that an optional retirement annuity is payable throughout the life of the retiree.

(d) Authorizes the board by rule to provide for different forms of optional retirement annuities, including an optional retirement annuity that is payable:

(1) after a member's death throughout the life of a person designated by the member, including an annuity that provides that, if a retiree dies before a fixed number of monthly annuity payments are made, the remaining number of payments are payable to the retiree's designated beneficiary or, if a designated beneficiary does not exist, to the retiree's estate;

(2) throughout the life of the retiree with no survivor benefit; or

(3) with a partial lump-sum option for a member who does not elect to participate in the DROP.

Makes nonsubstantive changes to this subsection.

(f) Requires a group A member's spouse, except as provided by certain subsections of Section 9.10 (Optional Retirement Annuity), if a group A member elects an optional retirement annuity that, on the group A member's death, pays to the member's spouse an amount that is less than 75 percent of the annuity that is payable during the joint lives of the group A member and the member's spouse, to consent to the election.

SECTION 42. Amends Article 9, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), by adding Section 9.11, as follows:

Sec. 9.11. BENEFITS PAYABLE TO ALTERNATE PAYEES UNDER QUALIFIED DOMESTIC RELATIONS ORDERS. (a) Authorizes benefits payable under the fund, including service retirement benefits, disability retirement benefits, survivor benefits, or DROP account benefits, or a withdrawal of contributions, to be paid to a former spouse or other alternate payee under the terms of a domestic relations order, but only if the fund determines that the order constitutes a qualified domestic relations order under Chapter 804 (Domestic Relations Orders and Spousal Consent), Government Code.

(b) Provides that an alternate payee will receive a full distribution of any portion of a member's DROP account awarded to the alternate payee pursuant to a qualified domestic relations order as soon as administratively practicable after the alternate payee is first entitled to distribution of such amounts as determined by the fund.

(c) Provides that, on the death of an alternate payee under a qualified domestic relations order, the interest of the alternate payee in the benefits under this Act ends and remaining benefits are required to be paid as if the qualified domestic relations order had not existed.

SECTION 43. Amends the heading to Section 10.01, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), to read as follows:

Sec. 10.01. MUNICIPAL CONTRIBUTIONS.

SECTION 44. Amends Section 10.01, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), by amending Subsections (a), (b), (c), and (d) and adding Subsections (b-1) and (b-2), as follows:

(a) Requires each municipality in which a fire department to which this Act applies is located to appropriate and contribute to the fund each pay period in accordance with the following:

(1) for all pay periods beginning after September 30, 2012, and before January 1, 2026, an amount equal to 22.05 percent of the compensation of all members during the pay period; and

(2) for all pay periods beginning on or after January 1, 2026, the amount determined in accordance with Subsections (b) and (c) of this section and certain sections of this Act, as applicable.

Deletes existing text requiring each municipality in which a fire department to which this Act applies is located to appropriate and contribute to the fund an amount equal to certain percentages of the compensation of all members during that month.

(b) Requires the municipality, for each pay period that begins on or after January 1, 2026, and before January 1, 2027, to contribute an amount equal to the sum of:

(1) the municipal contribution rate, as determined in the initial risk sharing valuation study conducted under Section 10.05 of this Act, multiplied by the pensionable payroll for the applicable pay period; and

(2) 1/26 of the municipal legacy contribution amount for the 2026 calendar year, as determined and adjusted in the initial risk sharing valuation study conducted under Section 10.05 of this Act.

Deletes existing text requiring each firefighter to pay into the fund each month certain percentages of the firefighter's compensation for that month.

(b-1) Requires the municipality, for each pay period that begins on or after January 1, 2027, to contribute an amount equal to the sum of:

(1) the municipal contribution rate for the applicable calendar year, as determined in a subsequent risk sharing valuation study conducted under Section 10.06 of this Act and adjusted under Section 10.07 or 10.08 of this Act, as applicable, multiplied by the pensionable payroll for the applicable pay period; and

(2) 1/26 of the municipal legacy contribution amount for the applicable calendar year, as determined and adjusted in the initial risk sharing valuation study conducted under Section 10.05 of this Act.

(b-2) Authorizes the fractional amounts of the municipal legacy contribution stated in Subsections (b)(2) and (b-1)(2) of this section, if the municipality elects to change the municipality's payroll period to a period other than a biweekly payroll period or for any calendar year that has more than 26 pay periods, to be adjusted as determined by the fund such that the municipality's municipal legacy contribution for such calendar year equals the contribution required under Subsection (b)(2) or (b-1)(2) of this section, as applicable.

(c) Authorizes the governing body of each municipality to authorize the municipality to contribute a portion of the contribution required of each firefighter under Section 10.011 of this Act, rather than under this section. Provides that in that event:

(1) the municipality is required to appropriate and contribute to the fund each pay period, rather than month, at the higher percentage of compensation necessary to make all contributions required and authorized to be made by the municipality under this section; and

(2) makes conforming changes to this subsection.

(d) Deletes existing text authorizing the members of the fund, by a majority vote in favor of an increase in contributions above 13.70 percent, to increase each firefighter's contribution above 13.70 percent to any percentage recommended by a majority vote of the board.

SECTION 45. Amends Article 10, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), by adding Section 10.011, as follows:

Sec. 10.011. **FIREFIGHTER CONTRIBUTIONS.** (a) Requires each firefighter who is a member of the fund, subject to Subsection (b) of this section, to pay into the fund an amount equal to 18.70 percent of the firefighter's compensation for the first pay period of the municipality beginning on or after September 30, 2016, and all subsequent pay periods of the municipality thereafter.

(b) Authorizes the firefighters described by Subsection (a) of this section, by a majority vote, to voluntarily increase the firefighter contribution to a rate that is higher than the rate prescribed by Subsection (a) of this section and recommended by a majority vote of the board.

SECTION 46. Amends Section 10.02, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 10.02. **PICKUP OF FIREFIGHTER CONTRIBUTIONS.** Requires a municipality to which this Act applies to pick up the firefighter contributions to the fund that are required or authorized pursuant to Section 10.011, rather than 10.01, of this Act, whichever is higher. Makes a nonsubstantive change.

SECTION 47. Amends Section 10.03, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), to provide that all

contributions paid to the fund under this article, rather than all contributions paid to the fund under Sections 10.01 and 10.02 of this Act, become a part of the assets of the fund.

SECTION 48. Amends Section 10.04, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 10.04. INTEREST ON INDIVIDUAL ACCOUNTS. (a) Creates this subsection from existing text. Provides that this subsection applies only to a group A member. Provides that this subsection expires December 31, 2025. Deletes existing text prohibiting the fund from paying interest on a firefighter's or former firefighter's contributions for part of a year.

(a-1) Provides that, beginning January 1, 2026, a group A member is not entitled to interest on amounts credited to the member's individual account.

(b) Provides that a group B member is not entitled to interest on amounts credited to the member's individual account for any period.

SECTION 49. Amends Article 10, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), by adding Sections 10.05, 10.06, 10.07, and 10.08, as follows:

Sec. 10.05. INITIAL RISK SHARING VALUATION STUDY. (a) Requires that the fund cause the board's actuary to prepare an initial risk sharing valuation study that is dated as of December 31, 2024, in accordance with this section.

(b) 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 10.06 of this Act;

(2) be based on the actuarial assumptions that were used by the board's actuary in the valuation completed for the year ending December 31, 2024, provided that for purposes of determining the municipal legacy contribution amounts, corridor midpoint, and municipal contribution rate for the calendar year beginning January 1, 2026, the actuarial value of assets is required to be equal to the market value of assets of the fund as of December 31, 2024;

(3) project the corridor midpoint for the next 28 calendar years beginning with the calendar year that begins on January 1, 2026; and

(4) include a schedule of municipal legacy contribution amounts for 28 calendar years beginning with the calendar year that begins on January 1, 2026.

(c) Requires that the schedule of municipal legacy contribution amounts, for purposes of Subsection (b)(4) of this section, be determined in such a manner that the total annual municipal legacy contribution amount for the first three calendar years will result in a phase-in of the anticipated increase in the municipal contribution rate from the calendar year that begins on January 1, 2025, to the rate equal to the sum of the estimated municipal contribution rate for the calendar year that begins on January 1, 2026, and the rate of pensionable payroll equal to the municipal legacy contribution amount for January 1, 2026, determined as if there was no phase-in of the increase to the municipal legacy contribution amount. Requires that the phase-in reflect approximately one-third of the increase each year over the three-year phase-in period.

(d) Requires that the municipality's contribution under Section 10.01 of this Act for the calendar years that begin on January 1, 2026, January 1, 2027, and January



1, 2028, be adjusted to reflect the impact of the phase-in prescribed by this section and, for each calendar year that begins on January 1, 2029, through January 1, 2053, reflect a municipal legacy contribution amount that is 2.5 percent greater than the municipal legacy contribution amount for the preceding calendar year.

(e) Requires that the estimated municipal contribution rate for the calendar year that begins on January 1, 2026, 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 of 2.5 percent.

**Sec. 10.06. SUBSEQUENT RISK SHARING VALUATION STUDIES.** (a) Requires that the fund, for each calendar year beginning after December 31, 2024, cause the board's actuary to prepare a risk sharing valuation study in accordance with this section and actuarial standards of practice.

(b) 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 fund 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 municipal contribution rate for the following calendar year;

(4) determine the municipal contribution rate for the following calendar year, taking into account any adjustments required under Section 10.07 or 10.08 of this Act, as applicable; and

(5) except as provided by Subsection (e) of this section, be based on the assumptions and methods adopted by the board in accordance with Section 2.14 of this Act, if applicable, and that are consistent with actuarial standards of practice and certain principles.

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

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

(e) Authorizes the board, subject to Section 2.14 of this Act, by rule, to adopt actuarial principles other than those required under Subsection (b)(5) of this section, provided the actuarial principles are consistent with actuarial standards of practice, are approved by the board's actuary, and do not operate to change the municipal legacy contribution amount.

**Sec. 10.07. ADJUSTMENT TO MUNICIPAL CONTRIBUTION RATE IF ESTIMATED MUNICIPAL CONTRIBUTION RATE LOWER THAN CORRIDOR MIDPOINT.** (a) Provides that, subject to Subsection (b) of this section, for the calendar year beginning January 1, 2026, and for each subsequent calendar year, if the estimated municipal contribution rate is lower than the corridor midpoint, the municipal

contribution rate for the applicable year is the corridor midpoint if the funded ratio is less than 100 percent or the estimated municipal contribution rate if the funded ratio is 100 percent or greater.

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

(c) Provides that, if the funded ratio is equal to or greater than 100 percent, all existing liability layers, including the legacy liability, are considered fully amortized and paid and the municipal legacy contribution amount is prohibited from being included in the municipal contribution under Section 10.01 of this Act.

Sec. 10.08. ADJUSTMENT TO MUNICIPAL CONTRIBUTION RATE IF ESTIMATED MUNICIPAL CONTRIBUTION RATE EQUAL TO OR GREATER THAN CORRIDOR MIDPOINT. Provides that, for the calendar year beginning January 1, 2026, and for each subsequent calendar year, if the estimated municipal contribution rate is equal to or greater than the corridor midpoint and less than or equal to the maximum municipal contribution rate for the corresponding calendar year, the municipal contribution rate is the estimated municipal contribution rate, or greater than the maximum municipal contribution rate for the corresponding calendar year, the municipal contribution rate is the maximum municipal contribution rate.

SECTION 50. Amends Section 11.03(b), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

(b) Prohibits the board from adopting an amendment to the investment policy adopted under Section 11.03 (Investment Policy) unless the proposed amendment is approved by the affirmative vote of the board, rather than by the affirmative vote of a majority of the members of the board at not fewer than three regular meetings of the board.

SECTION 51. Amends Section 12.01, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 12.01. New heading: EXECUTIVE DIRECTOR AND EMPLOYEES. Requires the board to appoint an executive director, rather than administrator, who is required to administer the fund under the supervision and direction of the board.

SECTION 52. Amends Sections 12.03(a) and (e), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

(a) Requires the board to engage, rather than employ, an actuary who is authorized to be the consultant and technical advisor to the board regarding the operation of the fund and to perform such duties as may be required by the board.

(e) Makes a conforming change to this subsection.

SECTION 53. Amends Section 12.07, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as follows:

Sec. 12.07. New heading: AUDITS; ENGAGEMENT OF CERTIFIED PUBLIC ACCOUNTANTS. Makes a conforming change to this section.

SECTION 54. Repealers: Sections 5.04(b) (relating to authorizing the three percent factor used in this section to be changed to some other percent if the change meets certain requirements) and (b-1) (relating to requiring the board's actuary to take into consideration whether the fund has reserves sufficient to enable the payment of a cost-of-living adjustment to all current members and survivors at a certain level), Article 6243e.1 (Firefighters Relief and Retirement Fund in Cities of 450,000 to 500,000), V.C.T.S.

Repealers: Sections 8.05(b) (relating to requiring that the DROP account balance of a member be credited at the end of each calendar month with interest at a certain rate) and 5.04(c) (relating to providing that the service retirement annuity of a person who retired January 1, 1995, is a monthly payment based on the benefit formula in effect at the time of the person's retirement, together with any increases for retirees approved by the board after the person's retirement), Article 6243e.1, V.C.T.S.

Repealers: Sections 9.04 (Cost-of-Living Adjustment; Other Adjustments) and 7.07 (Increase in Survivor's Benefits), Article 6243e.1, V.C.T.S.

SECTION 55. (a) Defines "board of trustees."

(b) Provides that Section 2.02, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1 (Firefighters Relief and Retirement Fund in Cities of 450,000 to 500,000), Vernon's Texas Civil Statutes), as amended by this Act, does not affect the term of a member of the board elected under that section, as that section existed immediately before the effective date of this Act, and serving on the board on the effective date of this Act.

(c) Provides that, when the term of the member of the board elected under Section 2.02(3), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as that section existed immediately before the effective date of this Act, who has a term that expires in December 2025, expires:

(1) the resulting vacancy on the board of trustees and the new position on the board created by the amendment of Section 2.02(3), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), is required to be filled by election of the members of the fund in accordance with Section 2.03 (Elected Members of Board), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as amended by this Act, by an election held in November 2025;

(2) the candidate who receives the highest number of votes in the election is required to serve a four-year term, ending in December 2029; and

(3) notwithstanding Section 2.03(e), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as amended by this Act, the candidate who receives the second highest number of votes in the election is required to serve an initial three-year term, ending in December 2028.

(d) Requires the governing body of a municipality subject to Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), not later than November 1, 2025, to appoint a member to the board under Section 2.02(4), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as added by this Act, to serve a term beginning January 1, 2026.

SECTION 56. Effective date: September 1, 2025.