

AN ACT

relating to the public retirement systems of certain municipalities.

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

ARTICLE 1. FIREFIGHTERS' RELIEF AND RETIREMENT FUND

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

Art. 6243e.2(1). FIREFIGHTERS' RELIEF AND RETIREMENT FUND IN MUNICIPALITIES OF AT LEAST 2,000,000 [~~1,600,000~~] POPULATION.

SECTION 1.02. Section 1(13-e), Article 6243e.2(1), Revised Statutes, is amended to read as follows:

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

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

(B) [~~except as provided by Paragraph (A) of this subdivision, for a member hired or rehired on or after the year 2017 effective date,~~] the age at which a member first attains both the age of at least 50 and at least 10 years of service [~~the sum of the member's age, in years, and the member's years of participation in the fund equals at least 70~~].

SECTION 1.03. Section 1(16-b), Article 6243e.2(1), Revised Statutes, is redesignated as Section 1(10-a-1), Article 6243e.2(1), Revised Statutes, and amended to read as follows:

(10-a-1) "Entry [(16-b) "Ultimate entry] age normal actuarial cost method" means an actuarial cost method under which a calculation is made to determine the average uniform and constant percentage rate of contributions that, if applied to the compensation of each member during the entire period of the member's anticipated covered service, would be required to meet the cost of all benefits payable on the member's behalf based on the benefits provisions for each individual employee [~~newly hired employees~~]. For purposes of this definition, the actuarial accrued liability for each member is the difference between the member's present value of future benefits based on the tier of benefits that apply to the member and the member's present value of future normal costs determined using the normal cost rate.

SECTION 1.04. Sections 2(a) and (h-2), Article 6243e.2(1), Revised Statutes, are amended to read as follows:

(a) A firefighters' relief and retirement fund is established in each incorporated municipality that has a population of at least 2,000,000 [~~1,600,000~~] and a fully paid fire department.

(h-2) If the board establishes a pension benefits committee under Subsection (h-1) of this section, that committee, even if it is composed of fewer than all the trustees of the board, may deliberate and act in place of the board regarding each application for benefits submitted to the fund by a member or the member's survivor. Final action of a pension benefits committee on an

1 application for benefits is binding, subject only to any right of
2 appeal to the board under law, rule, or policy at the time the
3 application is filed. Except to the extent the final action of a
4 pension benefits committee may be appealed to the board, the final
5 action of the pension benefits committee on an application for
6 benefits constitutes the final action of the board~~[, including for~~
7 ~~purposes of filing an appeal to a district court under Section 12 of~~
8 ~~this article]~~.

9 SECTION 1.05. Section 4(a), Article 6243e.2(1), Revised
10 Statutes, is amended to read as follows:

11 (a) A member who terminates active service for any reason
12 other than death is entitled to receive a service pension provided
13 by this section if the member was:

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

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

26 SECTION 1.06. Sections 5(a), (b), (b-1), (c), and (m),
27 Article 6243e.2(1), Revised Statutes, are amended to read as

1 follows:

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

17 (b) A member may elect to participate in the DROP by
18 complying with the election process established by the board. The
19 member's election may be made at any time beginning on the date the
20 member has completed 20 years of participation in the fund and is
21 otherwise eligible for a service pension under Section 4 [~~4(a)(1)~~]
22 of this article. Beginning on the first day of the month following
23 the month in which the member makes an election to participate in
24 the DROP, subject to board approval, and ending on the year 2017
25 effective date, amounts equal to the deductions made from the
26 member's salary under Section 13(c) of this article shall be
27 credited to the member's DROP account. Beginning after the year

2017 effective date, amounts equal to the deductions made from the member's salary under Section 13(c) of this article may not be credited to the member's DROP account.

(b-1) On or after the year 2017 effective date, an active member may not participate in the DROP for more than 15 [~~13~~] years. If a DROP participant remains in active service after the 15th [~~13th~~] anniversary of the effective date of the member's DROP election:

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

(2) the account shall continue to be credited with earnings in accordance with Subsection (d) of this section.

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

(m) A DROP participant with a break in service may receive service credit within DROP for days worked after the regular expiration of the maximum DROP participation period prescribed by this section. The service credit shall be limited to the number of days in which the participant experienced a break in service or the

1 number of days required to constitute 15 ~~[13]~~ years of DROP
2 participation, whichever is smaller. A retired member who
3 previously participated in the DROP and who returns to active
4 service is subject to the terms of this section in effect at the
5 time of the member's return to active service.

6 SECTION 1.07. Sections 8(a) and (c), Article 6243e.2(1),
7 Revised Statutes, are amended to read as follows:

8 (a) A ~~[On or after the year 2017 effective date, a]~~ member
9 who ~~[is hired as a firefighter before the year 2017 effective date,~~
10 ~~including a member who was hired before the year 2017 effective date~~
11 ~~and who involuntarily separated from service but has been~~
12 ~~retroactively reinstated in accordance with an arbitration, civil~~
13 ~~service, or court ruling,]~~ terminates active service for any reason
14 other than death with at least 10 years of participation, but less
15 than 20 years of participation, is entitled to a monthly deferred
16 pension benefit, beginning at age 50, in an amount equal to 1.7
17 percent of the member's average monthly salary multiplied by the
18 amount of the member's years of participation.

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

1 the member's termination of active service.

2 SECTION 1.08. Section 13B(a), Article 6243e.2(1), Revised
3 Statutes, is amended to read as follows:

4 (a) The fund and the municipality shall separately cause
5 their respective actuaries to prepare a risk sharing valuation
6 study in accordance with this section and actuarial standards of
7 practice. A risk sharing valuation study must:

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

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

12 (3) calculate the unfunded actuarial accrued
13 liability of the fund;

14 (4) be based on actuarial data provided by the fund
15 actuary or, if actuarial data is not provided, on estimates of
16 actuarial data;

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

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

23 (A) an ~~ultimate~~ entry age normal actuarial cost
24 method;

25 (B) for purposes of determining the actuarial
26 value of assets:

27 (i) except as provided by Subparagraph (ii)

1 of this paragraph and Section 13E(c)(1) or 13F(c)(2) of this
2 article, an asset smoothing method recognizing actuarial losses and
3 gains over a five-year period applied prospectively beginning on
4 the year 2017 effective date; and

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

8 (C) closed layered amortization of liability
9 layers to ensure that the amortization period for each layer begins
10 12 months after the date of the risk sharing valuation study in
11 which the liability layer is first recognized;

12 (D) each liability layer is assigned an
13 amortization period;

14 (E) each liability loss layer amortized over a
15 period of 30 years from the first day of the fiscal year beginning
16 12 months after the date of the risk sharing valuation study in
17 which the liability loss layer is first recognized, except that the
18 legacy liability must be amortized from July 1, 2016, for a 30-year
19 period beginning July 1, 2017;

20 (F) the amortization period for each liability
21 gain layer being:

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

27 (ii) if there is no liability loss layer, a

1 period of 30 years from the first day of the fiscal year beginning
2 12 months after the date of the risk sharing valuation study in
3 which the liability gain layer is first recognized;

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

6 (H) the assumed rate of return, subject to
7 adjustment under Section 13E(c)(2) of this article or, if Section
8 13C(g) of this article applies, adjustment in accordance with a
9 written agreement, except the assumed rate of return may not exceed
10 seven percent per annum;

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

15 (J) projected salary increases and payroll
16 growth rate set in consultation with the municipality's finance
17 director; and

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

23 (7) be revised and restated, if appropriate, not later
24 than:

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

27 (B) the 30th day after the date required action

1 is taken by the board under Section 13E or 13F of this article to
2 reflect any changes required by either section.

3 SECTION 1.09. Section 12, Article 6243e.2(1), Revised
4 Statutes, is repealed.

5 SECTION 1.10. Sections 1(13-e) and 4(a), Article
6 6243e.2(1), Revised Statutes, as amended by this Act, apply to a
7 member who retires on or after the effective date of this Act.

8 SECTION 1.11. Section 5, Article 6243e.2(1), Revised
9 Statutes, as amended by this Act, applies to a member who
10 participates in the deferred retirement option plan on or after the
11 effective date of this Act regardless of whether the member began
12 participation in the plan before, on, or after the effective date of
13 this Act.

14 SECTION 1.12. Section 8, Article 6243e.2(1), Revised
15 Statutes, as amended by this Act, applies to a member who terminates
16 active service on or after the effective date of this Act.

17 ARTICLE 2. POLICE OFFICERS' PENSION SYSTEM

18 SECTION 2.01. Section 2(14-c), Article 6243g-4, Revised
19 Statutes, is amended to read as follows:

20 (14-c) "Normal retirement age" means:

21 (A) ~~[for a member hired before October 9, 2004,~~
22 ~~including a member hired before October 9, 2004, who involuntarily~~
23 ~~separated from service but was retroactively reinstated under an~~
24 ~~arbitration, civil service, or court ruling after October 9, 2004,~~
25 ~~the earlier of:~~

26 ~~[(i)]~~ the age at which a ~~[the]~~ member
27 attains 20 years of service; or

1 (B) [~~(ii)~~] the age at which a [~~the~~] member first
2 attains both the age of at least 60 and at least 10 years of service
3 [~~, or~~

4 [~~(B) except as provided by Paragraph (A) of this~~
5 ~~subdivision, for a member hired or rehired on or after October 9,~~
6 ~~2004, the age at which the sum of the member's age in years and years~~
7 ~~of service equals at least 70]~~.

8 SECTION 2.02. Section 2(26), Article 6243g-4, Revised
9 Statutes, is redesignated as Section 2(10-a-1), Article 6243g-4,
10 Revised Statutes, and amended to read as follows:

11 (10-a-1) "Entry [~~(26) "Ultimate entry]~~ age normal
12 actuarial cost method" means an actuarial cost method under which a
13 calculation is made to determine the average uniform and constant
14 percentage rate of contributions that, if applied to the
15 compensation of each member during the entire period of the
16 member's anticipated covered service, would be required to meet the
17 cost of all benefits payable on the member's behalf based on the
18 benefits provisions for each individual employee [~~newly hired~~
19 ~~employees]~~. For purposes of this definition, the actuarial accrued
20 liability for each member is the difference between the member's
21 present value of future benefits based on the tier of benefits that
22 apply to the member and the member's present value of future normal
23 costs determined using the normal cost rate.

24 SECTION 2.03. Section 9A(a), Article 6243g-4, Revised
25 Statutes, is amended to read as follows:

26 (a) The pension system and the city shall separately cause
27 their respective actuaries to prepare a risk sharing valuation

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

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

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

7 (3) calculate the unfunded actuarial accrued
8 liability of the pension system;

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

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

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

18 (A) an ~~ultimate~~ entry age normal actuarial cost
19 method;

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

22 (i) except as provided by Subparagraph (ii)
23 of this paragraph and Section 9D(c)(1) or 9E(c)(2) of this article,
24 an asset smoothing method recognizing actuarial losses and gains
25 over a five-year period applied prospectively beginning on the year
26 2017 effective date; and

27 (ii) for the initial risk sharing valuation

1 study prepared under Section 9B of this article, a marked-to-market
2 method applied as of June 30, 2016;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 SECTION 2.04. Section 14(b), Article 6243g-4, Revised
27 Statutes, is amended to read as follows:

1 (b) An active member who ~~[was hired before October 9, 2004,~~
 2 ~~including a member hired before October 9, 2004, who]~~ has attained
 3 normal retirement age ~~[been reinstated under arbitration, civil~~
 4 ~~service, or a court ruling after that date, and has at least 20~~
 5 ~~years of service with the police department]~~ may file with the
 6 pension system an election to participate in DROP and receive a DROP
 7 benefit instead of the standard form of pension provided by this
 8 article on or after ~~[as of]~~ the date the ~~[active]~~ member attained
 9 normal retirement age ~~[20 years of service]~~. The election may be
 10 made, under procedures established by the board~~[, by an eligible~~
 11 ~~active member who has attained the required years of service]~~. A
 12 DROP election that is made and accepted by the board may not be
 13 revoked.

14 ARTICLE 3. CONFLICTS AND EFFECTIVE DATE

15 SECTION 3.01. If this Act conflicts with another Act of the
 16 89th Legislature, Regular Session, 2025, this Act controls unless
 17 the conflict is expressly resolved by the legislature by reference
 18 to this Act.

19 SECTION 3.02. This Act takes effect September 1, 2025.

President of the Senate

Speaker of the House

I certify that H.B. No. 2688 was passed by the House on May 8, 2025, by the following vote: Yeas 146, Nays 0, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 2688 on May 28, 2025, by the following vote: Yeas 132, Nays 1, 1 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 2688 was passed by the Senate, with amendments, on May 23, 2025, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor