

By: Harless

H.B. No. 2688

A BILL TO BE ENTITLED

AN ACT

relating to the public retirement systems of certain municipalities.

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

ARTICLE 1. FIREFIGHTERS' RELIEF AND RETIREMENT FUND

SECTION 1.01. 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(1-e), (13-e), and (15-f) Article 6243e.2(1), Revised Statutes, is amended to read as follows:

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

(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 the member first attains both the

1 age of at least 50 and at least 10 years of service [~~sum of the~~  
2 ~~member's age, in years, and the member's years of participation in~~  
3 ~~the fund equals at least 70~~].

4 (15-f) "PROP account" means the notional account  
5 established to reflect the credits and contributions of a member or  
6 surviving spouse who made a PROP election in accordance with  
7 Section 5A of this article [~~before the year 2017 effective date~~].

8 SECTION 1.03. Section 2(a), Article 6243e.2(1), Revised  
9 Statutes, is amended to read as follows:

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

13 SECTION 1.04. Section 3A(b), Article 6243e.2(1), Revised  
14 Statutes, is amended to read as follows:

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

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

19 ~~(2)(1)~~ (1) increase the assumed rate of return to more than  
20 seven and a half percent per year;

21 ~~(3)(2)~~ (2) extend the amortization period of a liability layer  
22 to more than 30 years from the first day of the fiscal year  
23 beginning 12 months after the date of the risk sharing valuation  
24 study in which the liability layer is first recognized; or

25 ~~(4)(3)~~ (3) allow a municipal contribution rate in any year that  
26 is less than or greater than the municipal contribution rate  
27 required under Section 13E or 13F of this article, as applicable.

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

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

(1) hired as a firefighter before the year 2017 effective date, 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, at the age at which the member attains 20 years of service; and

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

SECTION 1.06. Sections 5 Article 6243e.2(1), Revised Statutes, is amended by amending subsections (a), (a-1), (b), and (d) and adding subsections (a-2) and (a-3) to read as follows:

(a) A member who is eligible to receive a service pension under Section 4 ~~[4(a)(1)]~~ of this article and who remains in active service may elect to participate in the deferred retirement option plan provided by this section. ~~[A member who is eligible to receive a service pension under Section 4(a)(2) of this article may not elect to participate in the deferred retirement option plan provided by this section.]~~ On subsequently terminating active

1 service, a member who elected the DROP may apply for a monthly  
2 service pension under Section 4 of this article, except that the  
3 effective date of the member's election to participate in the DROP  
4 will be considered the member's retirement date for determining the  
5 amount of the member's monthly service pension. The member may also  
6 apply for any DROP benefit provided under this section on  
7 terminating active service. An election to participate in the  
8 DROP, once approved by the board, is irrevocable.

9 (a-1) The monthly benefit of a DROP participant who has at  
10 least 20 years of participation on the year 2017 effective date is  
11 increased at retirement by two percent of the amount of the member's  
12 original benefit for every full year of participation in the DROP by  
13 the member for up to 10 years of participation in the DROP. For ~~[a]~~  
14 such member's final year of participation, but not beyond the  
15 member's 10th year in the DROP, if a full year of participation is  
16 not completed, the member shall receive a prorated increase of  
17 0.166 percent of the member's original benefit for each month of  
18 participation in that year.

19 (a-2) The monthly benefit of a DROP participant who had less  
20 than 20 years of participation on the year 2017 effective date is  
21 increased at retirement by one percent of the amount of the member's  
22 original benefit for every full year of participation in the DROP by  
23 the member for up to 10 years of participation in the DROP. For a  
24 member's final year of participation, but not beyond the member's  
25 10th year in the DROP, if a full year of participation is not  
26 completed, the member shall receive a prorated increase of 0.083  
27 percent of the member's original benefit for each month of

participation in that year.

(a-3) An increase provided by ~~[this subsection]~~ subsections (a-1) and (a-2) does not apply to benefits payable under Subsection (1) of this section. An increase under ~~[this subsection]~~ these subsections is applied to the member's benefit at retirement and is not added to the member's DROP account. The total increase under ~~[this]~~ subsection (a-1) may not exceed 20 percent for 10 years of participation in the DROP by the member. The total increase under subsection (a-2) may not exceed 10 percent for 10 years of participation in the DROP by the member.

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

(d) A member's DROP account shall be credited with earnings at an annual rate equal to 75 ~~[65]~~ percent of the ~~[compounded]~~ average annual return earned by the fund over the five years

1 preceding, but not including, the year during which the credit is  
2 given. Notwithstanding the preceding, however, the credit to the  
3 member's DROP account shall be at an annual rate of not less than  
4 2.5 percent, irrespective of actual earnings.

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

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

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

SECTION 1.08. Sections 11(d), Article 6243e.2(1), Revised Statutes, are amended to read as follows:

(d) In computing a member's years of participation, time served in the armed forces of the nation during war or national emergency is considered continuous service. Except for that military service, credit for prior service shall be given only if a member returns to active service as a firefighter before the ~~[fifth]~~ tenth anniversary of a previous effective date of termination. Notwithstanding any provision of this article to the contrary, contributions, benefits, and service credit with respect to qualified military service shall be provided in accordance with Section 414(u) of the code. A member who is engaged in active duty in any of the military services of the United States shall receive credited pension service for the period of the military service if the member returns to employment with the employer municipality's fire department with an honorable discharge within the period required by the federal reemployment Act and the period of military service does not exceed the period prescribed by that Act. If a member sustains an injury while on military leave under the terms of the federal reemployment Act, pension benefits are payable based on the off-duty disability benefit provisions prescribed by Section 6(e) of this article. If a member dies while on military leave under the terms of the federal reemployment Act, death benefits are payable to eligible survivors based on the off-duty death benefits prescribed by Section 7 of this article. This subsection is intended to comply with the federal reemployment Act. The board may make, maintain, and amend policies and procedures as desirable or

1 necessary to implement the federal reemployment Act. In this  
2 subsection, "federal reemployment Act" means the Uniformed  
3 Services Employment and Reemployment Rights Act of 1994 (38 U.S.C.  
4 Section 4301 et seq.), as amended.

5 SECTION 1.09. Sections 13B(a)(6)(E) and (H), Article  
6 6243e.2(1), Revised Statutes, are amended to read as follows:

7 (E) each liability loss layer amortized over a period of 30  
8 years from the first day of the fiscal year beginning 12 months  
9 after the date of the risk sharing valuation study in which the  
10 liability loss layer is first recognized, except that the legacy  
11 liability must be amortized from July 1, 2016, for a 30-year period  
12 beginning July 1, 2017. Any liability loss layer whose payoff year  
13 was accelerated pursuant to section 13E(c)(4) may, at any time by  
14 written agreement between the board and municipality, re-extend the  
15 payoff year of the liability loss layer to a payoff year not later  
16 than 30 years from the first day of the fiscal year beginning 12  
17 months after the date of the risk sharing valuation study in which  
18 the liability loss layer is first recognized;

19 (H) the assumed rate of return, subject to adjustment under  
20 Section 13E(c)(2) of this article or, if Section 13C(g) of this  
21 article applies, adjustment in accordance with a written agreement,  
22 except the assumed rate of return may not exceed seven and a half  
23 percent per annum;

24 SECTION 1.10. Sections 13C(g), Article 6243e.2(1), Revised  
25 Statutes, is amended to read as follows:

26 (g) The municipality and the board may, at any time, agree  
27 on a written transition plan for resetting the corridor midpoint. [÷



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

3           ~~(2) for any fiscal year after the payoff year of the~~  
4 ~~legacy liability.]~~

5           SECTION 1.11. Sections 13E(b) and (c), Article 6243e.2(1),  
6 Revised Statutes, is amended to read as follows:

7           (b) If the funded ratio is:

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

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

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

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

20          (c) For purposes of Subsection (b)(2)(B) of this section,  
21 the following adjustments ~~[shall]~~ may, by written agreement between  
22 the municipality and board entered into not later than April 30  
23 before the first day of the next fiscal year, be applied  
24 sequentially ~~[to the extent required]~~ to increase the estimated  
25 municipal contribution rate to equal the minimum contribution rate:

26          (1) first, adjust the actuarial value of assets equal to the  
27 current market value of assets, if making the adjustment causes the

1 municipal contribution rate to increase;

2 (2) second, ~~[under a written agreement between the~~  
3 ~~municipality and the board entered into not later than April 30~~  
4 ~~before the first day of the next fiscal year,~~] reduce the assumed  
5 rate of return;

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

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

19 SECTION 1.12. Sections 13G, Article 6243e.2(1), Revised  
20 Statutes, is amended to read as follows:

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

27 ~~(b)]~~ (a) No unilateral decision or action by the board is

1 binding on the municipality and no unilateral decision or action by  
2 the municipality is binding on the fund with respect to the  
3 application of Sections 13A through 13F of this article unless  
4 expressly provided by a provision of those sections. Nothing in  
5 this subsection is intended to limit the powers or authority of the  
6 board.

7       ~~[(c)]~~(b) Section 10 of this article does not apply to a  
8 benefit increase under Section 13E of this article, and Section 10  
9 of this article is suspended while Sections 13A through 13F of this  
10 article are in effect.

11       SECTION 1.13. Section 12 and section 5A(o), Article  
12 6243e.2(1), Revised Statutes, are repealed.

13       SECTION 2. This Act takes effect on September 1, 2025.