

By: Troxclair

H.B. No. 4873

A BILL TO BE ENTITLED

AN ACT

relating to the administration of, contributions to, and benefits under retirement systems for firefighters in certain municipalities.

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

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

Art. 6243e.1. FIREFIGHTERS RELIEF AND RETIREMENT FUND IN CITIES OF 950,000 [~~450,000~~] TO 1,050,000 [~~500,000~~].

SECTION 2. Section 1.02, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), is amended 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 read as follows:

(1) "Accumulated contributions" means all sums of money, including interest, if applicable, credited to [~~in~~] the individual account of a member or former firefighter, as shown on the books and records of the fund.

(1-a) "Actuarial accrued liability" means the portion of the actuarial present value of projected benefits of the fund

attributed to past periods of member service based on the cost method used in the risk sharing valuation study prepared under Section 10.05 or 10.06 of this Act, as applicable.

(2) "Actuarial equivalent" means a benefit that, at the time that it begins being paid, has the same present value as the benefit it replaces, based on the recommendations of the board's actuary.

(2-a) "Actuarial value of assets" means the value of the fund's assets as calculated using the asset smoothing method used in the risk sharing valuation study prepared under Section 10.05 or 10.06 of this Act, as applicable.

(2-b) "Amortization period" means:

(A) the period necessary to fully pay a liability layer; or

(B) if referring to the amortization period of the fund as a whole, the number of years incorporated in a weighted average amortization factor for the sum of the legacy liability and all liability layers as determined in each annual actuarial valuation of assets and liabilities of the fund.

(2-c) "Amortization rate" means, for a given calendar year, the percentage rate determined by:

(A) adding the scheduled amortization payments required to pay off the then-existing liability layers;

(B) subtracting the municipal legacy contribution amount for the same calendar year, as determined in the risk sharing valuation study prepared under Section 10.05 or 10.06 of this Act, as applicable, from the sum under Paragraph (A)

1 of this subdivision; and

2 (C) dividing the amount determined under
3 Paragraph (B) of this subdivision by the projected pensionable
4 payroll for the same calendar year.

5 (2-d) "Annual investment return" means the annual
6 money-weighted rate of return, net of investment expenses, reported
7 by the fund in the annual report for a given calendar year.

8 (3) "Board of trustees" or "board" means the board of
9 ~~[firefighters relief and retirement fund]~~ trustees of the fund
10 under ~~[existing pursuant to]~~ this Act, unless the context requires
11 otherwise.

12 (4) "Board's actuary" means the actuary engaged by the
13 fund ~~[employed]~~ under Section 12.03 of this Act.

14 (5-a) "Corridor" means the range of municipal
15 contribution rates that are:

16 (A) equal to or greater than the minimum
17 municipal contribution rate; and

18 (B) equal to or less than the maximum municipal
19 contribution rate.

20 (5-b) "Corridor lower margin" means five percentage
21 points.

22 (5-c) "Corridor midpoint" means the projected
23 municipal contribution rate specified for each calendar year for 28
24 years as provided by the initial risk sharing valuation study under
25 Section 10.05 of this Act, rounded to the nearest hundredths
26 decimal place.

27 (5-d) "Corridor upper margin" means seven percentage

1 points.

2 (6-a) "DROP" means the deferred retirement option plan
3 under Article 8 of this Act.

4 (6-b) "DROP participant" means a member who is
5 participating in the DROP.

6 (6-c) "DROP period" means the period between the
7 effective date of a member's election to participate in DROP and the
8 effective date of the member's retirement, subject to the
9 seven-year limitation prescribed by Section 8.02 of this Act.

10 (6-d) "Employer normal cost rate" means, for a given
11 calendar year, the normal cost rate minus the applicable
12 firefighter contribution rate determined under Section 10.011 of
13 this Act.

14 (6-e) "Estimated municipal contribution rate" means,
15 for a given calendar year, a municipal contribution rate equal to
16 the sum of the municipal normal cost rate and the amortization rate
17 of the liability layers, as applicable, excluding the legacy
18 liability layer, and before any adjustment to the rate under
19 Section 10.07 or 10.08 of this Act, as applicable.

20 (9-a) "Funded ratio" means the ratio of the actuarial
21 value of assets divided by the actuarial accrued liability.

22 (9-b) "Group A member" means a member included in
23 group A membership under Section 3.011 of this Act.

24 (9-c) "Group B member" means a member included in
25 group B membership under Section 3.011 of this Act.

26 (10-a) "Legacy liability" means the unfunded
27 actuarial accrued liability determined as of December 31, 2024, and

for each subsequent calendar year, adjusted as follows:

(A) reduced by the municipal legacy contribution amount for the calendar year allocated to the amortization of the legacy liability; and

(B) adjusted by the assumed rate of return adopted by the board of trustees for the calendar year ending December 31, 2024.

(10-b) "Level percent of payroll method" means the amortization method that defines the amount of the liability layer recognized each calendar year as a level percent of pensionable payroll until the amount of the liability layer remaining is reduced to zero.

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

(10-d) "Liability layer" means:

(A) the legacy liability established in the initial risk sharing valuation study under Section 10.05 of this Act; or

(B) for calendar years after December 31, 2024, the amount that the fund's unfunded actuarial accrued liability increases or decreases, as applicable, due to the unanticipated change for the calendar year as determined in each subsequent risk sharing valuation study prepared under Section 10.06 of this Act.

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

1 (10-f) "Maximum municipal contribution rate" means,
2 for a given calendar year, the rate equal to the corridor midpoint
3 plus the corridor upper margin.

4 (11-a) "Minimum municipal contribution rate" means,
5 for a given calendar year, the rate equal to the corridor midpoint
6 minus the corridor lower margin.

7 (11-b) "Municipal contribution rate" means, for a
8 given calendar year, a percentage rate equal to the sum of the
9 employer normal cost rate and the amortization rate, as adjusted
10 under Section 10.07 or 10.08 of this Act, if applicable.

11 (11-c) "Municipal legacy contribution amount" means,
12 for each calendar year, a predetermined payment amount expressed in
13 dollars in accordance with a payment schedule amortizing the legacy
14 liability for the calendar year ending December 31, 2024, that is
15 included in the initial risk sharing valuation study under Section
16 10.05 of this Act.

17 (11-d) "Normal cost rate" means, for a given calendar
18 year, the salary weighted average of the individual normal cost
19 rates determined for the current active member population, plus the
20 assumed administrative expenses determined in the most recent
21 actuarial experience study.

22 (11-e) "Payoff year" means the year a liability layer
23 is fully amortized under the amortization period.

24 (11-f) "Pensionable payroll" means the compensation
25 of all members in active service for a calendar year or pay period,
26 as applicable.

27 (11-g) "Projected pensionable payroll" means the

estimated pensionable payroll for the calendar year beginning 12 months after the date of the risk sharing valuation study prepared under Section 10.05 or 10.06 of this Act, as applicable, at the time of calculation by:

(A) projecting the prior calendar year's pensionable payroll forward two years using the current payroll growth rate assumption adopted by the board of trustees; and

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

(13-a) "Unanticipated change" means, with respect to the unfunded actuarial accrued liability in each subsequent risk sharing valuation study prepared under Section 10.06 of this Act, the difference between:

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

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

(13-b) "Unfunded actuarial accrued liability" means the difference between the actuarial accrued liability and the actuarial value of assets.

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

1 Sec. 1.031. OPERATING NAME. The board of trustees may by
2 rule adopt a name under which the fund may operate other than the
3 name prescribed by Section 1.03 of this Act.

4 SECTION 4. Article 2, Chapter 183 (S.B. 598), Acts of the
5 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's
6 Texas Civil Statutes), is amended by adding Section 2.015 to read as
7 follows:

8 Sec. 2.015. FUND QUALIFICATION. This Act shall be
9 construed, and the fund shall be administered, in a manner that
10 maintains the qualified status of the fund under Section 401(a) of
11 the Internal Revenue Code.

12 SECTION 5. Section 2.02, Chapter 183 (S.B. 598), Acts of the
13 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's
14 Texas Civil Statutes), is amended to read as follows:

15 Sec. 2.02. COMPOSITION OF BOARD. (a) The board of
16 trustees is composed of:

17 (1) the mayor of the municipality or a governing body
18 of the municipality member designated by the mayor;

19 (2) the city treasurer or, if there is no treasurer,
20 the person who by law, charter provision, or ordinance performs the
21 duty of city treasurer; ~~and~~

22 (3) four ~~three~~ members of the fund to be selected by
23 vote of the firefighters and retirees in the manner provided by this
24 Act; and

25 (4) one member of the public selected and appointed by
26 the governing body of the municipality in accordance with Section
27 2.025 of this Act.

1 (b) The board of trustees may by rule specify the number of
2 elected members of the board of trustees under Subsection (a) of
3 this section who must be firefighters or retirees.

4 SECTION 6. Article 2, Chapter 183 (S.B. 598), Acts of the
5 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's
6 Texas Civil Statutes), is amended by adding Section 2.025 to read as
7 follows:

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

10 (1) must:

11 (A) be a qualified voter;

12 (B) be a resident and have been a resident of the
13 municipality for the five-year period preceding the date of the
14 appointment; and

15 (C) have demonstrated experience in the field of
16 finance or investments; and

17 (2) may not be:

18 (A) an employee of the municipality; or

19 (B) a member of the fund.

20 (b) A member of the board of trustees under Section
21 2.02(a)(4) of this Act:

22 (1) holds office for a term of four years; and

23 (2) serves during the term for which the member was
24 appointed and until the member's successor is selected and has
25 qualified, unless a vacancy results because of death, resignation,
26 or removal.

27 (c) A vacancy on the board of trustees in the position under

1 Section 2.02(a)(4) of this Act shall be filled in the same manner as
2 the original appointment.

3 SECTION 7. Section 2.03, Chapter 183 (S.B. 598), Acts of the
4 64th Legislature, Regular Session, 1975 (Article [6243e.1](#), Vernon's
5 Texas Civil Statutes), is amended by amending Subsections (c), (e),
6 and (h) and adding Subsection (c-1) to read as follows:

7 (c) Each election is by secret ~~[written]~~ ballot on a date
8 and using a method the board of trustees determines. Only persons
9 who have been nominated may be listed on the ~~[written]~~
10 ballot. Nominations:

11 (1) may be made in person, by mail, ~~[or]~~ by telephone,
12 or by any other method approved by the board of trustees; ~~[to the~~
13 ~~office of the fund]~~ and

14 (2) must be received between September 1 and September
15 15.

16 (c-1) Nominations or elections may be conducted by
17 electronic means.

18 (e) The elected members of the board of trustees hold office
19 for staggered terms of four ~~[three]~~ years, with the term of one
20 trustee expiring each year. Elected members of the board of
21 trustees shall serve during the term for which they are elected and
22 until their successors are elected and have qualified, unless a
23 vacancy results because of death, resignation, or removal.

24 (h) The administrative expenses of an election under this
25 section may be paid from the assets of the fund. Assets of the fund
26 may not be used to pay campaign expenses incurred by or for a
27 candidate ~~[member]~~. Administrative office supplies and equipment

1 belonging to the fund may not be used to assist any candidate or
2 person seeking to assist a candidate for a position on the board of
3 trustees.

4 SECTION 8. Section 2.05, Chapter 183 (S.B. 598), Acts of the
5 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's
6 Texas Civil Statutes), is amended to read as follows:

7 Sec. 2.05. OFFICERS. ~~[The mayor is the presiding officer~~
8 ~~and the city treasurer is the secretary-treasurer of the board of~~
9 ~~trustees.]~~ The board shall elect annually from its membership a
10 chair to serve as the presiding officer and a vice-chair to serve as
11 the [an] alternate presiding officer who shall preside in the
12 absence or disability of the chair [mayor].

13 SECTION 9. Section 2.07, Chapter 183 (S.B. 598), Acts of the
14 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's
15 Texas Civil Statutes), is amended to read as follows:

16 Sec. 2.07. MEETINGS; MINUTES. The board of trustees shall
17 hold regular ~~[monthly]~~ meetings not fewer than four times each
18 calendar year at a time and place that it designates and may hold
19 special meetings on the call of the presiding officer or alternate
20 presiding officer. The board of trustees shall keep accurate
21 minutes of its meetings and records of its proceedings.

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

25 Sec. 2.08. ADMINISTRATION OF FUNDS. The board of trustees
26 shall:

27 (1) keep separate from all other municipal funds all

1 money and other assets it receives for the benefit of the fund;

2 (2) keep a record of all claims, receipts, and
3 disbursements and make disbursements only [~~on vouchers signed~~] by
4 such persons as the board of trustees designates [~~by resolution~~];
5 and

6 (3) publish annually a report containing a balance
7 sheet showing the financial and actuarial condition of the fund, a
8 statement showing receipts and disbursements during the year
9 covered by the report, and such additional matters as may be
10 determined appropriate by the board of trustees.

11 SECTION 11. Section 2.09, Chapter 183 (S.B. 598), Acts of
12 the 64th Legislature, Regular Session, 1975 (Article [6243e.1](#),
13 Vernon's Texas Civil Statutes), is amended to read as follows:

14 Sec. 2.09. DETERMINATION BY BOARD. (a) The board of
15 trustees is authorized to hear and determine all matters regarding:

16 (1) eligibility of any person to participate in a fund
17 under this Act;

18 (2) eligibility of any person to receive a service,
19 disability, or survivor's benefit and the amount of that benefit;
20 [~~and~~]

21 (3) whether a child or a parent of a deceased member
22 was dependent on the member for financial support; and

23 (4) any other determinations related to the
24 administration of the fund.

25 (b) All determinations made by the board of trustees shall
26 be final and binding.

27 SECTION 12. 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), is amended to read as follows:

(a) 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 [~~Section 552.101~~], Government Code, and may not be disclosed in a form identifiable with a specific individual unless:

(1) the information is disclosed to:

(A) the individual or the individual's attorney, guardian, executor, administrator, conservator, or other person who the executive director [~~administrator~~] of the fund determines is acting in the interest of the individual or the individual's estate;

(B) a spouse or former spouse of the individual after the executive director [~~administrator~~] of the fund determines that the information is relevant to the spouse's or former spouse's interest in member accounts, benefits, or other amounts payable by the fund;

(C) a governmental official or employee after the executive director [~~administrator~~] of the fund determines that disclosure of the information requested is reasonably necessary to the performance of the duties of the official or employee; or

(D) a person authorized by the individual in writing to receive the information; or

(2) the information is disclosed pursuant to a subpoena and the executive director [~~administrator~~] of the fund

determines that the individual will have a reasonable opportunity to contest the subpoena.

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

Sec. 2.14. PROCESS FOR EXPERIENCE STUDIES AND CHANGES TO ACTUARIAL ASSUMPTIONS. (a) At least once every five years, the board of trustees shall 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. The fund shall notify the municipality at the beginning of an upcoming experience study by the board's actuary.

(b) In connection with the fund's experience study, the municipality may:

(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) If the municipality chooses to:

(1) have a separate experience study performed under Subsection (b)(1) of this section, the municipality shall complete the study not later than three months after the date the fund notified the municipality of the fund's intent to conduct an

1 experience study; or

2 (2) have the municipality's actuary review the fund's
3 experience study under Subsection (b)(2) of this section, the
4 municipality shall complete the review not later than one month
5 after the date the preliminary results of the experience study are
6 presented to the board of trustees.

7 (d) If the municipality chooses to have a separate
8 experience study performed under Subsection (b)(1) of this section,
9 or to have the municipality's actuary review the fund's experience
10 study under Subsection (b)(2) of this section, the board's actuary
11 and the municipality's actuary shall determine what the
12 hypothetical municipal contribution rate would be using the
13 proposed actuarial assumptions from the experience studies and data
14 from the most recent actuarial valuation.

15 (e) If the difference between the hypothetical municipal
16 contribution rates determined by the board's actuary and the
17 municipality's actuary under Subsection (d) of this section:

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

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

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

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

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

20 (g) If an independent third-party actuary is retained under
21 Subsection (e)(2)(B) of this section, the third-party actuary's
22 findings will be presented to the board along with the experience
23 study conducted by the board's actuary and, if applicable, the
24 municipality's actuary. If the board adopts actuarial assumptions
25 or methods contrary to the third-party actuary's findings:

26 (1) the fund shall provide a formal letter describing
27 the rationale for the board's action to the governing body of the

1 municipality and State Pension Review Board; and

2 (2) the board's actuary and executive director shall
3 be made available at the request of the governing body of the
4 municipality or the State Pension Review Board to present in person
5 the rationale for the board's action.

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

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

14 Sec. 3.01. GENERAL REQUIREMENT. A person who begins
15 service as a firefighter in a municipality to which this Act applies
16 and who is not ineligible for membership in the fund becomes a
17 member of the fund as a condition of that person's employment
18 [appointment]. Each member shall be a group A member or group B
19 member in accordance with Section 3.011.

20 SECTION 15. Article 3, Chapter 183 (S.B. 598), Acts of the
21 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's
22 Texas Civil Statutes), is amended by adding Section 3.011 to read as
23 follows:

24 Sec. 3.011. GROUP A AND GROUP B MEMBERSHIP. Each member of
25 the fund is either a group A member or a group B member as follows:

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

1 (A) a retiree on December 31, 2025;

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

4 (C) terminated from employment with the
5 municipality as a firefighter on or before December 31, 2025, if the
6 member:

7 (i) has at least 10 years of accumulated
8 service credit; and

9 (ii) has not:

10 (a) withdrawn the member's
11 accumulated contributions under Section 9.06 of this Act; or

12 (b) refunded the member's accumulated
13 contributions under Section 4.04 of this Act; and

14 (2) a member of the fund is a group B member if the
15 member:

16 (A) except as provided by Subdivision (1)(C) of
17 this section, became employed by the municipality as a firefighter
18 on or after January 1, 2026; or

19 (B) otherwise does not satisfy the requirements
20 of a group A member.

21 SECTION 16. Section 4.02, Chapter 183 (S.B. 598), Acts of
22 the 64th Legislature, Regular Session, 1975 (Article [6243e.1](#),
23 Vernon's Texas Civil Statutes), is amended to read as follows:

24 Sec. 4.02. MILITARY SERVICE. (a) A member of the fund
25 retains all accumulated service credit and is allowed service
26 credit for each month during which the member leaves employment
27 with the fire department and performs active duty service in the

1 armed forces or the armed forces reserves of the United States or
2 their auxiliaries, except that:

3 (1) the military service credit may not be for more
4 than five years and the person must return to service with the fire
5 department not later than the 180th day after the date of discharge
6 or release from military service or from hospitalization continuing
7 after discharge for a period of not more than one year;

8 (2) the member must leave the member's contributions
9 in the fund during the period of absence; ~~and~~

10 (3) the member must file a written application with
11 the fund for the military service credit, accompanied by
12 satisfactory proof of the member's military service; and

13 (4) for military service credit related to military
14 service performed on or after January 1, 2026, the member and the
15 municipality must each deposit to the fund an amount equal to the
16 sum of contributions that would have been contributed to the fund by
17 the member and the municipality, respectively, if the member had
18 remained in active employment with the fire department during the
19 period the claimed military service was performed.

20 (b) The payments required under this section must be made in
21 accordance with the applicable requirements of Section 414(u) of
22 the Internal Revenue Code and the Uniformed Services Employment and
23 Reemployment Rights Act of 1994 (38 U.S.C. Section 4301 et seq.).
24 The board of trustees may adopt rules relating to the payment of
25 contributions under this section as the board of trustees considers
26 necessary for the administration of this section.

27 SECTION 17. 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), is amended to read as follows:

(a) The service retirement annuity of:

(1) a group A member [~~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 [~~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. Section 5.05, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), is amended to read as follows:

Sec. 5.05. EARLY RETIREMENT. (a) 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:

(1) has attained the age of 45 years and has at least 10 years of service credit in the fund; or

(2) has at least 20 years of service credit, regardless of age.

(b) The retirement annuity of a group A member [~~person~~] who retires under this section after September 1, 1997, is the same as for normal service retirement, but may not be increased under

1 Section 8A.01(b), 8A.02, or 8A.03 [~~Section 9.04~~] of this Act, as
2 applicable, until the person would have met the requirements of
3 Section 5.01 of this Act if the person:

4 (1) had remained in active service as a firefighter;
5 and

6 (2) otherwise satisfies the requirements for the
7 increase.

8 (c) A group B member is not eligible for early retirement
9 under this section.

10 SECTION 19. Section 6.01, Chapter 183 (S.B. 598), Acts of
11 the 64th Legislature, Regular Session, 1975 (Article [6243e.1](#),
12 Vernon's Texas Civil Statutes), is amended to read as follows:

13 Sec. 6.01. INITIAL ELIGIBILITY FOR DISABILITY RETIREMENT.
14 A firefighter is eligible to retire and receive a disability
15 retirement annuity if:

16 (1) application for retirement is made by the member
17 or the member's legal representative [~~or if the board of trustees~~
18 ~~determines that, although no application has been filed, retirement~~
19 ~~is for the good of the fire department~~];

20 (2) the medical board certifies that the member is
21 unable to perform the duties of the member's occupation as a
22 firefighter and sends the member's application to the board of
23 trustees; and

24 (3) the board of trustees approves the disability
25 retirement.

26 SECTION 20. Section 6.03, Chapter 183 (S.B. 598), Acts of
27 the 64th Legislature, Regular Session, 1975 (Article [6243e.1](#),

Vernon's Texas Civil Statutes), is amended to read as follows:

Sec. 6.03. AMOUNT OF DISABILITY BENEFIT. (a) Subject to adjustment under Section 6.05 of this Act, the disability retirement benefit payable to a member is the normal service retirement benefit described by Section 5.04 of this Act, but not less than the member would have received after 20 years of service credit.

(b) For a calendar year beginning on or after January 1, 2027, a disability retirement benefit payable under this article shall 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 62 years of age; or

(2) the fifth anniversary of the date the member's disability retirement benefit commenced.

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

Sec. 6.04. TERMINATION DURING FIRST 2-1/2 YEARS. 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, the board of trustees may terminate the disability 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. Section 7.01, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), is amended to read as follows:

Sec. 7.01. SURVIVING SPOUSE OF FIREFIGHTER. 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 from the fund of 75 percent of the service retirement benefit that the firefighter would have received if the firefighter had retired on the date of death, but not less than 75 percent of the monthly payment the decedent would have received based on 20 years of service credit.

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

Sec. 7.02. SURVIVING SPOUSE OF GROUP A RETIREE. (a) 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 [~~+~~

~~(1)]~~ was married to the retiree at the time of the retiree's retirement [~~+~~ ~~or~~

~~(2) married the retiree after the retiree's retirement and was married to the retiree for at least 24 consecutive months].~~

(b) With [~~For purposes of Subsection (a)(1) of this section,~~ ~~with~~] respect to an informal marriage established in this state, a surviving spouse is considered married to a retiree as of the date a declaration of informal marriage was recorded in accordance with Subchapter [E](#), Chapter [2](#), Family Code.

SECTION 24. 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), is amended to read as follows:

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

SECTION 25. 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), is amended to read as follows:

(a) An immediate monthly benefit is payable to the surviving spouse of a former firefighter who:

(1) was a group A member;

(2) before termination of employment with the fire department had accumulated at least 10 years of service credit in the fund and had made required contributions to the fund for a period of at least 10 years; and

(3) [~~(2)~~] did not withdraw the member's contributions from the fund at the time of or after the termination of employment.

SECTION 26. 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), are amended to read as follows:

(a) 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. The total monthly benefit payable under this subsection is 75 percent of the monthly payment that the decedent would have received under the service retirement benefit described by Section

1 5.04 of this Act, but not less than 75 percent of the monthly
2 payment the decedent would have received based on 20 years of
3 service credit. If there is more than one dependent child of the
4 decedent, each dependent child is entitled to receive an equal
5 share of the total monthly payment under this subsection.

6 (b) On the death of a member who was a firefighter or a
7 retired group A member [~~under this Act~~], if there is a surviving
8 spouse, a benefit is payable to each of the decedent's surviving
9 dependent children, if any. The monthly amount of the benefit
10 payable to each child is 15 percent of the monthly payment that the
11 decedent would have received under the service retirement benefit
12 described by Section 5.04 of this Act, but not less than 15 percent
13 of the monthly payment the decedent would have received based on 20
14 years of service credit. If the decedent left more than five
15 surviving dependent children, the monthly benefit payable to each
16 dependent child shall be reduced so that the total monthly benefit
17 payable under this subsection does not exceed the total monthly
18 benefit that would have been payable if the decedent had left no
19 surviving spouse.

20 SECTION 27. Section 7.06, Chapter 183 (S.B. 598), Acts of
21 the 64th Legislature, Regular Session, 1975 (Article [6243e.1](#),
22 Vernon's Texas Civil Statutes), is amended to read as follows:

23 Sec. 7.06. PAYMENTS TO DEPENDENT PARENTS. If a deceased
24 member who was a retired group A member leaves no surviving spouse,
25 no surviving designated beneficiary, and no surviving children
26 entitled to receive a benefit under this Act but is survived by one
27 or more dependent parents, the dependent parent, or one of the

1 surviving parents designated by the board of trustees, is entitled
2 to receive a monthly benefit payment equal to the monthly amount
3 that would have been payable to a surviving spouse of the deceased.
4 All payments under this section cease on the death of the surviving
5 dependent parent.

6 SECTION 28. Section 7.09, Chapter 183 (S.B. 598), Acts of
7 the 64th Legislature, Regular Session, 1975 (Article [6243e.1](#),
8 Vernon's Texas Civil Statutes), is amended to read as follows:

9 Sec. 7.09. SURVIVING BENEFICIARY OF CERTAIN UNMARRIED
10 MEMBERS. (a) On the death of a ~~[retiree or of a]~~ member, including
11 a retiree, who is a group A member and, at the time of the member's
12 death, was eligible for retirement but had ~~[has]~~ not retired, a
13 benefit is payable under this section if:

14 (1) the ~~[retiree or]~~ member designated a beneficiary
15 to receive the benefit payable under this section on a form filed
16 with the fund; and

17 (2) this Act does not otherwise provide a benefit
18 payable to a surviving spouse or child of the member ~~[or retiree]~~.

19 (b) The benefit payable under this section is an immediate
20 monthly benefit from the fund of 75 percent of the amount of the:

21 (1) retirement benefit that was being paid to the
22 group A member as a retiree; or

23 (2) normal service retirement benefit that the group A
24 member would have received if the member had retired on the date of
25 death.

26 (c) If the designated beneficiary of a group A ~~[retiree or]~~
27 member is 10 or more years younger than the ~~[retiree or]~~ member at

1 the time of the [~~retiree's or~~] member's death, the amount of the
2 benefit payable under Subsection (b) of this section shall be
3 reduced to the actuarial equivalent of the benefit that would have
4 been payable if the beneficiary and the [~~retiree or~~] member were the
5 same age.

6 (d) The board of trustees may adopt rules to establish
7 procedures for and requirements governing a group A member's
8 designation of a beneficiary under this section.

9 SECTION 29. Section 8.01, Chapter 183 (S.B. 598), Acts of
10 the 64th Legislature, Regular Session, 1975 (Article [6243e.1](#),
11 Vernon's Texas Civil Statutes), is amended to read as follows:

12 Sec. 8.01. MEMBER REMAINING IN ACTIVE SERVICE. In lieu of
13 either leaving active service and beginning to receive a service
14 retirement annuity under Section 5.01 of this Act or remaining in
15 active service and continuing to accrue additional service credit
16 under Section 5.02 of this Act, a member who is eligible to receive
17 a normal service retirement benefit under Section 5.01 of this Act
18 may remain in active service, become a participant in the DROP
19 [~~deferred retirement option plan ("DROP")~~] in accordance with
20 Sections 8.02 and 8.03 of this Act, and defer the beginning of the
21 person's retirement annuity. Once an election to participate in
22 the DROP has been made, the election continues in effect as long as
23 the member remains in active service as a firefighter. When the
24 member leaves active service, the member may apply for a service
25 retirement annuity under Section 5.01 of this Act.

26 SECTION 30. Section 8.02, Chapter 183 (S.B. 598), Acts of
27 the 64th Legislature, Regular Session, 1975 (Article [6243e.1](#),

Vernon's Texas Civil Statutes), is amended to read as follows:

Sec. 8.02. ELECTION TO PARTICIPATE IN DROP. The election to participate in the DROP shall be made in accordance with procedures adopted by the board of trustees. The election may be made at any time on or after the date the member becomes eligible for normal service retirement under Section 5.01 of this Act or early retirement under Section 5.05 of this Act and becomes effective on the first day of the first month after the date of the election. At the same time that a member makes an election to participate in the DROP, the member must agree in writing to terminate service with the fire department on a date not later than the seventh anniversary of the effective date of the election under this section. An agreement to terminate service is binding on the member and the fire department, except that the member may terminate active service at any time before the date selected. An election to participate in the DROP has no effect on either the municipality's or the member's contributions under Article 10 [~~Section 10.01~~] of this Act.

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

Sec. 8.03. CREDITS TO MEMBER'S DROP ACCOUNT DURING DROP PERIOD. (a) Each month during a member's DROP period [~~after a member makes an election to participate in the DROP and until the member's retirement~~], the board of trustees shall cause an amount equal to the retirement annuity that the member would have received under Section 5.04 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. The firefighter's ~~[member's]~~ contributions under Section 10.011 ~~[Section 10.01(d)]~~ of this Act made after the effective date of the election to participate in the DROP shall also be credited to the member's DROP account.

(b) Amounts held in a member's DROP account during the DROP period shall be credited with interest on December 31 ~~[at the end]~~ of each calendar year ~~[month with interest]~~ at a rate equal to:

(1) ~~[one-twelfth of]~~ five percent for a group A member; or

(2) four percent for a group B member ~~[until the member's retirement]~~.

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

Sec. 8.031. INTEREST CREDITED AFTER DROP PERIOD. (a)
Amounts held in a member's DROP account after the DROP period shall 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:

(i) five percent, if the fund's annual investment return for the preceding calendar year is greater than

zero percent; or

(ii) 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. Section 8.04, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article [6243e.1](#), Vernon's Texas Civil Statutes), is amended to read as follows:

Sec. 8.04. ADJUSTMENTS TO ~~[AMOUNT OF]~~ CREDITS TO MEMBER'S DROP ACCOUNT. The amount credited ~~[monthly]~~ to the member's DROP account:

~~(1) shall 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,~~

~~[(2) shall be increased]~~ by any applicable annual cost-of-living adjustments ~~[under Section 9.04 of this Act]~~ that occur during the member's DROP period, including adjustments granted before January 1, 2026, ~~[between the effective date of the~~

1 ~~member's election to participate in the DROP and the effective date~~
2 ~~of the member's retirement]~~ but only as to amounts credited to the
3 member's DROP account after a cost-of-living adjustment; and

4 (2) ~~[(3)]~~ is subject to the limitations prescribed by
5 Section 9.03 of this Act.

6 SECTION 34. Section 8.05(d), Chapter 183 (S.B. 598), Acts
7 of the 64th Legislature, Regular Session, 1975 (Article 6243e.1,
8 Vernon's Texas Civil Statutes), is amended to read as follows:

9 (d) The board of trustees may adopt rules that modify the
10 availability of distributions under Subsection (a) of this section,
11 provided that the modifications do not:

12 (1) impair the distribution rights under that
13 subsection; or

14 (2) cause distributions to occur later than required
15 under Section 401(a)(9), Internal Revenue Code ~~[of 1986]~~.

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

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

25 (b) A group A member who is eligible to receive a service
26 retirement benefit under Section 5.06 of this Act may establish a
27 DROP account under this section on retiring under Section 5.06 of

1 this Act.

2 (c) If a group A member elects to participate in the DROP
3 under this section:

4 (1) the board of trustees shall cause to be credited to
5 a DROP account maintained within the fund for the benefit of that
6 person an amount equal to the credits that the member's DROP account
7 would have received, including interest in accordance with Section
8 8.03 of this Act, if the member had established the DROP account
9 after becoming eligible for service retirement, but not more than
10 seven years before the effective date of the person's retirement;

11 (2) the date used in computations under Subdivision
12 (1) of this subsection [~~section~~] as if the member had established
13 the DROP account on that date is the effective date of the member's
14 election to participate in the DROP;

15 (3) the member will receive payments from the member's
16 DROP account as the member may select under Section 8.05 of this
17 Act; and

18 (4) the member's DROP account shall be credited with
19 interest as provided by Section 8.03 [~~8.05~~] of this Act.

20 (d) If a group A member who did not establish a DROP account
21 under this section but was eligible to do so dies before retirement,
22 the surviving spouse, if any, of that member may elect to
23 participate in the DROP if the surviving spouse has not received any
24 benefit payments under Section 7.01 of this Act. If a surviving
25 spouse makes an election under this subsection:

26 (1) the board of trustees shall cause to be paid to the
27 surviving spouse in a lump sum, as soon as administratively

1 possible after the fund receives notice of the election, an amount
2 equal to the credits that the member's DROP account would have
3 received, including interest, if the member had established the
4 DROP account after becoming eligible for service retirement, but
5 not more than seven years before the date of the member's death; and

6 (2) the amount of the benefit payable to the surviving
7 spouse under Section 7.03 of this Act is 75 percent of the benefit
8 the member would have been eligible to receive if the member had
9 established the DROP account on becoming eligible for service
10 retirement, but not more than seven years before the date of the
11 member's death.

12 (e) If a group A member who did not establish a DROP account
13 under this section but was eligible to do so dies before retirement
14 without leaving a surviving spouse, the surviving dependent
15 children, if any, may elect to participate in the DROP if the
16 dependent children have not received any benefit payments under
17 Section 7.05 of this Act. An election under this subsection must be
18 made by all of the surviving dependent children of the member,
19 except that the guardian of any child who is younger than 18 years
20 of age at the time of the election makes a binding election for the
21 child. If the surviving dependent children make an election under
22 this subsection:

23 (1) the board of trustees shall cause to be paid
24 jointly to the dependent children in a lump sum, as soon as
25 administratively possible after the fund receives notice of the
26 election, an amount equal to the credits the member's DROP account
27 would have received, including interest, if the member had

1 established the DROP account after becoming eligible for service
2 retirement, but not less than the credits the DROP account would
3 have received, including interest, based on 20 years of service
4 credit; and

5 (2) the amount of the benefit payable to the dependent
6 children under Section 7.05(a) of this Act is 75 percent of the
7 benefit the member would have been entitled to receive if the member
8 had established the DROP account on becoming eligible for service
9 retirement, but based on not less than 20 years of service credit.

10 (f) A group B member is not eligible to establish a DROP
11 account under this section.

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

15 Sec. 8.08. SUBSEQUENT DISABILITY OF DROP PARTICIPANT. A
16 member who participates in the DROP becomes ineligible for any
17 disability benefits described by Article 6 of this Act. Instead,
18 if the board of trustees determines that the member would have been
19 eligible for disability retirement, the board of trustees shall
20 grant a normal service retirement annuity as described by Section
21 5.04 of this Act and shall pay the member both:

22 (1) the service retirement annuity as calculated under
23 Section 8.03(a) of this Act; and

24 (2) a distribution of the DROP account that has
25 accumulated as of the date of termination of employment in
26 accordance with ~~[as described by]~~ Section 8.05 of this Act.

27 SECTION 37. Section 8.09, Chapter 183 (S.B. 598), Acts of

the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), is amended to read as follows:

Sec. 8.09. RETIREMENT BENEFIT PAYABLE TO DROP PARTICIPANT.
The retirement benefit payable under Article 5 or 6 of this Act to a person who participates in the DROP:

(1) ~~[may not 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;~~

~~[(2)]~~ may not be increased as a result of any increase in the member's compensation that occurs after the effective date of the member's election to participate in the DROP;

(2) ~~[(3)]~~ shall be increased by any applicable annual cost-of-living adjustments ~~[under Section 9.04 of this Act]~~ that occur during the member's DROP period, including adjustments granted before January 1, 2026 ~~[between the effective date of the member's election to participate in the DROP and the effective date of the member's retirement];~~

(3) ~~[(4)]~~ may not be increased for additional service credit after the effective date of the member's election to participate in the DROP; and

(4) ~~[(5)]~~ is subject to the limitations prescribed by Section 9.03 of this Act.

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

Sec. 8.10. TERMINATION OR MODIFICATION OF DROP BY FUND. 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, the board of trustees may:

(1) reduce the interest paid on DROP accounts or take other action that would reduce the future credits to DROP accounts, but only for all DROP accounts that are established after the effective date of the action by the board of trustees; or

(2) terminate the deferred retirement option plan for all members who have not at that time established a DROP account.

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

ARTICLE 8A. BENEFIT INCREASES

Sec. 8A.01. ANNUAL COST-OF-LIVING ADJUSTMENT FOR CERTAIN MEMBERS. (a) Except as provided by Subsection (b) of this section, for each calendar year beginning on or after January 1, 2027, the service retirement annuity benefit payable under Article 5 of this Act to a member who is not a current or former DROP participant shall 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 62 years of age; or
(2) that is the fifth anniversary of the effective date of the member's retirement.

(b) For each calendar year beginning on or after January 1, 2027, 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 shall 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) Except as provided by Section 8A.02 or 8A.03 of this Act, a member who is a current or former DROP participant 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) This section applies only to a member who:

(1) was a retiree on January 1, 2026; and

(2) made an election to participate in DROP before January 1, 2026.

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

(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:

(A) in which the retiree attains 62 years of age; or

(B) 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:

1 (A) in which the retiree takes a full
2 distribution of the retiree's DROP account;

3 (B) in which the retiree attains 67 years of age;
4 or

5 (C) that is the fifth anniversary of the
6 effective date of the retiree's retirement.

7 Sec. 8A.03. ANNUAL COST-OF-LIVING ADJUSTMENT FOR CERTAIN
8 ACTIVE MEMBERS WHO ARE CURRENT OR FORMER DROP PARTICIPANTS:
9 GRANDFATHERED ACTIVE MEMBERS. (a) This section applies only to a
10 member who on January 1, 2026, is:

11 (1) employed with the fire department; and

12 (2) eligible for a normal service retirement benefit
13 under Section 5.01 of this Act.

14 (b) Except as provided by Subsection (d) of this section,
15 for each calendar year beginning on or after January 1, 2027, the
16 normal service retirement benefit payable to a member subject to
17 this section who elects to participate in DROP on or after January
18 1, 2026, will be increased by one percent each year beginning on
19 January 1 of the calendar year immediately following the later of
20 the year:

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

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

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

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

5 Sec. 8A.04. ANNUAL COST-OF-LIVING ADJUSTMENTS FOR
6 SURVIVORS. (a) Except as provided by Subsection (b) of this
7 section, for a calendar year beginning on or after January 1, 2027,
8 a survivor benefit payable under Article 7 of this Act to the
9 survivor of a member who was otherwise eligible to receive a benefit
10 increase under this article shall be increased by one percent each
11 year beginning on January 1 of the calendar year immediately
12 following the year in which the member died.

13 (b) If, on the date of the member's death, a member
14 described by Subsection (a) of this section had not yet attained the
15 age required to be eligible for a benefit increase under the
16 applicable provision of this article, the benefit increase provided
17 under Subsection (a) of this section shall take effect on January 1
18 of the calendar year immediately following the later of the year:

19 (1) in which the member would have attained the
20 applicable age; or

21 (2) that is the fifth anniversary of the effective
22 date of the member's retirement.

23 SECTION 40. Section 9.03, Chapter 183 (S.B. 598), Acts of
24 the 64th Legislature, Regular Session, 1975 (Article [6243e.1](#),
25 Vernon's Texas Civil Statutes), is amended to read as follows:

26 Sec. 9.03. LIMITATION ON PAYMENT OF BENEFITS. (a) If the
27 amount of any benefit payment under this Act would exceed the

limitations provided by Section 415 of the Internal Revenue Code ~~[of 1986]~~, and the regulations adopted under that section, the board of trustees shall reduce the amount of the benefit as needed to comply with that section.

(b) A person's vested accrued benefit in effect on September 1, 2025, ~~[September 1, 1995]~~, may not be reduced under this section.

SECTION 41. 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), are amended to read as follows:

(a) An optional retirement annuity is an annuity that is certified by the board's actuary to be the actuarial equivalent of the annuity provided under Section 5.04 of this Act and the survivor's benefits provided under Article 7 of this Act. ~~[An optional retirement annuity is payable throughout the life of the retiree.]~~

(d) The board of trustees by rule may provide for different forms of optional retirement annuities, including an optional retirement annuity that is payable:

(1) ~~[an optional retirement annuity is payable]~~ after a member's death throughout the life of a person designated by the member, including an annuity that provides that, ~~[or~~

~~[(2)]~~ 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

1 survivor benefit; or

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

4 (f) Except as provided by Subsections (g), (h), and (i) of
5 this section, if a group A member elects an optional retirement
6 annuity that, on the group A member's death, pays to the member's
7 spouse an amount that is less than 75 percent of the annuity that is
8 payable during the joint lives of the group A member and the
9 member's spouse, the spouse must consent to the election. The
10 spouse's consent must be in writing and witnessed by an officer or
11 employee of the fund or acknowledged by a notary public.

12 SECTION 42. Article 9, Chapter 183 (S.B. 598), Acts of the
13 64th Legislature, Regular Session, 1975 (Article [6243e.1](#), Vernon's
14 Texas Civil Statutes), is amended by adding Section 9.11 to read as
15 follows:

16 Sec. 9.11. BENEFITS PAYABLE TO ALTERNATE PAYEES UNDER
17 QUALIFIED DOMESTIC RELATIONS ORDERS. (a) Benefits payable under
18 the fund, including service retirement benefits, disability
19 retirement benefits, survivor benefits, or DROP account benefits,
20 or a withdrawal of contributions, may be paid to a former spouse or
21 other alternate payee under the terms of a domestic relations
22 order, but only if the fund determines that the order constitutes a
23 qualified domestic relations order under Chapter [804](#), Government
24 Code.

25 (b) An alternate payee will receive a full distribution of
26 any portion of a member's DROP account awarded to the alternate
27 payee pursuant to a qualified domestic relations order as soon as

1 administratively practicable after the alternate payee is first
2 entitled to distribution of such amounts as determined by the fund.

3 (c) On the death of an alternate payee under a qualified
4 domestic relations order, the interest of the alternate payee in
5 the benefits under this Act ends and remaining benefits shall be
6 paid as if the qualified domestic relations order had not existed.

7 SECTION 43. The heading to Section 10.01, Chapter 183 (S.B.
8 598), Acts of the 64th Legislature, Regular Session, 1975 (Article
9 6243e.1, Vernon's Texas Civil Statutes), is amended to read as
10 follows:

11 Sec. 10.01. MUNICIPAL [~~AND MEMBER~~] CONTRIBUTIONS.

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

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

20 (1) for all pay periods beginning after September 30,
21 2012, and before January 1, 2026, an amount equal to 22.05 percent
22 [a percentage] of the compensation of all members during the pay
23 period; and

24 (2) for all pay periods beginning on or after January
25 1, 2026, the amount determined in accordance with Subsections (b)
26 and (c) of this section and Sections 10.05, 10.06, 10.07, and 10.08
27 of this Act, as applicable [~~that month as follows:~~]

1 ~~[(1) 19.05 percent, beginning on the first pay date~~
2 ~~following September 30, 2010, through the pay date immediately~~
3 ~~preceding September 30, 2011,~~

4 ~~[(2) 20.05 percent, beginning on the first pay date~~
5 ~~following September 30, 2011, through the pay date immediately~~
6 ~~preceding September 30, 2012,~~

7 ~~[(3) 21.05 percent, for 24 pay dates of the~~
8 ~~municipality beginning on the first pay date following September~~
9 ~~30, 2012; and~~

10 ~~[(4) 22.05 percent, for all pay dates of the~~
11 ~~municipality that follow the 24 pay dates referenced in Subdivision~~
12 ~~(3) of this subsection].~~

13 (b) For each pay period that begins on or after January 1,
14 2026, and before January 1, 2027, the municipality shall contribute
15 an amount equal to the sum of:

16 (1) the municipal contribution rate, as determined in
17 the initial risk sharing valuation study conducted under Section
18 10.05 of this Act, multiplied by the pensionable payroll for the
19 applicable pay period; and

20 (2) 1/26 of the municipal legacy contribution amount
21 for the 2026 calendar year, as determined and adjusted in the
22 initial risk sharing valuation study conducted under Section 10.05
23 of this Act ~~[Each firefighter shall pay into the fund each month a~~
24 ~~percentage of the firefighter's compensation for that month as~~
25 ~~follows:~~

26 ~~[(1) 15.70 percent, for the pay dates of the~~
27 ~~municipality following September 30, 2010, through the pay date~~

~~immediately preceding September 30, 2011,~~

~~[(2) 16.20 percent, beginning on the first pay date of the municipality following September 30, 2011, through the pay date immediately preceding September 30, 2012,~~

~~[(3) 16.70 percent, beginning on the first pay date of the municipality following September 30, 2012, through the pay date immediately preceding September 30, 2013,~~

~~[(4) 17.20 percent, beginning on the first pay date of the municipality following September 30, 2013, through the pay date immediately preceding September 30, 2014,~~

~~[(5) 17.70 percent, beginning on the first pay date of the municipality following September 30, 2014, through the pay date immediately preceding September 30, 2015,~~

~~[(6) 18.20 percent, beginning on the first pay date of the municipality following September 30, 2015, through the pay date immediately preceding September 30, 2016, and~~

~~[(7) 18.70 percent, for the first pay date of the municipality following September 30, 2016, and all subsequent pay dates of the municipality].~~

(b-1) For each pay period that begins on or after January 1, 2027, the municipality shall 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

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

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

14 (c) The governing body of each municipality may authorize
15 the municipality to contribute a portion of the contribution
16 required of each firefighter under Section 10.011 of this Act [~~this~~
17 ~~section~~]. In that event:

18 (1) the municipality shall appropriate and contribute
19 to the fund each pay period [~~month~~] at the higher percentage of
20 compensation necessary to make all contributions required and
21 authorized to be made by the municipality under this section; and

22 (2) each firefighter's individual account with the
23 fund shall be credited each pay period [~~month~~] as if the firefighter
24 had made the entire contribution required of that firefighter under
25 Section 10.011 of this Act [~~10.01(b)~~].

26 (d) The governing body of each municipality may authorize
27 the municipality to make an additional contribution to the fund in

1 whatever amount the governing body may determine. [~~The members of~~
2 ~~the fund, by a majority vote in favor of an increase in~~
3 ~~contributions above 13.70 percent, may increase each firefighter's~~
4 ~~contribution above 13.70 percent to any percentage recommended by a~~
5 ~~majority vote of the board of trustees.~~]

6 SECTION 45. Article 10, Chapter 183 (S.B. 598), Acts of the
7 64th Legislature, Regular Session, 1975 (Article [6243e.1](#), Vernon's
8 Texas Civil Statutes), is amended by adding Section 10.011 to read
9 as follows:

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

16 (b) The firefighters described by Subsection (a) of this
17 section, by a majority vote, may voluntarily increase the
18 firefighter contribution to a rate that is:

19 (1) higher than the rate prescribed by Subsection (a)
20 of this section; and

21 (2) recommended by a majority vote of the board of
22 trustees.

23 SECTION 46. Section 10.02, Chapter 183 (S.B. 598), Acts of
24 the 64th Legislature, Regular Session, 1975 (Article [6243e.1](#),
25 Vernon's Texas Civil Statutes), is amended to read as follows:

26 Sec. 10.02. PICKUP OF FIREFIGHTER CONTRIBUTIONS. A
27 municipality to which this Act applies shall pick up the

1 firefighter contributions to the fund that are required or
 2 authorized pursuant to Section 10.011 [~~10.01~~] of this Act,
 3 whichever is higher. Firefighter contributions will be picked up
 4 by a reduction in the monetary compensation of the firefighters.
 5 Contributions picked up shall be treated as employer contributions
 6 in accordance with Section 414(h)(2) of the Internal Revenue Code
 7 for the purpose of determining tax treatment of the amounts under
 8 that code. These contributions will be credited to [~~deposited to~~
 9 ~~the credit of~~] the individual accounts of the firefighters in the
 10 fund and shall be treated as the monthly contributions of the
 11 firefighters for all purposes of this Act. These contributions are
 12 not includable in the gross income of a firefighter until the time
 13 that they are distributed or made available to the firefighter or
 14 survivors of the firefighter. The board of trustees may at any
 15 time, by majority vote, discontinue the pickup of firefighter
 16 contributions by the municipality.

17 SECTION 47. Section 10.03, Chapter 183 (S.B. 598), Acts of
 18 the 64th Legislature, Regular Session, 1975 (Article [6243e.1](#),
 19 Vernon's Texas Civil Statutes), is amended to read as follows:

20 Sec. 10.03. CONTRIBUTIONS AND INCOME AS ASSETS OF
 21 FUND. All contributions paid to the fund under [~~Sections 10.01 and~~
 22 ~~10.02 of~~] this article [~~Act~~] become a part of the assets of the
 23 fund. All interest and dividends on investments of the assets of
 24 the fund shall be deposited into the fund and are part of it.

25 SECTION 48. Section 10.04, Chapter 183 (S.B. 598), Acts of
 26 the 64th Legislature, Regular Session, 1975 (Article [6243e.1](#),
 27 Vernon's Texas Civil Statutes), is amended to read as follows:

1 Sec. 10.04. INTEREST ON INDIVIDUAL ACCOUNTS. (a) This
 2 subsection applies only to a group A member. The fund shall credit
 3 interest on December 31 of each year to the account of each
 4 firefighter, and of each former firefighter, who has not retired in
 5 an amount equal to five percent of the accumulated contributions,
 6 including previously credited interest, on deposit on January 1 of
 7 that year. The fund may not pay interest on a firefighter's or
 8 former firefighter's contributions [~~for part of a year or~~] for any
 9 period that is more than five calendar years after the date of
 10 termination of employment. This subsection expires December 31,
 11 2025.

12 (a-1) Beginning January 1, 2026, a group A member is not
 13 entitled to interest on amounts credited to the member's individual
 14 account.

15 (b) A group B member is not entitled to interest on amounts
 16 credited to the member's individual account for any period.

17 SECTION 49. Article 10, Chapter 183 (S.B. 598), Acts of the
 18 64th Legislature, Regular Session, 1975 (Article [6243e.1](#), Vernon's
 19 Texas Civil Statutes), is amended by adding Sections 10.05, 10.06,
 20 10.07, and 10.08 to read as follows:

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

25 (b) The initial risk sharing valuation study must:

26 (1) except as otherwise provided by this section, be
 27 prepared in accordance with the requirements of Section 10.06 of

1 this Act;

2 (2) be based on the actuarial assumptions that were
3 used by the board's actuary in the valuation completed for the year
4 ending December 31, 2024, provided that for purposes of determining
5 the municipal legacy contribution amounts, corridor midpoint, and
6 municipal contribution rate for the calendar year beginning January
7 1, 2026, the actuarial value of assets must be equal to the market
8 value of assets of the fund as of December 31, 2024;

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

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

15 (c) For purposes of Subsection (b)(4) of this section, the
16 schedule of municipal legacy contribution amounts must be
17 determined in such a manner that the total annual municipal legacy
18 contribution amount for the first three calendar years will result
19 in a phase-in of the anticipated increase in the municipal
20 contribution rate from the calendar year that begins on January 1,
21 2025, to the rate equal to the sum of the estimated municipal
22 contribution rate for the calendar year that begins on January 1,
23 2026, and the rate of pensionable payroll equal to the municipal
24 legacy contribution amount for January 1, 2026, determined as if
25 there was no phase-in of the increase to the municipal legacy
26 contribution amount. The phase-in must reflect approximately
27 one-third of the increase each year over the three-year phase-in

1 period.

2 (d) The municipality's contribution under Section 10.01 of
3 this Act for:

4 (1) the calendar years that begin on January 1, 2026,
5 January 1, 2027, and January 1, 2028, must be adjusted to reflect
6 the impact of the phase-in prescribed by this section; and

7 (2) each calendar year that begins on January 1, 2029,
8 through January 1, 2053, must reflect a municipal legacy
9 contribution amount that is 2.5 percent greater than the municipal
10 legacy contribution amount for the preceding calendar year.

11 (e) The estimated municipal contribution rate for the
12 calendar year that begins on January 1, 2026, must be based on the
13 projected pensionable payroll, as determined under the initial risk
14 sharing valuation study required by this section, assuming a
15 payroll growth rate of 2.5 percent.

16 Sec. 10.06. SUBSEQUENT RISK SHARING VALUATION STUDIES. (a)
17 For each calendar year beginning after December 31, 2024, the fund
18 shall cause the board's actuary to prepare a risk sharing valuation
19 study in accordance with this section and actuarial standards of
20 practice.

21 (b) Each risk sharing valuation study must:

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

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

1 (3) calculate the estimated municipal contribution
2 rate for the following calendar year;

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

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

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

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

18 (C) each liability loss layer will be amortized
19 over a period of 20 years from the first day of the calendar year
20 beginning 12 months after the date of the risk sharing valuation
21 study in which the liability loss layer is first recognized, except
22 that the legacy liability must be amortized over a 28-year period
23 beginning January 1, 2026;

24 (D) each liability gain layer will be amortized
25 over:

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

1 or

2 (ii) if there is no liability loss layer, a
3 period of 20 years from the first day of the calendar year beginning
4 12 months after the date of the risk sharing valuation study in
5 which the liability gain layer is first recognized;

6 (E) liability layers will be funded according to
7 the level percent of payroll method;

8 (F) payroll for purposes of determining the
9 corridor midpoint, municipal contribution rate, and municipal
10 legacy contribution amount must be projected using the annual
11 payroll growth rate assumption adopted by the board of trustees;
12 and

13 (G) the municipal contribution rate will be
14 calculated each calendar year without inclusion of the legacy
15 liability.

16 (c) The municipality may contribute an amount in addition to
17 the scheduled municipal legacy contribution amounts to reduce the
18 number or amount of scheduled future municipal legacy contribution
19 payments. If the municipality contributes an additional amount
20 under this subsection, the board's actuary shall create a new
21 schedule of municipal legacy contribution amounts that reflects
22 payment of the additional contribution.

23 (d) The municipality and the board of trustees may agree on
24 a written transition plan for resetting the corridor midpoint,
25 firefighter contribution rate, and municipal contribution rate:

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

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

3 (e) Subject to Section 2.14 of this Act, the board may by
4 rule adopt actuarial principles other than those required under
5 Subsection (b)(5) of this section, provided the actuarial
6 principles:

7 (1) are consistent with actuarial standards of
8 practice;

9 (2) are approved by the board's actuary; and

10 (3) do not operate to change the municipal legacy
11 contribution amount.

12 Sec. 10.07. ADJUSTMENT TO MUNICIPAL CONTRIBUTION RATE IF
13 ESTIMATED MUNICIPAL CONTRIBUTION RATE LOWER THAN CORRIDOR
14 MIDPOINT. (a) Subject to Subsection (b) of this section, for the
15 calendar year beginning January 1, 2026, and for each subsequent
16 calendar year, if the estimated municipal contribution rate is
17 lower than the corridor midpoint, the municipal contribution rate
18 for the applicable year is:

19 (1) the corridor midpoint if the funded ratio is less
20 than 100 percent; or

21 (2) the estimated municipal contribution rate if the
22 funded ratio is 100 percent or greater.

23 (b) The municipal contribution rate may not be lower than
24 the minimum municipal contribution rate.

25 (c) If the funded ratio is equal to or greater than 100
26 percent:

27 (1) all existing liability layers, including the

1 legacy liability, are considered fully amortized and paid; and

2 (2) the municipal legacy contribution amount may no
3 longer be included in the municipal contribution under Section
4 10.01 of this Act.

5 Sec. 10.08. ADJUSTMENT TO MUNICIPAL CONTRIBUTION RATE IF
6 ESTIMATED MUNICIPAL CONTRIBUTION RATE EQUAL TO OR GREATER THAN
7 CORRIDOR MIDPOINT. For the calendar year beginning January 1,
8 2026, and for each subsequent calendar year, if the estimated
9 municipal contribution rate is equal to or greater than the
10 corridor midpoint and:

11 (1) less than or equal to the maximum municipal
12 contribution rate for the corresponding calendar year, the
13 municipal contribution rate is the estimated municipal
14 contribution rate; or

15 (2) greater than the maximum municipal contribution
16 rate for the corresponding calendar year, the municipal
17 contribution rate is the maximum municipal contribution rate.

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

21 (b) The board of trustees may not adopt an amendment to the
22 investment policy adopted under this section unless the proposed
23 amendment is approved by the affirmative vote [~~of a majority of the~~
24 ~~members~~] of the board [~~at not fewer than three regular meetings of~~
25 ~~the board~~].

26 SECTION 51. Section 12.01, Chapter 183 (S.B. 598), Acts of
27 the 64th Legislature, Regular Session, 1975 (Article 6243e.1,

Vernon's Texas Civil Statutes), is amended to read as follows:

Sec. 12.01. EXECUTIVE DIRECTOR [~~ADMINISTRATOR~~] AND EMPLOYEES. The board of trustees shall appoint an executive director [~~administrator~~] who shall administer the fund under the supervision and direction of the board of trustees. The board of trustees shall employ such other employees as are required for the efficient administration of the fund.

SECTION 52. 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), are amended to read as follows:

(a) The board of trustees shall engage [~~employ~~] an actuary who may be the consultant and technical advisor to the board of trustees regarding the operation of the fund and may perform such duties as may be required by the board.

(e) An actuary engaged [~~employed~~] under this section must be a fellow of the Society of Actuaries, a member of the American Academy of Actuaries, or an enrolled actuary under the federal Employee Retirement Income Security Act of 1974 (29 U.S.C. Section 1001 et seq.).

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

Sec. 12.07. AUDITS; ENGAGEMENT [~~EMPLOYMENT~~] OF CERTIFIED PUBLIC ACCOUNTANTS. The board of trustees shall engage [~~employ~~] a certified public accountant or firm of certified public accountants to perform an audit of the fund at least annually. The municipality

1 may pay the entire cost of an audit. If not paid by the
2 municipality, the cost may be paid from the assets of the fund.

3 SECTION 54. The following provisions of Chapter 183 (S.B.
4 598), Acts of the 64th Legislature, Regular Session, 1975 (Article
5 [6243e.1](#), Vernon's Texas Civil Statutes), are repealed:

- 6 (1) Sections 5.04(b), (b-1), and (c);
- 7 (2) Section 7.07;
- 8 (3) Section 8.05(b); and
- 9 (4) Section 9.04.

10 SECTION 55. (a) In this section, "board of trustees" has
11 the meaning assigned by Section 1.02(3), Chapter 183 (S.B. 598),
12 Acts of the 64th Legislature, Regular Session, 1975 (Article
13 [6243e.1](#), Vernon's Texas Civil Statutes).

14 (b) Section 2.02, Chapter 183 (S.B. 598), Acts of the 64th
15 Legislature, Regular Session, 1975 (Article [6243e.1](#), Vernon's
16 Texas Civil Statutes), as amended by this Act, does not affect the
17 term of a member of the board of trustees elected under that
18 section, as that section existed immediately before the effective
19 date of this Act, and serving on the board of trustees on the
20 effective date of this Act.

21 (c) When the term of the member of the board of trustees
22 elected under Section 2.02(3), Chapter 183 (S.B. 598), Acts of the
23 64th Legislature, Regular Session, 1975 (Article [6243e.1](#), Vernon's
24 Texas Civil Statutes), as that section existed immediately before
25 the effective date of this Act, who has a term that expires in
26 December 2025, expires:

- 27 (1) the resulting vacancy on the board of trustees and

1 the new position on the board of trustees created by the amendment
2 of Section 2.02(3), Chapter 183 (S.B. 598), Acts of the 64th
3 Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's
4 Texas Civil Statutes), shall be filled by election of the members of
5 the fund in accordance with Section 2.03, Chapter 183 (S.B. 598),
6 Acts of the 64th Legislature, Regular Session, 1975 (Article
7 6243e.1, Vernon's Texas Civil Statutes), as amended by this Act, by
8 an election held in November 2025;

9 (2) the candidate who receives the highest number of
10 votes in the election shall serve a four-year term, ending in
11 December 2029; and

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

18 (d) Not later than November 1, 2025, the governing body of a
19 municipality subject to Chapter 183 (S.B. 598), Acts of the 64th
20 Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's
21 Texas Civil Statutes), shall appoint a member to the board of
22 trustees under Section 2.02(4), Chapter 183 (S.B. 598), Acts of the
23 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's
24 Texas Civil Statutes), as added by this Act, to serve a term
25 beginning January 1, 2026.

26 SECTION 56. This Act takes effect September 1, 2025.