

By: West

S.B. No. 1527

A BILL TO BE ENTITLED

AN ACT

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

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

SECTION 1. Section 2.01, Article 6243a-1, Revised Statutes, is amended by adding Subdivision (3-a) to read as follows:

(3-a) "Actuarially determined contribution rate" means for any city fiscal year, the city contribution rate:

(A) expressed as a percentage of members' projected aggregate computation pay for the fiscal year; and

(B) actuarially determined in accordance with Section 4.02 of this article.

SECTION 2. Article 6243a-1, Revised Statutes, is amended by adding Section 2.026 to read as follows:

Sec. 2.026. ADMINISTRATIVE REQUIREMENTS. (a) As a public retirement system within the meaning of Section 802.001, Government Code, the pension system is subject to and must comply with Chapter 802, Government Code.

(b) Any plan or rule adopted under former Section 2.025 of this article:

(1) may not be implemented; and

(2) is unenforceable.

SECTION 3. Article 6243a-1, Revised Statutes, is amended by

adding Section 3.014 to read as follows:

Sec. 3.014. CITY AND BOARD APPROVAL REQUIRED FOR CERTAIN ACTIONS. Notwithstanding any other provision of this article, the following actions must be approved by the board and the city council if, as a result of taking the action, the action will result in an increase in the pension system's liabilities:

- (1) the settlement of any lawsuit by the board;
- (2) any proposed increase to benefits by the board, including any adjustment under Section 6.12 of this article; and
- (3) any changes to actuarial assumptions under Section 2.02 of this article, including the current discount rate.

SECTION 4. Section 4.02, Article 6243a-1, Revised Statutes, is amended by amending Subsection (d) and adding Subsections (d-1), (e-1), (f), (g), (h), and (h-1) to read as follows:

(d) Subject to Section 4.025 of this article, the city shall make contributions to the pension system biweekly using an actuarially determined contribution rate with a five-year step-up period beginning October 2024. Subject to Subsections (e-1) and (f) of this section, the actuarially determined contribution rate for any given city fiscal year is the sum of the following as determined in the actuarial valuation for the plan year preceding the fiscal year:

- (1) an established 30-year closed amortization amount with five-year step-up and no step-down for the unfunded actuarial accrued liability and administrative expenses, determined based on the January 1, 2023, actuarial valuation, as shown in the following fixed dollar schedule, divided by the members' projected aggregate

computation pay for each city fiscal year:

<u>Amortization of</u>			
<u>January 1, 2023</u>			
<u>Unfunded</u>			
<u>City Fiscal Year</u>	<u>Actuarial</u>	<u>Administrative</u>	<u>Total Fixed</u>
<u>Ending</u>	<u>Accrued</u>	<u>Expenses</u>	<u>Dollar Amount</u>
<u>September 30</u>	<u>Liability</u>		
2025	\$161,656,000	\$7,000,000	\$168,656,000
2026	\$179,482,000	\$7,000,000	\$186,482,000
2027	\$197,889,000	\$7,000,000	\$204,889,000
2028	\$217,163,000	\$7,000,000	\$224,163,000
2029	\$237,336,000	\$7,000,000	\$244,336,000
2030	\$242,341,000	\$7,000,000	\$249,341,000
2031	\$248,399,000	\$7,000,000	\$255,399,000
2032	\$254,609,000	\$7,000,000	\$261,609,000
2033	\$260,975,000	\$7,000,000	\$267,975,000
2034	\$267,499,000	\$7,000,000	\$274,499,000
2035	\$274,186,000	\$7,000,000	\$281,186,000
2036	\$281,041,000	\$7,000,000	\$288,041,000
2037	\$288,067,000	\$7,000,000	\$295,067,000
2038	\$295,269,000	\$7,000,000	\$302,269,000
2039	\$302,650,000	\$7,000,000	\$309,650,000
2040	\$310,217,000	\$7,042,000	\$317,259,000
2041	\$317,972,000	\$7,218,000	\$325,190,000
2042	\$325,921,000	\$7,399,000	\$333,320,000
2043	\$334,069,000	\$7,584,000	\$341,653,000
2044	\$342,421,000	\$7,773,000	\$350,194,000
2045	\$350,982,000	\$7,967,000	\$358,949,000
2046	\$359,756,000	\$8,167,000	\$367,923,000
2047	\$368,750,000	\$8,371,000	\$377,121,000
2048	\$377,969,000	\$8,580,000	\$386,549,000
2049	\$387,418,000	\$8,795,000	\$396,213,000
2050	\$397,104,000	\$9,014,000	\$406,118,000
2051	\$407,031,000	\$9,240,000	\$416,271,000
2052	\$417,207,000	\$9,471,000	\$426,678,000
2053	\$427,637,000	\$9,708,000	\$437,345,000
2054	\$438,328,000	\$9,950,000	\$448,278,000

(2) normal cost; and

(3) subject to Subsection (d-1) of this section, new
amortization layers as necessary to amortize the difference between
the expected remaining balance of all previous years' layers and
the actual unfunded actuarial accrued liability for the given
valuation ~~[in an amount equal to the sum of:~~

~~[(1) the greater of:~~

~~[(A) 34.5 percent of the aggregate computation~~

~~pay paid to members during the period for which the contribution is made, or~~

~~[(B) the applicable amount set forth below:~~

~~[(i) \$5,173,000 for the biweekly pay periods beginning with the first biweekly pay period that begins after September 1, 2017, and ends on the last day of the first biweekly pay period that ends after December 31, 2017;~~

~~[(ii) \$5,344,000 for the 26 biweekly pay periods immediately following the last biweekly pay period described by Subparagraph (i) of this paragraph;~~

~~[(iii) \$5,571,000 for the 26 biweekly pay periods immediately following the last biweekly pay period described by Subparagraph (ii) of this paragraph;~~

~~[(iv) \$5,724,000 for the 26 biweekly pay periods immediately following the last biweekly pay period described by Subparagraph (iii) of this paragraph;~~

~~[(v) \$5,882,000 for the 26 biweekly pay periods immediately following the last biweekly pay period described by Subparagraph (iv) of this paragraph;~~

~~[(vi) \$6,043,000 for the 26 biweekly pay periods immediately following the last biweekly pay period described by Subparagraph (v) of this paragraph;~~

~~[(vii) \$5,812,000 for the 26 biweekly pay periods immediately following the last biweekly pay period described by Subparagraph (vi) of this paragraph;~~

~~[(viii) \$6,024,000 for the 26 biweekly pay periods immediately following the last biweekly pay period~~

~~described by Subparagraph (vii) of this paragraph through the
biweekly pay period that ends after December 31, 2024; and~~

~~[(ix) \$0 for each subsequent biweekly pay
period beginning with the first biweekly pay period following the
last biweekly pay period described by Subparagraph (viii) of this
paragraph; and~~

~~[(2) except as provided by Subsection (e) of this
section, an amount equal to 1/26th of \$13 million].~~

(d-1) For purposes of Subsection (d)(3) of this section, new
amortization layers must be amortized over a closed amortization
period of 20 years or until January 1, 2053, whichever is later. If
the actuarial assets of the fund exceed the actuarial liabilities
for a given valuation, the outstanding layers may be collapsed into
a single layer with a closed amortization period of 20 years or
until January 2, 2053, whichever is later.

(e-1) Before July 1 of each year, the pension system's
qualified actuary and the city's actuary shall respectively
calculate and recommend an actuarially determined contribution
rate for the following city fiscal year. If the difference between
the recommended rates is:

(1) three percent or less, the actuarially determined
contribution rate shall be the rate recommended by the pension
system's qualified actuary; or

(2) greater than three percent, the board and the city
council shall engage in a 30-day reconciliation period:

(A) during which, if the pension system's
qualified actuary and the city's actuary reconcile their respective

calculations, the reconciled rate shall be the actuarially determined contribution rate; or

(B) at the conclusion of which, if the pension system's qualified actuary and the city's actuary do not reconcile their respective calculations, the average of the rates recommended by each actuary under this section shall be the actuarially determined contribution rate.

(f) If in any plan year the actuarially determined contribution rate, excluding the amounts provided under Subsection (d)(1) of this section, is outside of the minimum or maximum rates shown in the following schedule, the difference between the actuarially determined contribution rate and the minimum or maximum, as applicable, will be amortized over a closed period of 20 years or until January 1, 2053, whichever is later:

<u>City Fiscal Year</u>			
<u>Ending</u>			
<u>Plan Year</u>	<u>September 30</u>	<u>Minimum Rate</u>	<u>Maximum Rate</u>
<u>2023</u>	<u>2025</u>	<u>6.78%</u>	<u>6.78%</u>
<u>2024</u>	<u>2026</u>	<u>6.66%</u>	<u>6.66%</u>
<u>2025</u>	<u>2027</u>	<u>6.57%</u>	<u>6.57%</u>
<u>2026</u>	<u>2028</u>	<u>6.51%</u>	<u>6.51%</u>
<u>2027</u>	<u>2029</u>	<u>6.45%</u>	<u>6.45%</u>
<u>2028</u>	<u>2030</u>	<u>1.39%</u>	<u>11.39%</u>
<u>2029</u>	<u>2031</u>	<u>1.34%</u>	<u>11.34%</u>
<u>2030</u>	<u>2032</u>	<u>1.29%</u>	<u>11.29%</u>
<u>2031</u>	<u>2033</u>	<u>1.25%</u>	<u>11.25%</u>
<u>2032</u>	<u>2034</u>	<u>1.21%</u>	<u>11.21%</u>
<u>2033</u>	<u>2035</u>	<u>1.17%</u>	<u>11.17%</u>
<u>2034</u>	<u>2036</u>	<u>1.14%</u>	<u>11.14%</u>
<u>2035</u>	<u>2037</u>	<u>1.12%</u>	<u>11.12%</u>
<u>2036</u>	<u>2038</u>	<u>1.09%</u>	<u>11.09%</u>
<u>2037</u>	<u>2039</u>	<u>1.06%</u>	<u>11.06%</u>
<u>2038</u>	<u>2040</u>	<u>1.03%</u>	<u>11.03%</u>
<u>2039</u>	<u>2041</u>	<u>0.99%</u>	<u>10.99%</u>
<u>2040</u>	<u>2042</u>	<u>0.97%</u>	<u>10.97%</u>
<u>2041</u>	<u>2043</u>	<u>0.95%</u>	<u>10.95%</u>
<u>2042</u>	<u>2044</u>	<u>0.94%</u>	<u>10.94%</u>
<u>2043</u>	<u>2045</u>	<u>0.95%</u>	<u>10.95%</u>
<u>2044</u>	<u>2046</u>	<u>0.96%</u>	<u>10.96%</u>
<u>2045</u>	<u>2047</u>	<u>0.96%</u>	<u>10.96%</u>

1	<u>2046</u>	<u>2048</u>	<u>0.96%</u>	<u>10.96%</u>
2	<u>2047</u>	<u>2049</u>	<u>0.96%</u>	<u>10.96%</u>
3	<u>2048</u>	<u>2050</u>	<u>0.96%</u>	<u>10.96%</u>
4	<u>2049</u>	<u>2051</u>	<u>0.96%</u>	<u>10.96%</u>
5	<u>2050</u>	<u>2052</u>	<u>0.96%</u>	<u>10.96%</u>
6	<u>2051</u>	<u>2053</u>	<u>0.96%</u>	<u>10.96%</u>
7	<u>2052</u>	<u>2054</u>	<u>0.96%</u>	<u>10.96%</u>

8 (g) If the city council determines that the fund is
9 projected to be fully funded in over 30 years, the city council may,
10 in its sole discretion, waive the requirements of Subsection (f) of
11 this section. The board may recommend to the city council that the
12 city council waive the requirements of Subsection (f) of this
13 section.

14 (h) Notwithstanding Subsection (d) or any other provision
15 of this section, for the city's fiscal years ending September 30,
16 2025, through September 30, 2029, the city contribution amount may
17 not under any circumstances exceed the sum of:

18 (1) the applicable fixed dollar amount under
19 Subsection (d)(1) of this section; and

20 (2) the maximum percentage provided under Subsection
21 (f) of this section multiplied by the members' projected aggregate
22 computation pay for the applicable city fiscal year.

23 (h-1) This subsection and Subsection (h) of this section
24 expire October 1, 2029.

25 SECTION 5. Section 3.014, Article 6243a-1, Revised
26 Statutes, as added by this Act, applies only to an action taken on
27 or after the effective date of this Act.

28 SECTION 6. The following provisions of Article 6243a-1,
29 Revised Statutes, are repealed:

30 (1) Section 2.025; and

1 (2) Section 4.02(e).

2 SECTION 7. This Act takes effect immediately if it receives
3 a vote of two-thirds of all the members elected to each house, as
4 provided by Section 39, Article III, Texas Constitution. If this
5 Act does not receive the vote necessary for immediate effect, this
6 Act takes effect September 1, 2025.