

House Bill 2802
Senate Amendments
Section-by-Section Analysis

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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 <u>950,000</u> [450,000] TO <u>1,050,000</u> [500,000] .	SECTION 1. Same as House version.	
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), (2-e), (5-a), (5-b), (5-c), (6-a), (6-b), (6-c), (6-d), (6-e), (8-a), (9-a), (9-b), (9-c), (9-d), (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, <u>if applicable, credited to [in]</u> 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 <u>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.</u> (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 <u>board's</u> actuary. (2-a) "Actuarial value of assets" means the value of the fund's <u>assets as calculated using the asset smoothing method used in</u>	SECTION 2. Same as House version.	

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the risk sharing valuation study prepared under Section 10.05 or 10.06 of this Act, as applicable.

(2-b) "Adjustment factor" means the assumed rate of return for the fund adopted by the board less two percentage points.

(2-c) "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-d) "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) of this subdivision; and

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

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

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

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

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<p><u>(5-a) "Corridor" means the range of municipal contribution rates that are:</u></p> <p><u>(A) equal to or greater than the minimum municipal contribution rate; and</u></p> <p><u>(B) equal to or less than the maximum municipal contribution rate.</u></p> <p><u>(5-b) "Corridor margin" means five percentage points.</u></p> <p><u>(5-c) "Corridor midpoint" means the projected municipal contribution rate specified for each calendar year for 30 years as provided by the initial risk sharing valuation study under Section 10.05 of this Act, rounded to the nearest hundredths decimal place.</u></p> <p><u>(6-a) "DROP" means the deferred retirement option plan under Article 8 of this Act.</u></p> <p><u>(6-b) "DROP participant" means a member who is participating in the DROP.</u></p> <p><u>(6-c) "DROP period" means the period between the effective date of a member's election to participate in DROP and the actual date of the member's retirement from the fire department, subject to the seven-year limitation prescribed by Section 8.02 of this Act.</u></p> <p><u>(6-d) "Employer normal cost rate" means, for a given calendar year, the normal cost rate minus the applicable firefighter contribution rate determined under Section 10.011 of this Act.</u></p> <p><u>(6-e) "Estimated municipal contribution rate" means, for a given calendar year, a municipal contribution rate equal to the sum of the municipal normal cost rate and the amortization rate of the liability layers, as applicable, excluding the legacy liability layer, and before adjustments to the rate under Section 10.07 or 10.08 of this Act, as applicable.</u></p> <p><u>(8-a) "Five-year investment return" means the average</u></p>		

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money-weighted rate of return of the fund, based on a rolling five-year basis and net of investment expenses, for the applicable five-year period.

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

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

(9-c) "Group B cost-of-living adjustment percentage" means a percentage that:

(A) except as provided by Paragraph (B) of this subdivision, is equal to the fund's five-year investment return minus the adjustment factor, and multiplied by 50 percent; and

(B) may not be less than zero or more than two percent.

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

(10-a) "Legacy liability" means the unfunded 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:

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(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.
(10-f) "Maximum municipal contribution rate" means, for a given calendar year, the rate equal to the corridor midpoint plus the corridor margin.
(11-a) "Minimum municipal contribution rate" means, for a given calendar year, the rate equal to the corridor midpoint minus the corridor margin.
(11-b) "Municipal contribution rate" means, for a given calendar year, a percentage rate equal to the sum of the employer normal cost rate and the amortization rate, as adjusted under Section 10.07 or 10.08 of this Act, if applicable.
(11-c) "Municipal legacy contribution amount" means, for each calendar year, a predetermined payment amount expressed in dollars in accordance with a payment schedule amortizing the legacy liability for the calendar year ending December 31, 2024, that is included in the initial risk sharing valuation study under Section 10.05 of this Act.
(11-d) "Normal cost rate" means, for a given calendar year, the salary weighted average of the individual normal cost rates determined for the current active member population, plus the

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<p><u>assumed administrative expenses determined in the most recent actuarial experience study.</u></p> <p><u>(11-e) "Payoff year" means the year a liability layer is fully amortized under the amortization period.</u></p> <p><u>(11-f) "Pensionable payroll" means the compensation of all members in active service for a calendar year or pay period, as applicable.</u></p> <p><u>(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:</u></p> <p><u>(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</u></p> <p><u>(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.</u></p> <p><u>(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:</u></p> <p><u>(A) the remaining balance of all then-existing liability layers as of the date of the risk sharing valuation study that were created before the date of the study; and</u></p> <p><u>(B) the actual unfunded actuarial accrued liability as of the date of the risk sharing valuation study.</u></p> <p><u>(13-b) "Unfunded actuarial accrued liability" means the difference between the actuarial accrued liability and the actuarial value of assets.</u></p>		

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<p>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:</p> <p><u>Sec. 1.031. OPERATING NAME. The board of trustees may by rule adopt a name under which the fund may operate other than the name prescribed by Section 1.03 of this Act.</u></p>	<p>SECTION 3. Same as House version.</p>	
<p>SECTION 4. 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 2.015 to read as follows:</p> <p><u>Sec. 2.015. FUND QUALIFICATION. This Act shall be construed, and the fund shall be administered, in a manner that maintains the qualified status of the fund under Section 401(a) of the Internal Revenue Code.</u></p>	<p>SECTION 4. Same as House version.</p>	
<p>SECTION 5. Section 2.02, 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:</p> <p>Sec. 2.02. COMPOSITION OF BOARD. <u>(a)</u> The board of trustees is composed of:</p> <p>(1) the mayor of the municipality <u>or a member of the governing body of the municipality designated by the mayor;</u></p> <p>(2) the <u>chief financial officer of the municipality or a person designated by the chief financial officer</u> [city treasurer or, if there is no treasurer, the person who by law, charter provision, or ordinance performs the duty of city treasurer]; [and]</p> <p>(3) <u>four</u> [three] members of the fund to be selected by vote of the firefighters and retirees in the manner provided by this</p>	<p>SECTION 5. Same as House version.</p>	

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Act; and
(4) one member of the public selected and appointed by the governing body of the municipality in accordance with Section 2.025 of this Act.
(b) The board of trustees may by rule specify the number of elected members of the board of trustees under Subsection (a) of this section who must be firefighters or retirees.

SECTION 6. 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 2.025 to read as follows:
Sec. 2.025. APPOINTED PUBLIC MEMBER OF BOARD.
(a) To serve on the board under Section 2.02(a)(4) of this Act, a person:
(1) must:
(A) be a qualified voter;
(B) be a resident and have been a resident of the municipality for the five-year period preceding the date of the appointment;
and
(C) have demonstrated experience in the field of finance or investments; and
(2) may not be:
(A) a current or former employee or officer of the municipality;
(B) a current or former employee of the fund or a current or former member of the board of trustees; or
(C) a current or former member or beneficiary of the fund.
(b) A member of the board of trustees under Section 2.02(a)(4) of this Act:
(1) holds office for a term of four years; and

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(2) serves during the term for which the member was appointed and until the member's successor is selected and has qualified, unless a vacancy results because of death, resignation, or removal.
(c) A vacancy on the board of trustees in the position under Section 2.02(a)(4) of this Act shall be filled in the same manner as the original appointment.

SECTION 7. Section 2.03, 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 Subsections (c), (e), and (h) and adding Subsection (c-1) to read as follows:
(c) Each election is by secret ~~[written]~~ ballot on a date and using a method the board of trustees determines. Only persons who have been nominated may be listed on the ~~[written]~~ ballot. Nominations:
(1) may be made in person, by mail, ~~[or]~~ by telephone, or by any other method approved by the board of trustees; ~~[to the office of the fund]~~ and
(2) must be received between September 1 and September 15.
(c-1) Nominations or elections may be conducted by electronic means.
(e) The elected members of the board of trustees hold office for staggered terms of four ~~[three]~~ years, with the term of one trustee expiring each year. Elected members of the board of trustees shall serve during the term for which they are elected and until their successors are elected and have qualified, unless a vacancy results because of death, resignation, or removal.
(h) The administrative expenses of an election under this

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<p>section may be paid from the assets of the fund. Assets of the fund may not be used to pay campaign expenses incurred by or for a <u>candidate</u> [member]. Administrative office supplies and equipment belonging to the fund may not be used to assist any candidate or person seeking to assist a candidate for a position on the board of trustees.</p>		
<p>SECTION 8. Section 2.05, 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. 2.05. OFFICERS. [The mayor is the presiding officer and the city treasurer is the secretary-treasurer of the board of trustees.] The board shall elect annually from its membership <u>a chair to serve as the presiding officer and a vice-chair to serve as the</u> [an] alternate presiding officer who shall preside in the absence or disability of the <u>chair</u> [mayor].</p>	<p>SECTION 8. Same as House version.</p>	
<p>SECTION 9. Section 2.07, 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. 2.07. MEETINGS; MINUTES. The board of trustees shall hold regular [monthly] meetings <u>not fewer than four times each calendar year</u> at a time and place that it designates and may hold special meetings on the call of the presiding officer or alternate presiding officer. The board of trustees shall keep accurate minutes of its meetings and records of its proceedings.</p>	<p>SECTION 9. Same as House version.</p>	
<p>SECTION 10. Section 2.08, Chapter 183 (S.B. 598), Acts of</p>	<p>SECTION 10. Same as House version.</p>	

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the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), is amended to read as follows:
Sec. 2.08. ADMINISTRATION OF FUNDS. The board of trustees shall:
(1) keep separate from all other municipal funds all money and other assets it receives for the benefit of the fund;
(2) keep a record of all claims, receipts, and disbursements and make disbursements only ~~[on vouchers signed]~~ by such persons as the board of trustees designates ~~[by resolution]~~; and
(3) publish annually a report containing a balance sheet showing the financial and actuarial condition of the fund, a statement showing receipts and disbursements during the year covered by the report, and such additional matters as may be determined appropriate by the board of trustees.

SECTION 11. Section 2.09, 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. 2.09. DETERMINATION BY BOARD. (a) The board of trustees is authorized to hear and determine all matters regarding:
(1) eligibility of any person to participate in a fund under this Act;
(2) eligibility of any person to receive a service, disability, or survivor's benefit and the amount of that benefit; ~~[and]~~
(3) whether a child or a parent of a deceased member was dependent on the member for financial support; and
(4) any other determinations related to the administration of the fund.
(b) All determinations made by the board of trustees shall be final and binding.

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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

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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 experience study; or

(2) have the municipality's actuary review the fund's experience study under Subsection (b)(2) of this section, the

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municipality shall complete the review not later than one month after the date the preliminary results of the experience study are presented to the board of trustees.

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

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

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

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

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

(B) if, after 20 business days, the board's actuary and the

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

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

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

(1) the fund shall provide a formal letter describing the rationale for the board's action to the governing body of the municipality and State Pension Review Board; and

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

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

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<p>SECTION 14. Section 3.01, 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:</p> <p>Sec. 3.01. GENERAL REQUIREMENT. A person who begins service as a firefighter in a municipality to which this Act applies and who is not ineligible for membership in the fund becomes a member of the fund as a condition of that person's <u>employment</u> [appointment]. <u>Each member shall be a group A member or group B member in accordance with Section 3.011.</u></p>	<p>SECTION 14. Same as House version.</p>	
<p>SECTION 15. Article 3, 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 3.011 to read as follows:</p> <p><u>Sec. 3.011. GROUP A AND GROUP B MEMBERSHIP.</u></p> <p><u>Each member of the fund is either a group A member or a group B member as follows:</u></p> <p><u>(1) a member of the fund is a group A member if the member was:</u></p> <p><u>(A) a retiree on December 31, 2025;</u></p> <p><u>(B) employed by the municipality as a firefighter on December 31, 2025; or</u></p> <p><u>(C) terminated from employment with the municipality as a firefighter on or before December 31, 2025, if the member:</u></p> <p><u>(i) has at least 10 years of accumulated service credit; and</u></p> <p><u>(ii) has not:</u></p> <p><u>(a) withdrawn the member's accumulated contributions under Section 9.06 of this Act; or</u></p> <p><u>(b) refunded the member's accumulated contributions under Section 4.04 of this Act; and</u></p>	<p>SECTION 15. Same as House version.</p>	

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

SECTION 16. Section 4.02, 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. 4.02. MILITARY SERVICE. (a) A member of the fund retains all accumulated service credit and is allowed service credit for each month during which the member leaves employment with the fire department and performs active duty service in the armed forces or the armed forces reserves of the United States or their auxiliaries, except that:
(1) the military service credit may not be for more than five years and the person must return to service with the fire department not later than the 180th day after the date of discharge or release from military service or from hospitalization continuing after discharge for a period of not more than one year;
(2) the member must leave the member's contributions in the fund during the period of absence; ~~and~~
(3) the member must file a written application with the fund for the military service credit, accompanied by satisfactory proof of the member's military service; and
(4) for military service credit related to military service performed on or after January 1, 2026, the member and the municipality must each deposit to the fund an amount equal to the sum of contributions that would have been contributed to

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the fund by the member and the municipality, respectively, if the member had remained in active employment with the fire department during the period the claimed military service was performed.

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

SECTION 17. Section 5.03, 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. 5.03. DETERMINATION OF AVERAGE MONTHLY SALARY. (a) A member's average monthly salary is computed as:

(1) for a group A member, the average of the member's compensation for the 36 months of highest compensation during the group A member's credited service; or

(2) for a group B member, the average of the member's compensation for the 60 months of highest compensation during the group B member's credited service.

(b) If a member ~~[person]~~ has less than 36 or 60 months of credited service, as applicable, the average monthly salary is computed, as if the member had been employed by the fire department for 36 or 60 months, as applicable, by attributing to a period that is immediately before the member's employment and that is equal to the difference between the

SECTION 17. Same as House version.

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number of months the member has been employed by the fire department and 36 <u>or 60 months, as applicable,</u> of compensation the member would have received at the rank the member held when the person became a member.		
SECTION 18. 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 <u>group A member</u> [person] who retires under Section 5.01 of this Act [on or after January 1, 1995,] is a monthly payment that is equal to <u>3.3</u> [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; <u>or</u> (2) <u>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.</u>	SECTION 18. Same as House version.	
SECTION 19. 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 <u>group A</u> 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	SECTION 19. Same as House version.	

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<p>of service credit in the fund; or</p> <p>(2) has at least 20 years of service credit, regardless of age.</p> <p>(b) The retirement annuity of a <u>group A member</u> [person] who retires under this section after September 1, 1997, is the same as for normal service retirement, but may not be increased under Section 9.04 of this Act until the person would have met the requirements of Section <u>9.041(b)</u> [5.01] of this Act [if the person had remained in active service as a firefighter].</p> <p><u>(c) A group B member is not eligible for early retirement under this section.</u></p>		
<p>SECTION 20. Section 6.01, 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:</p> <p>Sec. 6.01. INITIAL ELIGIBILITY FOR DISABILITY RETIREMENT. A firefighter is eligible to retire and receive a disability retirement annuity if:</p> <p>(1) application for retirement is made by the member or the member's legal representative [or if the board of trustees determines that, although no application has been filed, retirement is for the good of the fire department];</p> <p>(2) the medical board certifies that the member is unable to perform the duties of the member's occupation as a firefighter and sends the member's application to the board of trustees; and</p> <p>(3) the board of trustees approves the disability retirement.</p>	<p>SECTION 20. Same as House version.</p>	
<p>SECTION 21. Section 6.03, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1,</p>	<p>SECTION 21. Same as House version.</p>	

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<p>Vernon's Texas Civil Statutes), is amended to read as follows:</p> <p>Sec. 6.03. AMOUNT OF DISABILITY BENEFIT. Subject to adjustment under Section 6.05 <u>or Section 9.04 or 9.042, as applicable,</u> 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.</p>		
<p>SECTION 22. 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:</p> <p>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 <u>disability</u> 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].</p>	<p>SECTION 22. Same as House version.</p>	
<p>SECTION 23. 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:</p> <p>Sec. 7.01. SURVIVING SPOUSE OF FIREFIGHTER. If a firefighter dies before retirement, <u>regardless of whether the firefighter is a group A or group B member,</u> 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</p>	<p>SECTION 23. Same as House version.</p>	

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received based on 20 years of service credit.

SECTION 24. 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.
(c) This section does not apply to the surviving spouse of a group B member.

SECTION 24. Same as House version.

SECTION 25. 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. Same as House version.

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SECTION 26. 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 by amending Subsection (a) and adding Subsection (e) 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.

(e) This section does not apply to the surviving spouse of a group B member.

SECTION 27. Section 7.05, 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 Subsections (a) and (b) and adding Subsection (d) to read as follows:

(a) On the death of a member who at the time of the member's death was a firefighter, regardless of whether the member is a group A or group B member, 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 5.04 of this Act, but not less than 75 percent of the monthly payment the decedent would have received based on 20 years

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SECTION 26. Same as House version.

SECTION 27. Section 7.05, 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 Subsections (a) and (b) and adding Subsection (d) to read as follows:

(a) On the death of a member who at the time of the member's death was a firefighter, regardless of whether the member is a group A or group B member, 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 5.04 of this Act, but not less than 75 percent of the monthly payment the decedent would have received based on 20 years

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of service credit. If there is more than one dependent child of the decedent, each dependent child is entitled to receive an equal share of the total monthly payment under this subsection.

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

(d) This section does not apply to the surviving children of a group B member.

SECTION 28. Section 7.06, 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. 7.06. PAYMENTS TO DEPENDENT PARENTS. (a) If a deceased member who was a retired group A member leaves no surviving spouse, no surviving designated beneficiary, and no surviving children entitled to receive a

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of service credit. If there is more than one dependent child of the decedent, each dependent child is entitled to receive an equal share of the total monthly payment under this subsection.

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

(d) This section does not apply to the surviving children of a retired group B member.

SECTION 28. Same as House version.

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benefit under this Act but is survived by one or more dependent parents, the dependent parent, or one of the surviving parents designated by the board of trustees, is entitled to receive a monthly benefit payment equal to the monthly amount that would have been payable to a surviving spouse of the deceased. All payments under this section cease on the death of the surviving dependent parent.
(b) This section does not apply to the surviving dependent parents of a group B member.

SECTION 29. Section 7.09, 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. 7.09. SURVIVING BENEFICIARY OF CERTAIN UNMARRIED GROUP A MEMBERS. (a) On the death of a ~~[retiree or of a]~~ member, including a retiree, who is a group A member and, at the time of the member's death, was eligible for retirement but had ~~[has]~~ not retired, a benefit is payable under this section if:
(1) the ~~[retiree or]~~ member designated a beneficiary to receive the benefit payable under this section on a form filed with the fund; and
(2) this Act does not otherwise provide a benefit payable to a surviving spouse or child of the member ~~[or retiree]~~.
(b) The benefit payable under this section is an immediate monthly benefit from the fund of 75 percent of the amount of the:
(1) retirement benefit that was being paid to the group A member as a retiree; or
(2) normal service retirement benefit that the group A member would have received if the member had retired on the

SECTION 29. Same as House version.

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date of death.

(c) If the designated beneficiary of a group A ~~[retiree or]~~ member is 10 or more years younger than the ~~[retiree or]~~ member at the time of the ~~[retiree's or]~~ member's death, the amount of the benefit payable under Subsection (b) of this section shall be reduced to the actuarial equivalent of the benefit that would have been payable if the beneficiary and the ~~[retiree or]~~ member were the same age.

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

(e) This section does not apply to a group B member.

SECTION 30. Section 8.01, 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. 8.01. MEMBER REMAINING IN ACTIVE SERVICE.

In lieu of either leaving active service and beginning to receive a service retirement annuity under Section 5.01 of this Act or remaining in active service and continuing to accrue additional service credit under Section 5.02 of this Act, a member who is eligible to receive a normal service retirement benefit under Section 5.01 of this Act may remain in active service, become a participant in the DROP ~~[deferred retirement option plan ("DROP")]~~ in accordance with ~~[Sections 8.02 and 8.03 of]~~ this Act, and defer the beginning of the person's retirement annuity. Once an election to participate in the DROP has been made, the election continues in effect as long as the member remains in active service as a firefighter. When the member leaves active service, the member may apply for a service retirement annuity under

SECTION 30. Same as House version.

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Section 5.01 of this Act.

SECTION 31. Section 8.02, 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. 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. Same as House version.

SECTION 32. 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~~

SECTION 32. Same as House version.

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~~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.

(b) In addition to the amounts credited under Subsection (a) of this section, the board of trustees shall cause an amount equal to all or a portion of the firefighter's [The 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 to [shall also] be credited to the member's DROP account as follows:

(1) if the member is a group A member, 100 percent of the contributions; or

(2) if the member is a group B member, 50 percent of the contributions.

(c) 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 33. 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:

SECTION 33. Same as House version.

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Sec. 8.031. INTEREST CREDITED AFTER DROP PERIOD. 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 five 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 34. 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. (a) 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 [annual] cost-of-living adjustments under Section 9.04 of this Act that occur during the group A 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

SECTION 34. Same as House version.

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<p>effective date of the member's retirement] but only as to amounts credited to the member's DROP account after a cost-of-living adjustment; and</p> <p>(2) [(3)] is subject to the limitations prescribed by Section 9.03 of this Act.</p> <p><u>(b) Subsection (a)(1) of this section does not apply to a group B member.</u></p>		
<p>SECTION 35. Section 8.05(d), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), is amended to read as follows:</p> <p>(d) The board of trustees may adopt rules that modify the availability of distributions under Subsection (a) of this section, provided that the modifications do not:</p> <p>(1) impair the distribution rights under that subsection; or</p> <p>(2) cause distributions to occur later than required under Section 401(a)(9), Internal Revenue Code [of 1986].</p>	<p>SECTION 35. Same as House version.</p>	
<p>SECTION 36. Section 8.06, 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:</p> <p>Sec. 8.06. ESTABLISHMENT OF DROP ACCOUNT AT RETIREMENT <u>FOR GROUP A MEMBERS</u>. (a) In lieu of electing to participate in the DROP before actual retirement, a <u>group A</u> member who is eligible for normal service retirement or early retirement and who terminates or has terminated active service as a firefighter may establish a DROP account under this section.</p> <p>(b) A <u>group A</u> member who is eligible to receive a service</p>	<p>SECTION 36. Same as House version.</p>	

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retirement benefit under Section 5.06 of this Act may establish a DROP account under this section on retiring under Section 5.06 of this Act.

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

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

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

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

(4) the member's DROP account shall be credited with interest as provided by:

(A) Section 8.03 [8.05] of this Act during the DROP period;
or
(B) Section 8.031 of this Act after the DROP period.

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

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subsection:

(1) the board of trustees shall cause to be paid to the surviving spouse in a lump sum, as soon as administratively possible after the fund receives notice of the election, an amount equal to the credits that the member's DROP account would have received, including interest, if the member had established the DROP account after becoming eligible for service retirement, but not more than seven years before the date of the member's death; and

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

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

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

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

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

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

SECTION 37. Section 8.08, 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. 8.08. SUBSEQUENT DISABILITY OF DROP PARTICIPANT. A member who participates in the DROP becomes ineligible for any disability benefits described by Article 6 of this Act. Instead, if the board of trustees determines that the member would have been eligible for disability retirement, the board of trustees shall grant a normal service retirement annuity as described by Section 5.04 of this Act and shall pay the member both:

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

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

SECTION 37. Same as House version.

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<p>SECTION 38. 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:</p> <p>Sec. 8.09. RETIREMENT BENEFIT PAYABLE TO DROP PARTICIPANT. <u>(a)</u> The retirement benefit payable under Article 5 or 6 of this Act to a person who participates in the DROP:</p> <p>(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;</p> <p>[(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;</p> <p><u>(2) [(3)] shall be increased by any [annual] cost-of-living adjustments under Section 9.04 of this Act that occur during the group A 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];</u></p> <p><u>(3) [(4)]</u> may not be increased for additional service credit after the effective date of the member's election to participate in the DROP; and</p> <p><u>(4) [(5)]</u> is subject to the limitations prescribed by Section 9.03 of this Act.</p> <p><u>(b) Subsection (a)(2) of this section does not apply to a group B member.</u></p>	<p>SECTION 38. Same as House version.</p>	
<p>SECTION 39. 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:</p>	<p>SECTION 39. Same as House version.</p>	

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<p>Sec. 8.10. TERMINATION OR MODIFICATION OF DROP BY FUND. <u>To maintain the actuarial soundness of the fund</u> [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:</p> <p>(1) reduce the interest paid on DROP accounts or take other action that would reduce the future credits to DROP accounts <u>on or</u> [but only for all DROP accounts that are established] after the effective date of the <u>reduction</u> [action by the board of trustees]; or</p> <p>(2) terminate the deferred retirement option plan for all members who have not at that time established a DROP account.</p>		
<p>SECTION 40. Section 9.03, 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:</p> <p>Sec. 9.03. LIMITATION ON PAYMENT OF BENEFITS.</p> <p>(a) If the 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.</p> <p>(b) A person's vested accrued benefit in effect on <u>September 1, 2025</u>, [September 1, 1995,] may not be reduced under this section.</p>	<p>SECTION 40. Same as House version.</p>	
<p>SECTION 41. The heading to Section 9.04, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session,</p>	<p>SECTION 41. Same as House version.</p>	

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<p>1975 (Article 6243e.1, Vernon's Texas Civil Statutes), is amended to read as follows:</p> <p>Sec. 9.04. COST-OF-LIVING <u>ADJUSTMENTS FOR GROUP A MEMBERS AND SURVIVORS</u> [ADJUSTMENT; OTHER ADJUSTMENTS].</p>		
<p>SECTION 42. Section 9.04, 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 Subsections (a), (a-1), and (a-2) and adding Subsections (c), (d), and (e) to read as follows:</p> <p>(a) Subject to this section and Sections [except as provided by Section] 5.05 and 9.041 of this Act, <u>the board of trustees may approve a [person receiving a retirement or survivor's benefit under this Act is entitled each calendar year to a]</u> cost-of-living adjustment <u>for:</u></p> <p><u>(1) eligible retirees who were group A members; and</u></p> <p><u>(2) beneficiaries entitled to survivor benefits under this Act after the death of a group A member [of that person's benefit calculated in accordance with this section].</u></p> <p>(a-1) The [annual] cost-of-living adjustment <u>approved</u> under this section:</p> <p>(1) <u>may not exceed [is based on]</u> the collective adjustment amount calculated in accordance with Subsection (a-2) of this section <u>for a given calendar year;</u></p> <p><u>(1-a) may be [and]</u> allocated among persons eligible for an adjustment under this section in a manner and in an amount determined by the board of trustees;</p> <p><u>(2) may not take effect earlier than January 1 of the calendar year following the date the board of trustees approves the adjustment, but may take effect at any time during the [a]</u></p>	<p>SECTION 42. Same as House version.</p>	

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given calendar year, as determined by the board of trustees;
and
(3) may not reduce a person's benefit to an amount less than the person received when the benefit first was paid to that person.
(a-2) The collective adjustment amount must be ~~[described by Subsection (a-1) of this section]:~~
(1) except as provided by Subdivision (2) of this subsection, ~~[is]~~ an amount equal to the actuarial value, as determined by the board's actuary based on the interest and mortality assumptions adopted by the board of trustees for the most recent actuarial valuation of the fund, of 1.5 percent ~~[the percentage increase in the Consumer Price Index for All Urban Consumers as determined by the United States Department of Labor for the applicable determination period ending in a calendar month that precedes by not more than four months the month in which the cost of living adjustment is to take effect,]~~ multiplied by the total amount of benefits payable in the month immediately preceding the date an adjustment is to take effect to persons who are eligible to receive an adjustment under this section; and
(2) if applicable, ~~is~~ reduced by an amount that the board's actuary determines is necessary to comply with limitations prescribed by this section, except the adjustment under this section may not be reduced to an amount that is less than zero ~~[maintain the financial stability of the fund; or~~
~~[(B) is increased in accordance with Subsection (b) of this section].~~
(c) The board of trustees may not approve a cost-of-living adjustment for a calendar year:
(1) unless the board's actuary certifies that:

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<p><u>(A) the amortization period of the fund as a whole, after taking into account the cost-of-living adjustment, will not exceed:</u></p> <p><u>(i) 25 years for a cost-of-living adjustment payable beginning in calendar years 2026 through 2035;</u></p> <p><u>(ii) 20 years for a cost-of-living adjustment payable beginning in calendar years 2036 through 2040; or</u></p> <p><u>(iii) 15 years for a cost-of-living adjustment payable beginning in calendar year 2041 or a subsequent calendar year; and</u></p> <p><u>(B) the funded ratio for any year during the remainder of the amortization period of the fund as a whole or for 10 years, whichever is greater, after taking into account the cost-of-living adjustment, is:</u></p> <p><u>(i) 80 percent or more for a cost-of-living adjustment payable beginning in calendar years 2026 through 2040;</u></p> <p><u>(ii) 85 percent or more for a cost-of-living adjustment payable beginning in calendar years 2041 through 2045; or</u></p> <p><u>(iii) 90 percent or more for a cost-of-living adjustment beginning in calendar year 2046 or a subsequent calendar year;</u></p> <p><u>(2) that begins on the second January 1 following a calendar year in which:</u></p> <p><u>(A) the annual investment return as reported in the fund's annual report for the calendar year is less than zero; or</u></p> <p><u>(B) the five-year investment return as reported in the fund's annual report for the calendar year is less than the fund's assumed rate of return used in the actuarial valuation for the calendar year; or</u></p> <p><u>(3) in which the estimated municipal contribution rate, after taking into account the cost-of-living adjustment, would exceed four percent above the corridor midpoint.</u></p>		

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<p>(d) <u>For purposes of Subsection (c)(1) of this section, the board's actuary shall:</u></p> <p>(1) <u>use the actuarial valuation dated as of the second December 31 preceding the calendar year in which the cost-of-living adjustment is to take effect, including the unfunded actuarial accrued liability, amortization period, and funded ratio as of that December 31; and</u></p> <p>(2) <u>make the certifications required by that subdivision not later than October 31 of the calendar year immediately preceding the calendar year in which the cost-of-living adjustment is to take effect.</u></p> <p>(e) <u>Notwithstanding any of the limitations prescribed by this section or Section 9.041 of this Act, the governing body of the municipality may approve a cost-of-living adjustment for any calendar year in which a cost-of-living adjustment may not otherwise be granted due to the limitations under this section in a manner and in an amount determined by the governing body of the municipality based on a recommendation from the board.</u></p>		

SECTION 43. 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 Sections 9.041 and 9.042 to read as follows:

Sec. 9.041. COST-OF-LIVING ADJUSTMENT ELIGIBILITY FOR CERTAIN GROUP A MEMBERS AND SURVIVORS. (a) Except as provided by Subsection (b) of this section, for each calendar year beginning on or after January 1, 2027, a retiree who is a group A member or a beneficiary who is receiving survivor benefits under this Act after the death of a group A member is not eligible for a cost-

SECTION 43. Same as House version.

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<p><u>of-living adjustment under this Act until January 1 of the calendar year immediately following the later of the year:</u></p> <p><u>(1) in which the member or beneficiary, as applicable, attains 67 years of age; or</u></p> <p><u>(2) that is the fifth anniversary of the member's actual date of retirement from the fire department.</u></p> <p><u>(b) For each calendar year beginning on or after January 1, 2027, a retiree who is a group A member who is receiving an early retirement annuity benefit under Section 5.05 of this Act is not eligible for a cost-of-living adjustment under this Act until January 1 of the calendar year immediately following the year in which the member attains 69 years of age.</u></p> <p><u>Sec. 9.042. COST-OF-LIVING ADJUSTMENT FOR GROUP B MEMBERS AND SURVIVORS. The retirement annuity of a retiree who is a group B member or the survivor benefit of a beneficiary who is receiving survivor benefits under this Act after the death of a group B member must be increased by the group B cost-of-living adjustment percentage each year on a compounding basis beginning on January 1 of the calendar year immediately following the later of the year:</u></p> <p><u>(1) in which the member or beneficiary, as applicable, attains 67 years of age;</u></p> <p><u>(2) that is the fifth anniversary of the member's actual date of retirement from the fire department; or</u></p> <p><u>(3) if applicable, in which the member's DROP account is fully distributed.</u></p>		
<p>SECTION 44. 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:</p>	<p>SECTION 44. Same as House version.</p>	

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(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, as applicable. ~~[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 a retiree who is a group A member with no survivor benefit;

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

(4) as an optional joint and survivor benefit for a group B member.

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

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SECTION 45. Article 9, 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 9.11 to read as follows:

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

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

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

SECTION 45. Same as House version.

SECTION 46. The heading to Section 10.01, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), is

SECTION 46. Same as House version.

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amended to read as follows:
Sec. 10.01. MUNICIPAL ~~[AND—MEMBER]~~
CONTRIBUTIONS.

SECTION 47. Section 10.01, 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 Subsections (a), (b), (c), and (d) and adding Subsections (b-1) and (b-2) to read as follows:

- (a) Each municipality in which a fire department to which this Act applies is located shall appropriate and contribute to the fund each pay period in accordance with the following:
- (1) for all pay periods beginning after September 30, 2012, and before January 1, 2026, an amount equal to 22.05 percent [a percentage] of the compensation of all members during the pay period; and
- (2) for all pay periods beginning on or after January 1, 2026, the amount determined in accordance with Subsections (b) and (c) of this section and Sections 10.05, 10.06, 10.07, and 10.08 of this Act, as applicable [that month as follows:
- ~~[(1) 19.05 percent, beginning on the first pay date following September 30, 2010, through the pay date immediately preceeding September 30, 2011;~~
- ~~[(2) 20.05 percent, beginning on the first pay date following September 30, 2011, through the pay date immediately preceeding September 30, 2012;~~
- ~~[(3) 21.05 percent, for 24 pay dates of the municipality beginning on the first pay date following September 30, 2012; and~~
- ~~[(4) 22.05 percent, for all pay dates of the municipality that follow the 24 pay dates referenced in Subdivision (3) of this~~

SECTION 47. Same as House version.

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subsection].

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

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

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

~~[(1) 15.70 percent, for the pay dates of the 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~~

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~~[(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

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

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

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

(1) the municipality shall appropriate and contribute to the fund each pay period ~~[month]~~ at the higher percentage of compensation necessary to make all contributions required

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and authorized to be made by the municipality under this section; and

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

(d) The governing body of each municipality may authorize the municipality to make an additional contribution to the fund in whatever amount the governing body may determine. ~~[The members of the fund, by a majority vote in favor of an increase in contributions above 13.70 percent, may increase each firefighter's contribution above 13.70 percent to any percentage recommended by a majority vote of the board of trustees.]~~

SECTION 48. Article 10, 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 10.011 to read as follows:

Sec. 10.011. FIREFIGHTER CONTRIBUTIONS. (a) Subject to Subsection (b) of this section or Section 10.09 of this Act, each firefighter who is a member of the fund shall pay into the fund an amount equal to 18.70 percent of the firefighter's compensation for the first pay period of the municipality beginning on or after September 30, 2016, and all subsequent pay periods of the municipality thereafter.

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

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

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

SECTION 49. Section 10.02, 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. 10.02. PICKUP OF FIREFIGHTER CONTRIBUTIONS. A municipality to which this Act applies shall pick up the firefighter contributions to the fund that are required or authorized pursuant to Section 10.011 ~~[10.01]~~ of this Act, whichever is higher. Firefighter contributions will be picked up by a reduction in the monetary compensation of the firefighters. Contributions picked up shall be treated as employer contributions in accordance with Section 414(h)(2) of the Internal Revenue Code for the purpose of determining tax treatment of the amounts under that code. These contributions will be credited to ~~[deposited to the credit of]~~ the individual accounts of the firefighters in the fund and shall be treated as the monthly contributions of the firefighters for all purposes of this Act. These contributions are not includable in the gross income of a firefighter until the time that they are distributed or made available to the firefighter or survivors of the firefighter. The board of trustees may at any time, by majority vote, discontinue the pickup of firefighter contributions by the municipality.

SECTION 49. Same as House version.

SECTION 50. Section 10.03, 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. 10.03. CONTRIBUTIONS AND INCOME AS ASSETS OF FUND. All contributions paid to the fund under ~~[Sections~~

SECTION 50. Same as House version.

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<p>10.01 and 10.02 of this <u>article</u> [Aet] become a part of the assets of the fund. All interest and dividends on investments of the assets of the fund shall be deposited into the fund and are part of it.</p>		
<p>SECTION 51. Section 10.04, 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. 10.04. INTEREST ON INDIVIDUAL ACCOUNTS. <u>(a) This subsection applies only to a group A member.</u> The fund shall credit interest on December 31 of each year to the account of each firefighter, and of each former firefighter, who has not retired in an amount equal to five percent of the accumulated contributions, including previously credited interest, on deposit on January 1 of that year. The fund may not pay interest on a firefighter's or former firefighter's contributions [for part of a year or] for any period that is more than five calendar years after the date of termination of employment. <u>This subsection expires December 31, 2025.</u> <u>(a-1) Beginning January 1, 2026, a group A member is not entitled to interest on amounts credited to the member's individual account.</u> <u>(b) A group B member is not entitled to interest on amounts credited to the member's individual account for any period.</u></p>	<p>SECTION 51. Same as House version.</p>	
<p>SECTION 52. Article 10, 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 Sections 10.05, 10.06, 10.07, 10.08, and 10.09 to read as follows: <u>Sec. 10.05. INITIAL RISK SHARING VALUATION</u></p>	<p>SECTION 52. Same as House version.</p>	

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STUDY. (a) The fund shall cause the board's actuary to prepare an initial risk sharing valuation study that is dated as of December 31, 2024, in accordance with this section.

(b) The initial risk sharing valuation study must:

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

(2) be based on the actuarial assumptions that were used by the board's actuary in the valuation completed for the year ending December 31, 2023, provided that for purposes of determining the municipal legacy contribution amounts, corridor midpoint, and municipal contribution rate for the calendar year beginning January 1, 2026:

(A) the actuarial value of assets must be equal to the market value of assets of the fund as of December 31, 2024; and

(B) the board's actuary shall use a cost-of-living adjustment assumption of 0.25 percent for purposes of valuing the cost-of-living adjustment for group A members under Section 9.04 of this Act;

(3) project the corridor midpoint for the next 30 calendar years beginning with the calendar year that begins on January 1, 2026; and

(4) include a schedule of municipal legacy contribution amounts for 30 calendar years beginning with the calendar year that begins on January 1, 2026.

(c) For purposes of Subsection (b)(4) of this section, the schedule of municipal legacy contribution amounts must be determined in such a manner that the total annual municipal legacy contribution amount for the first three calendar years will result in a phase-in of the anticipated increase in the municipal contribution rate from the calendar year that begins on January 1, 2025, to the rate equal to the sum of the

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estimated municipal contribution rate for the calendar year that begins on January 1, 2026, and the rate of pensionable payroll equal to the municipal legacy contribution amount for January 1, 2026, determined as if there was no phase-in of the increase to the municipal legacy contribution amount. The phase-in must reflect approximately one-third of the increase each year over the three-year phase-in period.

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

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

(2) each calendar year that begins on January 1, 2029, through January 1, 2055, must reflect a municipal legacy contribution amount that is 2.5 percent greater than the municipal legacy contribution amount for the preceding calendar year.

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

Sec. 10.06. SUBSEQUENT RISK SHARING VALUATION STUDIES. (a) The fund shall cause the board's actuary to prepare a risk sharing valuation study that is dated as of December 31 of each calendar year beginning with the 2025 calendar year in accordance with this section and actuarial standards of practice.

(b) Each risk sharing valuation study must:

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

(2) calculate the unfunded actuarial accrued liability of the

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fund as of the last day of the applicable calendar year, including the liability layer, if any, associated with the most recently completed calendar year;

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

(4) determine the municipal contribution rate and the firefighter contribution rate for the following calendar year, taking into account any adjustments required under Section 10.07, 10.08, or 10.09 of this Act, as applicable; and

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

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

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

(C) each liability loss layer will be amortized over a period of 20 years from the first day of the calendar year beginning 12 months after the date of the risk sharing valuation study in which the liability loss layer is first recognized, except that the legacy liability must be amortized over a 30-year period beginning January 1, 2026;

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

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

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

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<p><u>(E) liability layers will be funded according to the level percent of payroll method;</u></p> <p><u>(F) payroll for purposes of determining the corridor midpoint, municipal contribution rate, and municipal legacy contribution amount must be projected using the annual payroll growth rate assumption adopted by the board of trustees; and</u></p> <p><u>(G) the municipal contribution rate will be calculated each calendar year without inclusion of the legacy liability.</u></p> <p><u>(c) The municipality may contribute an amount in addition to the scheduled municipal legacy contribution amounts to reduce the number or amount of scheduled future municipal legacy contribution payments. If the municipality contributes an additional amount under this subsection, the board's actuary shall create a new schedule of municipal legacy contribution amounts that reflects payment of the additional contribution.</u></p> <p><u>(d) The municipality and the board of trustees may agree on a written transition plan for resetting the corridor midpoint, firefighter contribution rate, and municipal contribution rate:</u></p> <p><u>(1) if at any time the funded ratio of the fund is equal to or greater than 100 percent; or</u></p> <p><u>(2) for any calendar year after the payoff year of the legacy liability.</u></p> <p><u>(e) Subject to Section 2.14 of this Act, the board may by rule adopt actuarial principles other than those required under Subsection (b)(5) of this section, provided the actuarial principles:</u></p> <p><u>(1) are consistent with actuarial standards of practice;</u></p> <p><u>(2) are approved by the board's actuary; and</u></p> <p><u>(3) do not operate to change the municipal legacy contribution amount.</u></p> <p><u>Sec. 10.07. ADJUSTMENT TO MUNICIPAL</u></p>		

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

(1) the corridor midpoint if the funded ratio is less than 90 percent; or

(2) the estimated municipal contribution rate if the funded ratio is 90 percent or greater.

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

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

(1) all existing liability layers, including the legacy liability, are considered fully amortized and paid; and

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

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

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

(2) greater than the maximum municipal contribution rate for the corresponding calendar year, the municipal contribution

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rate is the maximum municipal contribution rate.
Sec. 10.09. INCREASED FIREFIGHTER CONTRIBUTION
RATE IF ESTIMATED MUNICIPAL CONTRIBUTION
RATE GREATER THAN MAXIMUM MUNICIPAL
CONTRIBUTION RATE. (a) This section governs the
determination of the firefighter contribution rate applicable in
a calendar year under Section 10.011 of this Act if the
estimated municipal contribution rate determined under
Section 10.06(b)(3) of this Act is greater than the maximum
municipal contribution rate.
(b) Except as provided by Subsection (c) of this section, if the
estimated municipal contribution rate is greater than the
corridor maximum, the firefighter contribution rate will
increase by an amount equal to the difference between the
following:
(1) the estimated municipal contribution rate; and
(2) the maximum municipal contribution rate.
(c) The firefighter contribution rate may not be increased by
more than two percentage points under this section.
(d) If the estimated municipal contribution rate is more than
two percentage points greater than the maximum municipal
contribution rate, the municipality and the board of trustees
shall enter into discussions to determine additional funding
solutions.

SECTION 53. Section 11.03(b), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), is amended to read as follows:
(b) The board of trustees may not adopt an amendment to the investment policy adopted under this section unless the

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proposed amendment is approved by the affirmative vote [of a majority of the members] of the board [at not fewer than three regular meetings of the board].		
SECTION 54. Section 12.01, 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. 12.01. <u>EXECUTIVE DIRECTOR</u> [ADMINISTRATOR] AND EMPLOYEES. The board of trustees shall appoint an <u>executive director</u> [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 54. Same as House version.	
SECTION 55. 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 <u>engage</u> [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 <u>engaged</u> [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 55. Same as House version.	

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<p>SECTION 56. 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:</p> <p>Sec. 12.07. AUDITS; <u>ENGAGEMENT</u> [EMPLOYMENT] OF CERTIFIED PUBLIC ACCOUNTANTS. The board of trustees shall <u>engage</u> [employ] a certified public accountant or firm of certified public accountants to perform an audit of the fund at least annually. The municipality may pay the entire cost of an audit. If not paid by the municipality, the cost may be paid from the assets of the fund.</p>	<p>SECTION 56. Same as House version.</p>	
<p>SECTION 57. The following provisions of Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), are repealed:</p> <p>(1) Sections 5.04(b-1) and (c);</p> <p>(2) Section 7.07;</p> <p>(3) Section 8.05(b); and</p> <p>(4) Sections 9.04(a-4), (b), and (b-1).</p>	<p>SECTION 57. The following provisions of Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), are repealed:</p> <p>(1) Sections 5.04(b), (b-1), and (c);</p> <p>(2) Section 7.07;</p> <p>(3) Section 8.05(b); and</p> <p>(4) Sections 9.04(a-4), (b), and (b-1).</p>	
<p>SECTION 58. (a) In this section, "board of trustees" has the meaning assigned by Section 1.02(3), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes).</p> <p>(b) Section 2.02, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as amended by this Act, does not affect the term of a member of the board of trustees elected under that section, as that section existed immediately before the effective date of this Act, and serving on the board of trustees on the effective date of this Act.</p>	<p>SECTION 58. Same as House version.</p>	

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<p>(c) When the term of the member of the board of trustees elected under Section 2.02(3), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as that section existed immediately before the effective date of this Act, who has a term that expires in December 2025, expires:</p> <p>(1) the resulting vacancy on the board of trustees and the new position on the board of trustees created by the amendment of Section 2.02(3), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), shall be filled by election of the members of the fund in accordance with Section 2.03, Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as amended by this Act, by an election held in November 2025;</p> <p>(2) the candidate who receives the highest number of votes in the election shall serve a four-year term, ending in December 2029; and</p> <p>(3) notwithstanding Section 2.03(e), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as amended by this Act, the candidate who receives the second highest number of votes in the election shall serve an initial three-year term, ending in December 2028.</p> <p>(d) As soon as practicable after September 1, 2025, the governing body of a municipality subject to Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), shall appoint a member to the board of trustees under Section 2.02(a)(4), Chapter 183 (S.B. 598), Acts of the 64th Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's Texas Civil Statutes), as added by this Act, to serve a term beginning</p>		

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SECTION 59. This Act takes effect September 1, 2025.

SECTION 59. Same as House version.