

BILL ANALYSIS

Senate Research Center

H.B. 3158
By: Flynn et al. (West)
State Affairs
8/7/2017
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Concerned parties note that mismanagement and investment losses have caused the pension systems for police officers and firefighters in certain municipalities, such as Dallas, to be insufficiently sound from an actuarial standpoint. H.B. 3158 addresses this issue by changing the law regarding retirement systems for and the provisions of other benefits to police and firefighters in certain municipalities. (Original Author's / Sponsor's Statement of Intent)

H.B. 3158 amends current law relating to the retirement systems for and the provision of other benefits to police and fire fighters in certain municipalities.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the board of trustees (board) in SECTION 1.02 (Section 2.01, Article 6243a-1, Vernon's Texas Civil Statutes (V.T.C.S.)), SECTION 1.04 (Section 2.025, Article 6243a-1, V.T.C.S.) SECTION 1.05 (Section 3.01, Article 6243a-1, V.T.C.S.), SECTION 1.18 (Section 4.071, Article 6243a-1, V.T.C.S.), SECTION 1.29 (Section 6.021, Article 6243a-1, V.T.C.S.), SECTION 1.42 (Section 6.14, Article 6243a-1, V.T.C.S.), SECTION 1.46 (Section 6.20, Article 6243a-1, V.T.C.S.), SECTION 1.47 (Section 6A.01, Article 6243a-1, V.T.C.S.), SECTION 1.49 (Section 8.02, Article 6243a-1, V.T.C.S.) and SECTION 1.53, of this bill.

Rulemaking authority previously granted to the board is modified in SECTION 1.05 (Section 3.01, Article 6243a-1, V.T.C.S.) of this bill.

SECTION BY SECTION ANALYSIS

ARTICLE 1. CONTINGENT PROVISIONS: EFFECTIVE SEPTEMBER 1, 2017

SECTION 1.01. Amends Section 1.01, Article 6243a-1, Vernon's Texas Civil Statutes (V.T.C.S.), as follows:

Sec. 1.01. AMENDMENT, RESTATEMENT, AND CONSOLIDATION. (a) Sets forth the purpose of this article.

(b) Provides that this article does not, rather than does not intend to, take away or reduce any accrued benefit contained in the plans created under former Article 6243a or under this article as it existed on or before August 31, 2017. Deletes existing text providing that the provisions of this article are entirely consistent with all terms and conditions relating to benefits and benefit entitlement previously contained in the plans.

SECTION 1.02. Amends Section 2.01, Article 6243a-1, V.T.C.S., as follows:

Sec. 2.01. DEFINITIONS. Defines "415 compensation," "alternate investment," "city attorney," "city manager," "DROP," "educational incentive pay," "eligible back pay," "executive director," "nominations committee," "traditional asset," and "two-thirds vote." Redefines "alternate payee," "annual additions," "annual benefit," "base pay," "base

pension," "board," "child," "city service incentive pay," "code," "combined pension plan," "computation pay," "disability retirement," "fund," "Group A member," "Group B member," "pension service," "pension system," "police officer," "fire fighter," "primary party," "Group B primary party," "Group A primary party," "qualified actuary," "qualified domestic relations order," "qualified survivor," and "spouse." Deletes existing text defining "administrator," "educational incentive pay," "415 compensation," and "total wages and salaries." Makes nonsubstantive changes.

SECTION 1.03. Amends Sections 2.02(a) and (b), Article 6243a-1, V.T.C.S., as follows:

(a) Provides that if the amount of any benefit or contribution is to be determined on the basis of actuarial assumptions that are not otherwise specifically set forth for that purpose in this article, the actuarial assumptions to be used are those earnings and mortality assumptions being used on the date of the determination by the pension system's qualified actuary and approved by the board of trustees (board).

(b) Changes a reference to administrator to the executive director of the pension system (executive director). Requires the executive director to promptly update any addendum to conform to any changed actuarial assumptions approved by the board.

SECTION 1.04. Amends Part 2, Article 6243a-1, V.T.C.S., by adding Sections 2.025 and 2.03, as follows:

Sec. 2.025. INDEPENDENT ACTUARIAL ANALYSIS AND LEGISLATIVE RECOMMENDATIONS. Requires the State Pension Review Board (PRB), before July 1, 2024, to select an independent actuary who the board is required to hire to perform an actuarial analysis of the most recently completed actuarial valuation of the pension system. Requires the independent actuary to submit the analysis to PRB and the board not later than October 1, 2024. Requires that the analysis include certain conclusions and recommendations of the independent actuary.

(b) Requires the board, subject to Subsection (d) of this section, not later than November 1, 2024, by rule, to adopt a certain plan.

(b-1) Requires the board to provide a copy of the analysis prepared under Subsection (a) of this section and a summary of any rules adopted by the board under Subsection (b) of this section to PRB.

(c) Requires PRB, not later than December 1, 2024, to submit a report to the legislature regarding actions taken under this section. Requires that the report required under this section include a copy of the analysis prepared under Subsection (a) of this section and a summary of rules adopted by the board under Subsection (b) of this section.

(d) Provides that, notwithstanding any other provision of this article, a rule adopted by the board under Subsection (b) of this section that conflicts with a provision of this article remains in effect until a law that is enacted by the legislature and becomes law preempts the rule or the board amends the rule and the amendment takes effect, provided the board may only amend the rule if the pension system complies with the funding and amortization period requirements applicable to the pension system under Subchapter C (Administration of Assets), Chapter 802 (Administrative Requirements), Government Code.

(e) Provides that this section expires September 1, 2025.

Sec. 2.03. REFERENCES TO CERTAIN LAW. Provides that a reference to a statute made in this article includes a reference to any regulation, rule, order, or notice made by a governmental entity with the authority under law to adopt the regulation, rule, order, or notice, and on which the governmental entity intends persons to rely, as appropriate.

SECTION 1.05. Amends Section 3.01, Article 6243a-1, V.T.C.S., by amending Subsections (a), (b), (d), (e), (f), (h), (i), (j), (n), and (o) and adding Subsections (b-1), (b-2), (b-3), (b-4), (j-1), (j-2), (j-3), (j-4), (j-5), (j-6), (j-7), (j-8), (j-9), (j-10), (o-1), (p), (q), (r), and (s), as follows:

(a) Requires the board to execute its fiduciary duty to hold and administer the assets of the fund for the exclusive benefit of members and their beneficiaries under Section 802.203 (Fiduciary Responsibility), Government Code, Section 67(f) (Retirement Systems Not Belonging to a Statewide System), Article XVI (General Provisions), Texas Constitution, and any other applicable law, in a manner that ensures the sustainability of the pension system for purposes of providing current and future benefits to members and their beneficiaries.

(b) Provides that, subject to Subsections (b-1) and (b-2) of this section, the board consists of 11 trustees, rather than seven trustees, who are required to be selected and to serve in a certain manner.

(b-1) Provides that, to be appointed or elected a trustee under this section, a person:

(1) is required to have demonstrated certain expertise; and

(2) is prohibited from being an elected official of the city.

(b-2) Prohibits a person, to be appointed or elected a trustee under Subsection (b)(1) or (2) of this section, from being an active member or pensioner.

(b-3) Requires the board, if the board determines that it is not possible to nominate or elect a trustee under Subsection (b)(3) or (4) of this section (relating to qualifications of certain trustees) who meets the requirements of Subsection (b-1) of this section, to notify the nominations committee and requires the nominations committee to select, vet, and nominate a slate of persons, the number of which is determined by board rule, who meet the requirements of Subsection (b-1) of this section, and the members of the pension system are required to elect a trustee from the slate of nominees to represent the interests of police officers or fire fighters, as appropriate, of the city on the board. Authorizes the nomination and election of a trustee under this subsection to be made without regard to whether the trustee is qualified under Subsection (b)(3) or (4), as applicable, of this section.

(b-4) Provides that a trustee is not required to reside in a particular city or county of this state. Deletes existing text requiring the city council to name from among its members three council members who are required to serve as trustees of the board. Deletes existing text requiring that the council member trustees be named as soon as possible after the first Monday in May of each odd-numbered year and serve for the term of office to which they were elected as council members. Deletes existing text requiring the city council, if there is a vacancy in any of the council member trustees' seats on the board, to name another council member to serve out the remainder of the unexpired term. Deletes existing text requiring the police and fire department members of the pension plans within the pension system to separately, by department and not by plan, elect from among their respective memberships two active police officer and two active fire fighter members. Deletes existing text requiring each of the trustees under this subdivision, on their election, to execute a written affirmation of the person's undertaking to faithfully perform duties to the pension system. Deletes existing text requiring the police and fire department trustees to serve terms of four years each, the terms being staggered so that one term, but not both from the same department, are required to expire on June 1 of each odd-numbered year. Deletes existing text requiring that the vacancy, if a vacancy occurs among the police and fire department trustees, be filled in accordance with the provisions of Subsection (d) of this section. Deletes existing text providing that the police and fire department trustees will continue to serve beyond the expiration of their terms, if their successors have not been elected and affirmed in writing their undertaking to faithfully perform their duties to the pension system, until their successors are elected and have

affirmed in writing their undertaking to faithfully perform their duties to the pension system.

(d) Requires that a vacancy on the board in a trustee position under Subsection (b)(1) or (2) of this section (relating to the qualifications of certain trustees) be filled in the same manner as the original appointment, or election. Requires the board, by rule, to determine the manner by which a vacancy in a trustee position under Subsection (b)(3) or (4) of this section is filled. Deletes existing text requiring the board, if a vacancy occurs among the police or fire department alternate trustees, for reasons other than the failure to elect a successor alternate trustee or the occurrence of a vacancy among the regular trustees of either department, to appoint a new alternate trustee representing the department from which the vacancy occurs to serve as the alternate trustee for the remainder of the alternate trustee's term. Deletes existing text providing that a candidate is not eligible for election to an alternate trustee position and to a regular trustee position during the same election.

(e) Requires the mayor to determine whether all trustees appointed under Subsection (b)(1) of this section hold office for staggered two-year terms or staggered three-year terms. Requires the nominations committee to determine whether all trustees elected under Subsection (b)(2), (3), or (4) of this section hold office for staggered two-year terms or staggered three-year terms. Prohibits a trustee appointed or elected, as applicable, under Subsection (b)(1) or (2) of this section from serving for more than six consecutive years on the board. Deletes existing text requiring the alternate trustee representing the department from which the vacancy occurs, if a vacancy occurs among the police or fire department regular trustees, to serve as the regular trustee for the remainder of the unexpired regular trustee's term. Deletes existing text requiring the board to appoint a new alternate trustee from the same department to serve for a period ending on the earlier of the expiration of the regular trustee's term or the original alternate trustee's term. Deletes existing text requiring a person, if the original alternate trustee's term has not expired after serving in place of the regular trustee, to serve out the remainder of the unexpired term. Deletes existing text requiring the original alternate trustee, after a new regular trustee has been elected, to return to serve as an alternate trustee until the regular trustee's term has expired. Deletes existing text providing that if the original alternate trustee, while an alternate trustee, is elected to a full term as a regular trustee before the expiration of the term as an alternate trustee, the term of the new alternate trustee extends until the expiration of the original alternate trustee's term.

(f) Requires that the election of the trustees under Subsection (b)(2), (3) or (4) of this section, including an election under Subsection (b-3) of this section to fill a trustee position under Subsection (b)(3) or (4) of this section, rather than the trustees representing the police and fire departments, be held under the supervision of the board, and the board is required to adopt such rules, rather than rules and regulations, governing the election procedure as it considers appropriate, as long as the rules are consistent with generally accepted principles of secret ballot and majority rule. Requires that the rules adopted by the board be recorded in the minutes of the board and made available to the members of any pension plan within the pension system. Makes conforming changes.

(h) Requires the executive director, rather than the administrator, or in the executive director's absence a member of the administrative staff designated by the board, to serve as the secretary of the board. Makes a conforming change.

(i) Requires the board to serve without separate compensation from the fund, but provides that a trustee is entitled to reimbursement for travel expenses, rather than with entitlement, and, if applicable, to any appropriate compensation from the city as if the trustee, rather than the board members, were performing the trustee's regular functions for the police or fire department or for the city. Makes a nonsubstantive change.

(j) Provides that the board has full power to make rules pertaining to the conduct of its meetings and to the operation of the pension system as long as its rules are not, subject to Subsections (j-1) and (j-2) of this section, inconsistent with the terms of this article, any

pension plan within the pension system, or the laws of this state or the United States to the extent applicable. Authorizes a board meeting to be held by telephone conference call or by videoconference call in accordance with Sections 551.125 (Other Governmental Body) and 551.127 (Videoconference Call), Government Code, except that Section 551.125(b) (relating to a meeting held by telephone conference call only being held under certain circumstances), Government Code, does not apply. Makes a conforming change.

(j-1) Authorizes the board to adopt a rule that conflicts with this article under certain circumstances.

(j-2) Provides that except as provided by Subsection (j-1) of this section or Section 4.02(b) of this article, a provision of any plan provided by the pension system is authorized to only be amended if approved by the board. Provides that an amendment described by this subsection:

(1) is prohibited from causing the amortization period of the unfunded actuarial accrued liability of the pension system to exceed 35 years, after taking into account the impact of the amendment, as determined by the board and reviewed by PRB; and

(2) is not required to be ratified by the legislature.

(j-3) Authorizes the board to correct any defect, supply any omission, and reconcile any inconsistency that may appear in this article in a manner and to the extent that the board believes would be expedient for the administration of the pension system, be for the greatest benefit of all members, pensioners, and qualified survivors, and not adversely affect the benefits of a member, pensioner, or qualified survivor.

(j-4) Provides that the board has full discretion and authority to construe and interpret the combined pension plan and to do all acts necessary to carry out the purpose of the combined pension plan. Provides that a decision of the board is final and binding on all affected parties.

(j-5) Requires the board, not later than January 1, 2018, to conduct an evaluation of:

(1) how benefits are computed under this article to identify potential means of abusing the computation of benefits to inflate pension benefits received by pensioners; and

(2) the impact, including the impact on the combined pension plan, of establishing one or more alternative benefit plans, including a defined contribution plan or a hybrid retirement plan that combines elements of both a defined benefit plan and a defined contribution plan, for newly hired employees of the city and for members who voluntarily elect to transfer to an alternative benefit plan.

(j-6) Prohibits the board from adopting a rule under Subsection (j-1)(2) (relating to a certain amortization) or (3) (relating to a certain benefits increase) of this section unless the rule has first been reviewed by PRB and PRB finds that implementation of a rule under:

(1) Subsection (j-1)(2) of this section complies with the amortization period prescribed by that subdivision and Subsection (j-8) of this section; or

(2) Subsection (j-1)(3) of this section complies with the amortization period prescribed by that subdivision.

(j-7) Requires the board to provide PRB with a copy of a proposed rule for purposes of Subsection (j-6) of this section at least 90 days before the date the board intends to implement the rule.

(j-8) Prohibits the board from adopting a rule under Subsection (j-1)(2) of this section based on an evaluation under Subsection (j-5)(2) of this section if the board determines implementation of the rule would cause the amortization period of the unfunded actuarial accrued liability of the combined pension plan or any plan established under this article by the pension system to exceed 35 years, after taking into account implementation of the rule.

(j-9) Requires the board, at least twice each year, to have a meeting to receive public input regarding the pension system and to inform the public about the health and performance of the pension system. Entitles PRB to all documents and other information provided to the public or that are the basis for information provided to the public, as determined by PRB, for purposes of this subsection and requires PRB to independently review the information to ensure its validity.

(j-10) Requires an employee or other agent acting on behalf of the pension system or the city to certify to PRB that any information provided by the pension system or city, as appropriate, under this article or other law is accurate and based on realistic assumptions.

(n) Provides that six trustees of the board constitute a quorum at any meeting. Deletes existing text providing that four trustees of the board constitute a quorum at any called meeting, except that a trustee from the police department and a trustee from the fire department are required be present to conduct business.

(o) Provides that no action may be taken by the board except at a meeting. Requires that no action be taken during a board meeting without the approval of a majority of the trustees of the board, rather than the trustees present, except as otherwise specifically provided by this article or other law. Provides that no certain action otherwise authorized by this article or other law may be taken during a board meeting without the approval of at least a two-thirds vote of all the trustees of the board, except as otherwise specifically provided by this article or other law.

(o-1) Creates this subsection from existing text and makes no further changes to this subsection.

(p) Authorizes the board to file suit on behalf of the pension system in a court of competent jurisdiction regardless of the court's location. Provides that the board has sole authority to litigate matters on behalf of the pension system. Requires that an action against the pension system or the board, notwithstanding Chapter 15 (Venue), Civil Practice and Remedies Code, or any other law, be brought in a court of competent jurisdiction located in the city or county in which the pension system is located.

(q) Authorizes the board to purchase from one or more insurers one or more insurance policies that provide for the reimbursement of a trustee or employee of the pension system for liability imposed as damages caused by, and for costs and expenses incurred by the individual in defense of, an alleged act, error, or omission committed by the individual in the individual's capacity as a fiduciary or employee of the pension system. Prohibits the board from purchasing an insurance policy that provides for the reimbursement of a trustee or employee of the pension system due to the trustee's or employee's dishonesty, fraudulent breach of trust, lack of good faith, intentional fraud or deception, or intentional failure to act prudently.

(r) Requires the board to adopt a code or codes of ethics consistent with Section 825.212 (Retirement System Ethics Policy), Government Code. Authorizes the board, in adopting or amending a code or codes of ethics, to consider comments on the policy from the city attorney of the city. Requires the board to:

(1) review the code or codes of ethics on an annual basis and amend the code or codes as the board considers necessary;

(2) file a copy of the code or codes of ethics adopted or amended in accordance with this subsection with PRB; and

(3) provide a copy of the code or codes of ethics adopted or amended in accordance with this subsection to the city attorney.

(s) Requires the board to develop an Internet website designed to give active members and pensioners access to the information concerning the pension system and the individual's participation in the pension system required by Section 802.106 (Information to Member or Annuitant), Government Code, as well as information concerning the financial health of the pension system.

SECTION 1.06. Amends Part 3, Article 6243a-1, V.T.C.S., by adding Sections 3.011, 3.012, and 3.013, as follows:

Sec. 3.011. NOMINATIONS COMMITTEE. (a) Provides that, subject to Subsection (b) of this section, the nominations committee consists of:

(1) the executive director, who is a nonvoting member; and

(2) the president, chair, or other executive head of certain organizations or their successor organizations, or that person's designee.

(b) Provides that if an organization described by Subsection (a)(2) of this section elects not to participate on the nominations committee, is prohibited from participating on the nominations committee under Subsection (g) of this section, or ceases to exist, the nominations committee members appointed under that subsection consist only of representatives of the remaining organizations, if any.

(c) Requires the executive director to serve as presiding officer of the nominations committee.

(d) Requires the nominations committee to meet at the call of the presiding officer.

(e) Requires the nominations committee to nominate trustees to the board in accordance with Sections 3.01(b)(2) and (b-3) of this article.

(f) Provides that a person serving on the nominations committee under Subsection (a)(2) of this section serves without compensation and is prohibited from being reimbursed for travel or other expenses incurred while conducting the business of the nominations committee. Prohibits the executive director from receiving additional compensation for service on the nominations committee.

(g) Prohibits an organization described by Subsection (a)(2) of this section from participating on the nominations committee unless the organization is in good standing with the Texas secretary of state, if applicable.

(h) Provides that Chapter 2110 (State Agency Advisory Committees), Government Code, does not apply to the nominations committee.

(i) Authorizes the nominations committee to establish policies and procedures governing its operations.

Sec. 3.012. REMOVAL OF TRUSTEES. (a) Provides that in accordance with procedures adopted by board rule, a trustee:

(1) appointed under Section 3.01(b)(1) of this article is authorized to be removed by the mayor for cause; and

(2) elected under Section 3.01(b)(2), (3), or (4) of this article is authorized to be removed by the nominations committee for cause.

(b) Sets forth the causes for removal of a trustee from the board.

(c) Provides that the validity of an action of the board is not affected by the fact that it is taken when a cause for removal of a trustee exists.

(d) Requires the executive director, if the executive director has knowledge that a potential cause for removal exists, to notify the chairman of the board of the potential cause. Requires the chairman to then notify the mayor or nominations committee, as appropriate, that a potential cause for removal exists. Requires the executive director, if the potential cause for removal involves the chairman, to notify the vice chairman or next highest ranking officer of the board, who is required to then notify the mayor or nominations committee, as appropriate, that a potential cause for removal exists.

Sec. 3.013. TRUSTEE TRAINING. (a) Requires a person who is appointed or elected to the board and qualifies for office as a trustee to complete a training program that complies with this section.

(b) Requires that the training program provide the person with certain information.

(c) Requires the executive director to create a training manual that includes the information required by Subsection (b) of this section. Requires the executive director to distribute a copy of the training manual annually to each trustee. Requires each trustee, on receipt of the training manual, to sign and submit to the executive director a statement acknowledging receipt of the training manual.

SECTION 1.07. Amends Section 3.02, Article 6243a-1, V.T.C.S, as follows:

Sec. 3.02. PROFESSIONAL CONSULTANTS. Provides that, in addition to the authority of the board to employ the services of certain consultants set forth in this article, the board has the authority to employ the services of any professional consultant recommended by the executive director, including investment advisors and investment managers, whenever the services of the consultants are considered necessary or desirable and in the best interests of the pension system, as determined by the board in consultation with the executive director. Makes a nonsubstantive change.

SECTION 1.08. Amends Part 3, Article 6243a-1, V.T.C.S., by adding Section 3.025, as follows:

Sec. 3.025. CHIEF INVESTMENT OFFICER. Authorizes the executive director to hire a chief investment officer, subject to confirmation by the board, to assist the pension system regarding the investment of assets of the fund. Requires that compensation for a chief investment officer hired under this section be made in accordance with Section 4.01 of this article.

SECTION 1.09. Amends Section 3.03, Article 6243a-1, V.T.C.S, by amending Subsections (b) and (c) and adding Subsection (b-1), as follows:

(b) Authorizes, rather than requires, the city attorney or an assistant city attorney, subject to Subsection (b-1) of this section, to attend board meetings, rather than all meetings of the board, and to advise the board on any matter on which the pension system, rather than the board, requests a legal opinion from the city attorney.

(b-1) Provides that the city attorney or an assistant city attorney is not required to provide an opinion under Subsection (b) of this section unless the opinion is requested by the city council on behalf of the pension system. Authorizes the city attorney or assistant city attorney to decline to provide the opinion if the subject matter of the request is too

dependent on disputed facts to permit a generalized opinion, as determined by the city attorney or assistant city attorney.

(c) Authorizes the board to retain other attorneys to serve as legal advisors to the board, rather than represent the board or to give advice. Authorizes the executive director to hire a chief legal officer, subject to confirmation by the board, or other attorneys if necessary to carry out the business of the pension system. Requires that compensation for a chief legal officer or other attorneys hired under this subsection be made in accordance with Section 4.01 of this article.

SECTION 1.10. Amends Section 3.04, Article 6243a-1, V.T.C.S., as follows:

Sec. 3.04. New heading: APPOINTMENT OF EXECUTIVE DIRECTOR. (a) Provides that the board has the authority to appoint an executive director to assist the board with administering the pension system and ensure that records are kept of the proceedings of the board, rather than provides that the board has the authority to appoint an administrator to carry out the business of the board and to keep a record of the proceedings of the board. Provides that, subject to Subsection (a-1) of this section, a person appointed executive director under this section:

(1) is required to have, to the extent possible, relevant experience in managing a similarly situated business entity; and

(2) is prohibited from a current or former trustee.

Deletes existing text prohibiting the administrator, in carrying out the business of the board within the scope of the administrator's responsibility, from being considered a fiduciary with respect to the pension system.

(a-1) Requires the board, to, during any period in which the most recent actuarial valuation of the pension system indicates that the period needed to amortize the unfunded actuarial accrued liability of the pension system exceeds 35 years, to the extent lapsed investments are a significant portion of the pension system's assets, ensure that the executive director appointed under Subsection (a) of this section has, or hires staff that has, appropriate experience in managing a business entity with lapsed investments in a manner that resulted in the improved liquidity or profitability of the business entity.

(b) Authorizes the executive director, subject to Subsections (b-1) and (b-3) of this section, rather than subject to the approval of the board, to select any number of persons the executive director determines appropriate to assist the executive director in carrying out the executive director's duties under this section. Requires that the titles and salaries of persons selected to assist the executive director, subject to Section 4.01 of this article, be determined by the executive director. Makes a conforming change.

(b-1) Prohibits the executive director from selecting a person to assist the executive director who is an active, former, or retired police officer or fire fighter of the city.

(b-2) Requires the executive director to establish the organizational structure of pension system employees to optimize administration of the pension system.

(b-3) Prohibits a former or retired employee of the city before the second anniversary of the first day of the month following the date the person terminated employment with the city from serving the pension system in any capacity other than as a trustee. Prohibits an employee of the city, except as specifically provided by this article or other law, including Section 3.01(b)(3) or (4) of this article, from serving the pension system in any capacity.

(c) Authorizes the executive director and those persons selected to assist the executive director, rather than both the administrator and those persons selected to assist the administration, to be considered employees of the city. Requires the board, unless otherwise delegated to the executive director, to have the ultimate authority to retain, discipline, or terminate the engagement of the executive director, rather than any persons selected under this subsection. Makes conforming changes.

(d) Provides that, if acting in the executive director's own discretion, the executive director owes a fiduciary duty to the pension system and is required to ensure the sustainability of the pension system for the purpose of providing current and future benefits to members of the pension system and their beneficiaries. Provides that, if the executive director is acting at the direction of the board and not exercising the executive director's own discretion, the executive director does not owe a fiduciary duty under this subsection.

SECTION 1.11. Amends Sections 4.01(a), (c), and (d), Article 6243a-1, V.T.C.S., as follows:

(a) Requires the board to pay for all costs of administration out of the income from the fund when in the judgment of the board the costs are necessary, including certain costs.

(c) Provides that no expenditure for the costs of administration, including the payment of any fee for professional consultants, professional investment management services, or any other person providing professional services, is authorized to be made from the fund without the approval of the board. Makes a nonsubstantive change.

(d) Requires that the budget, after the board has developed an annual budget for the pension system, be presented to the city manager, rather than the city's budget office, for comment. Authorizes the city manager to request the board to reconsider the appropriation for any expenditure at a board meeting, but requires the board to make the final determination concerning any appropriation. Makes a conforming change.

SECTION 1.12. Amends Sections 4.02(b), (d), and (e), Article 6243a-1, V.T.C.S., as follows:

(b) Provides that the city is not responsible for the payment of any administrative or professional service fees of the pension system. Authorizes any change to the contributions required to be made to the pension system by the city to only be made in a certain manner. Deletes existing text requiring that the contributions be annually appropriated by the city council and periodically paid on the basis of a percentage of the total wages and salaries of the members of the police and fire departments who are members of each of the plans within the pension system. Deletes existing text authorizing the amount of this percentage and any change in it to be determined only in a certain manner.

(d) Requires the city, subject to Section 4.025 of this article, to make contributions to the pension system biweekly in an amount equal to the sum of certain amounts. Deletes existing text requiring that the percentage of required contributions from the city be in accordance with a certain schedule and any increase or decrease in city contributions occur automatically on any increase or decrease in the members' contribution percentage.

(e) Provides that the city is required to pay the contribution amount described by Subsection (d)(2) (relating to an amount equal to 1/26th of \$13 million) of this section only through the last biweekly pay period that ends after December 31, 2024. Deletes existing text authorizing the city to elect to contribute more than that required in the schedule provided by Subsection (d) of this section, except that the city's contribution percentage is prohibited from exceeding 28-1/2 percent unless approved as provided by Subsection (b) of this section. Deletes existing text providing that in no event may the city's contribution be less than 21-1/2 percent unless approved as provided by Subsection (b).

SECTION 1.13. Amends Part 4, Article 6243a-1, V.T.C.S., by adding Section 4.025, as follows:

Sec. 4.025. CITY OR MEMBER CONTRIBUTIONS IF NO UNFUNDED ACTUARIAL LIABILITIES. Requires that the annual normal costs, notwithstanding Section 4.02 or 4.03 of this article, if the pension system has no unfunded actuarial liability according to the most recent actuarial valuation, be equally divided between the city and the members unless equally dividing the costs would increase the member contribution rates beyond the rates prescribed by Section 4.03 of this article. Requires the board to adjust the city contribution rates under Section 4.02 of this article and the member contribution rates under Section 4.03 of this article accordingly, and certify the adjusted rates. Provides that after the completion of a subsequent actuarial valuation showing unfunded actuarial liabilities, the contribution rates applicable under Sections 4.02 and 4.03 of this article apply.

SECTION 1.14. Amends Section 4.03, Article 6243a-1, V.T.C.S. by amending Subsections (a), (b), (c), (d), and (g) and adding Subsections (a-1), (d-1), (d-2), and (i), as follows:

(a) Requires each Group A member of the combined pension plan, subject to Subsection (a-1) of this section and except as provided by Section 4.025 of this article, to have 13.5 percent, rather than 6.5 percent, of base pay deducted from the member's wages on a biweekly basis, rather than each month, and requires that the contributions be promptly remitted to the fund by the city.

(a-1) Provides that if a Group A member is assigned, for any period, to a job-sharing program or any similar work schedule that is considered by the member's police or fire department to be less than a full-time work schedule, the member's contributions are determined by multiplying the applicable contribution rate by a fraction, the numerator of which is the number of hours the member actually worked during the period and the denominator of which is the number of hours the member would have worked during the period if the member had been working a full-time work schedule.

(b) Requires each member to contribute, rather than continue to contribute, to the fund under the applicable terms of this article, rather than section, until the member leaves active service with either department. Requires the member, if a member leaves active service with a department, rather than until the beginning of the member's 33rd year of pension service, to cease making contributions. Makes nonsubstantive changes.

(c) Requires each Group B member to authorize the city to deduct from the member's salary a percentage of the member's computation pay. Requires that the authorization be in writing and filed with the executive director, rather than the administrator.

(d) Requires each Group B member, subject to Subsection (d-1) of this section and except as provided by Section 4.025 of this article, for pay periods starting on or after September 1, 2017, to have 13.5 percent, rather than 8.5 percent, of the member's computation pay deducted from the member's wages on a biweekly basis, rather than each month, and requires that the contributions be promptly remitted to the fund by the city.

(d-1) Provides that if a Group B member is assigned, for any period, to a job-sharing program or any similar work schedule that is considered by the member's department to be less than a full-time work schedule, the member's contributions are determined by multiplying the applicable contribution rate by a fraction, the numerator of which is the number of hours the member actually worked during the period and the denominator of which is the number of hours the member would have worked during the period if the member had been working a full-time work schedule.

(d-2) Defines "computation pay."

(g) Prohibits the percentage of base pay contributed by Group A members or computation pay contributed by Group B members from being altered except by an adjustment under

Section 4.025, rather than an amendment pursuant to the terms of Section 4.02, of this article.

(i) Authorizes member contributions under this article or any payments a member is entitled to make under this article to receive additional pension service to be picked up by the city under the terms of an appropriate resolution of the city council.

SECTION 1.15. Amend Section 4.04, Article 6243a-1, V.T.C.S., by amending Subsections (a), (c), (d), (e), (f), (g), (h), (j), and (k) and adding Subsections (f-1) and (h-1), as follows:

(a) Creates an exception under Subsection (d) or (e) of this section. Provides that a refund under this subsection results in a total cancellation of pension service credit and the member and any person who would otherwise take by, through, or under the member is not entitled to any benefits from the pension system, rather than results in an appropriate reduction of pension service.

(c) Requires a Group B member who desires a refund, rather than a former Group B member desiring a refund, of the Plan B or Group B contributions under Subsection (a) of this section, rather than contributions the person made to the fund, to make written application for the refund with the executive director. Provides that in no case may any refund be made to a Group B member, rather than any former Group B member, before the expiration of 30 days after the date the person leaves active service. Makes a conforming change.

(d) Authorizes the deceased member's designee, rather than the person's heirs or, if there are no heirs, the deceased member's estate, if the Group B member described by this subsection dies after leaving active service, to apply for the refund of the person's contributions, resulting in an appropriate loss of pension service if the application is filed with the executive director within three years after the date of the notice described by Subsection (j) of this section made by the board. Provides that, subject to Subsection (k) of this section, if a Group B member's designee fails to apply for a refund of the Group B member's contributions within the three-year period described by this subsection, the designee forfeits, rather than the heirs and the estate forfeit, any right to the contributions, and the total amount of the Plan B and Group B contributions made by the Group B member will remain in the fund. Makes conforming and nonsubstantive changes.

(e) Authorizes a Group B member described by this subsection to apply for a Group B retirement pension, rather than benefits, under Section 6.02 of this article or, if the Group B member dies before the member is eligible to apply for a Group B retirement pension, the member's qualified survivors, rather than the person's heirs or, if there are no heirs, the deceased member's estate, to apply for Group B death benefits under Sections 6.06, 6.061, 6.062, and 6.063 of this article, rather than to apply for benefits in accordance with the provisions of this article. Provides that if the Group B member dies before the member is eligible to apply for a Group B retirement pension and the member has no qualified survivors, the Group B member's designee, rather than the heirs or the estate, to apply for a refund of the Group B member's Plan B and Group B contributions, resulting in a total cancellation, rather than an appropriate loss, of pension service. Provides that, subject to Subsection (k) of this section, if a Group B member's designee fails to apply for a refund of the Group B and Plan B member's contributions within the three-year period described by this subsection, the designee forfeits any right to the contributions, and the total amount of the Plan B and Group B contributions made by the Group B member will remain in the fund. Makes conforming and nonsubstantive changes.

(f) Entitles a Group B member, other than a Group B member who elects or has elected to receive a Group A benefit or a benefit determined under the old plan or Plan A, who either voluntarily or involuntarily leaves active service with five or more years of pension service, subject to Subsections (g) and (h) of this section, to certain amounts. Deletes existing text relating to a certain Group B member having five or more years of pension service. Makes nonsubstantive changes.

(f-1) Provides that a Group B member who elects to receive a refund under Subsection (f)(1) (relating to having the total amount of a member's contributions refunded) of this section and any person who would otherwise take by, through, or under the member is not entitled to any benefits from the pension system.

(g) Makes a nonsubstantive change.

(h) Entitles a Group B member, rather than a former Group B member, who first entered active service on or after January 1, 1999, to have the total amount of the person's Group B contributions refunded under Subsection (a) of this section in accordance with Subsection (f)(1) of this section, but is prohibited from receiving a refund of less than the total amount in accordance with Subsection (f)(2) (relating to a member taking less than the total amount) of this section.

(h-1) Creates this subsection from existing text. Provides that a Group B member who leaves active service and later returns to active service is permitted to repay to the fund any previously withdrawn employee contributions and receive pension service in accordance with Section 5.07(d) of this article as a Group B member to the extent that before again leaving active service, the Group B member repays, rather than repays completely, to the fund the previously withdrawn contributions with interest, calculated at the interest rate from time to time used in the pension system's actuarial rate of return assumptions, compounded annually, on the previously withdrawn contributions, rather than previously withdrawn contributions for the period from the date the contributions were withdrawn until the date the principal and accrued interest are repaid in full. Makes nonsubstantive changes.

(j) Requires the board to, on the 58th anniversary, rather than 50th anniversary, of the birth of a Group B member described by Subsection (d) or (e) of this section, or on the board's receipt of notice of the death of the Group B member, by registered or certified mail, return receipt requested, attempt to notify the Group B member or designee, as applicable, of the status of the person's entitlement to a refund of contributions from the fund. Makes a conforming and a nonsubstantive change.

(k) Requires a Group B member or designee described by Subsection (d) or (e) of this section, rather than a Group B member described by Subsection (d) or (e) of this section or the heirs or estate of the Group B member, to have the person's right, title, interest, or claim to a refund of the Group B member's contributions reinstated only on the board's grant of their written request for a reinstatement and refund. Requires that the board's decision be based on a uniform and nondiscriminatory basis, rather than a nondiscriminatory policy that it is required to, from time to time, adopt. Makes a nonsubstantive change.

SECTION 1.16. Amends Section 4.06(c), Article 6243a-1, V.T.C.S., to change a reference to the administrator to the executive director.

SECTION 1.17. Amends Section 4.07, Article 6243a-1, V.T.C.S., by amending Subsections (a), (d), and (g) and adding Subsection (h), as follows:

(a) Authorizes the board, subject to Section 4.071 of this article, if the board determines that there is in the fund a surplus exceeding a reasonably safe amount to take care of current demands on the pension system, to invest or direct the investment of the surplus for the sole benefit of the pension system.

(d) Requires that any contract that the board makes with an investment manager set forth the board's investment policies and guidelines, rather policies and guidelines of the board for the use of standard rating services and include specific criteria for determining the quality of investments.

(g) Requires a bank or trust company, rather than no investment manager other than a bank, that has custody and trustee powers and a contract with the board to provide

assistance in making investments to be the custodian or master trustee of any of the securities or other assets of the fund.

(h) Requires the board through policy to establish an investment advisory committee composed of trustees and outside investment professionals to review investment related matters as prescribed by the board and make recommendations to the board. Requires that a majority of the members of the committee established under this subsection be outside investment professionals.

SECTION 1.18. Amends Part 4, Article 6243a-1, V.T.C.S., by adding Section 4.071, as follows:

Sec. 4.071. BOARD APPROVAL OF CERTAIN ALTERNATIVE INVESTMENTS. (a) Prohibits the executive director, an investment manager, a provider of professional investment management services or professional advisory services, or any other person delegated authority to invest or reinvest pension system assets under this article from investing pension system assets in a single alternative investment unless the board votes to approve the investment by at least a two-thirds vote of all the trustees.

(b) Authorizes the board to adopt rules necessary to implement this section.

SECTION 1.19. Amends Section 4.08, Article 6243a-1, V.T.C.S., by adding Subsection (c), to require the executive director, on written request by the city, to make available to the city's actuary or auditor the information and documents provided to or used by the pension system's actuary or auditor in conducting an actuarial valuation under this article or preparing any other document prepared under this article.

SECTION 1.20. Amends Section 4.09, Article 6243a-1, V.T.C.S., to change a reference to the administrator to the executive director.

SECTION 1.21. Amends Section 5.01, Article 6243a-1, V.T.C.S., as follows:

Sec. 5.01. MEMBERSHIP IN COMBINED PENSION PLAN. (a) Provides that, except as provided under Subsection (a-1) of this section, the membership of the combined pension plan is composed of certain persons. Makes nonsubstantive changes.

(a-1) Provides that Group A or Group B members do not include any employee of the city who is required by ordinance or who elects, in accordance with an ordinance, to participate in an alternative benefit plan established under Section 3.01(j-1)(2) of this article based on an evaluation under Section 3.01(j-5)(2) of this article or required by ordinance to participate in an alternative benefit plan established under Section 810.002, Government Code.

(b) Changes a reference to administrator to executive director. Requires the person to, if the person described by this subsection does not elect to become a Group A or Group B member, on leaving active service receive a retirement pension in an amount that is unadjusted for the period of return to active service if the person meets all of the requirements of Group A membership. Deletes existing text authorizing the board, as a condition of either Group A or Group B membership, to require the person to undergo a physical examination and be certified by the health director as being capable of performing the duties to which the person will be assigned.

(c) Requires the person to, if the person described by this subsection does not elect to again become a Group B member, on leaving active service, if the person meets all applicable requirements of this article, to receive benefits in an amount equal to the amount the person was receiving as of the day before the day the person returned to active service, and that the person's base pension be the same as the base pension originally computed before the return to active service. Deletes existing text authorizing the board, as a condition of Group B membership, to require the pensioner to undergo a physical examination and be

certified by the health director as being capable of performing the duties to which the person will be assigned. Makes a conforming change.

(d) Authorizes a person who is on active service and is a Group A member to, before the person participates in the deferred retirement option plan (DROP), irrevocably elect to become a Group B member by filing a written application with the executive director. Provides that the contributions do not, by themselves, establish, rather than constitute, Group B membership. Provides that Group B membership is contingent on the satisfaction of certain conditions. Makes a conforming change.

(d-1) Creates this subsection from existing text. Requires that all payments made under Subsection (d)(1) (relating to required actions before participating in DROP) of this section, as well as those contribution amounts paid by the person after the person's application for Group B membership that are in excess of the Group A member contribution rate, if the fund does not receive payment under Subsection (d)(1) of this section by the date prescribed by Subsection (d)(2) (relating to the completion of payments) of this section, to be returned without accrued interest to the person, or in the event of the person's death to the person's designee, rather than to the person's surviving spouse, children, or estate, as applicable.

(e) Makes a conforming change.

SECTION 1.22. Amends Sections 5.02(a), (d), (e), (h), and (i), Article 6243a-1, V.T.C.S., as follows:

(a) Provides that the effective date of Group B membership for a person who becomes a Group B member under Section 5.01(a)(2)(A) or (B) of this article, rather than persons described by those sections, is the date the Group B member first became a member of Plan B, rather than January 1, 1993.

(d) Provides that the effective date of Group B membership for a person, rather than for a former Group B member, who again becomes a Group B member and is described by Section 5.01(a)(2)(E) of this article is the person's original effective date of Group B membership, adjusted for any period for which the person was not on active service or has withdrawn some, but not all, contributions to the fund pursuant to Section 4.04 of this article. Provides that if, however, the person withdraws, rather than the former Group B member has withdrawn, all contributions to the fund in accordance with Section 4.04 of this article, and the person does not replace the previously withdrawn contributions together with interest as provided by Section 4.04(h-1), rather than Section 4.04(h), of this article, the effective date of the person's membership is the date of return to active service. Makes nonsubstantive changes.

(e) Provides that the effective date of membership for a person who becomes a Group B member pursuant to Section 5.01(b) of this article is the date on which written application for the membership is filed with the executive director, rather than the administrator.

(h) Changes a reference to Section 5.02 to Section 5.08.

(i) Changes a reference to administrator to executive director.

SECTION 1.23. Amends Section 5.03, Article 6243a-1, V.T.C.S., by amending Subsections (c) and (d) and adding Subsection (c-1), as follows:

(c) Authorizes a Group B member who is on active service and was a former contributing member of either the old plan or Plan A, rather than a Group B member or former Group B member who also a former contributing member, to elect, when applying for either a retirement or disability pension if applicable, to terminate membership and receive a Group A retirement or disability pension under the applicable provisions of this article, if

the Group B member's application for retirement or disability pension is granted by the board.

(c-1) Authorizes a Group B member who is not on active service and was a former contributing member of either the old plan or Plan A to elect, when applying for a retirement pension, to terminate membership and receive a Group A retirement pension under the applicable provisions of this article, if the Group B member's application for retirement pension is granted by the board.

(d) Provides that if a Group B member, rather than a Group B member or former Group B member, described by Subsection (c) or (c-1) of this section has elected and been granted a Group A retirement or disability pension under the applicable provisions of this article, the person is entitled to a reimbursement from the fund. Requires a Group B member desiring a refund of excess contributions to make written application for the refund with the executive director, rather than the administrator, within three years after the date the person's Group A retirement or disability pension, whichever is applicable, begins, otherwise, the person will lose all right, title, interest, or claim to the refund until such time as the board grants the refund in response to the person's written request. Makes conforming and nonsubstantive changes.

SECTION 1.24. Amends Section 5.04, Article 6243a-1, V.T.C.S., as follows:

Sec. 5.04. GROUP B MEMBERSHIP MAY BE DECLARED INACTIVE. (a) Creates an exception under Subsection (d)(1) (relating to declaring a Group B membership inactive) of this section and makes a nonsubstantive change.

(b) Creates an exception under Subsection (d)(2) (relating to declaring a Group B membership inactive) of this section and makes a nonsubstantive change.

(c) Requires the board to, except as provided by Subsection (d)(3) of this section, if the board receives valid information that a Group B primary party has died, rather than has died leaving one or more heirs, by registered or certified mail, return receipt requested, attempt to notify certain persons.

(d)(1) Changes a reference to receiving the notice to the date of the notice.

(2) Makes a conforming change.

(3) Provides that, subject to the provisions of Subdivision (5)(C) of this subsection, if a primary party described by Subsection (c) of this section:

(A) does not have any qualified survivors, the designee has, rather than the heirs or estate of a deceased primary party described by Subsection (c) of this section have, no right, title, interest, or claim for a refund of the primary party's contributions to the fund, rather than the benefits or a refund, if the designee does not file an application for the primary party's contributions within three years after the date of the notice described in Subsection (c) of this section; or

(B) has qualified survivors, the qualified survivors, rather than the heirs or the estate, whichever is applicable, fails to file an application for, have no right, title, interest, or claim to the primary party's death benefits if the qualified survivor does not file an application for the benefits, rather than benefits or contributions, within three years after the date of the notice described in Subsection (c), rather than by Subdivision (4), of this section. Makes conforming and nonsubstantive changes.

(4) Requires the board to, on the 58th anniversary, rather than the 50th anniversary, of the birth of a Group B member described by Subsection (a) or (b) of this section, rather than or on the board's receipt of notice of the death of a primary party described by Subsection (c) of this section, by registered or certified mail, return receipt requested, attempt to notify certain persons.

(5)(A) Makes no changes to this paragraph.

(B) Changes a reference to service retirement benefit to retirement pension under Section 6.02 of this article.

(C) Requires a primary party's qualified survivors or designee, as appropriate, rather than the heirs or estate of a primary party, described by Subdivision (3) of this subsection to have their right, title, interest, or claim to the primary party's refund of the party's contributions reinstated on the board's grant of their written request, rather than written request for the reinstatement and refund. Deletes existing text requiring that the board's decision be based on a uniform and nondiscriminatory policy that it is required to, from time to time, adopt.

SECTION 1.25. Amends Section 5.05, Article 6243a-1, V.T.C.S., as follows:

Sec. 5.05. PENSION SERVICE. (a) Requires a member, subject to Subsection (d) of this section and except as provided by Subsection (e) of this section, to receive pension service for the time, computed in years and fractional years for months and days, completed as a member of the combined pension plan, the old plan, Plan A, or Plan B.

(b) Authorizes a member who elects to pay contributions for time spent on military leave, authorized non-uniformed leave of absence, or for an apprenticeship or probationary period, or for any other reason provided for by this article to receive pension service for the time, rather than prohibits a member from receiving any pension service for any part of the time, for which the member is contributing only to the extent provided under Section 5.07(d), 5.08, or 5.09 of this article, rather than until the entire amount due the fund for the entire period involved has been paid as if the service were performed as a member.

(c) Provides that if, however, the member had withdrawn the person's contributions and did not replace the previously withdrawn contributions, rather than contributions with interest, as required by Section 4.04 of this article, the member forfeits any pension service attributable to any period of time for which the respective contributions were not repaid, rather than forfeits any pension service accrued while a member before the date of the person's return to active service. Makes nonsubstantive changes.

(d) Provides that if a member is assigned, for any period, to a job-sharing program or any similar work schedule that is considered by the member's department to be less than a full-time work schedule, the member's pension service is determined by multiplying the pension service that could have been earned for full-time work during the period by a fraction, the numerator of which is the number of hours the member actually worked during the period and the denominator of which is the number of hours the member would have worked during the period if the member had been working a full-time work schedule. Prohibits this proration from affecting the computation of pension service for a member during any period the member is on certain leave.

(e) Prohibits a member, notwithstanding any other provision in this section, from receiving a pension service attributable to nonqualified service to the extent the pension service would result in either more than five years of permissive service

attributable to nonqualified service being taken into account, or any permissive service being taken into account before the member has completed at least five years of active service. Defines "permissive service" and "nonqualified service."

SECTION 1.26. Amends Sections 5.06, 5.07, 5.08, and 5.09, Article 6243a-1, V.T.C.S., as follows:

Sec. 5.06. VESTED RIGHTS OF GROUP B MEMBERS. (a) Makes a nonsubstantive change.

(b) Requires that a Group B member, under certain circumstances, be provided with a letter approved by the board and signed by the executive director, rather than signed by the administrator, that, barring unrepaid refunds, clerical error, miscalculation, or other error, is incontestable and required to state, among certain other information, the monthly retirement pension due the Group B member at age 58, rather than at age 50.

Sec. 5.07. PURCHASE OF PENSION SERVICE BY GROUP B MEMBERS. (a) Authorizes a Group B member who is on active service and has previously elected not to become a contributing member of the old plan or Plan A, rather than a contributing member of the old plan and Plan A, to purchase pension service from the fund for that period during which the member performed active service with either department until the effective date of the member's Group B membership. Provides that no pension service may be given to the Group B member except to the extent that payment is made for the pension service in accordance with Subsection (d), rather than provides that no pension service may be given to the Group B member until payment is made for the entire period described by this subsection, and provides that no pension service may be purchased for any period that is of greater or lesser length.

(b) Requires that payment for the purchase of pension service under Subsection (a) be equal to the amount of contributions the Group B member would have made to the old plan and Plan A had the member been a contributing member of either of the plans during the period for which the pension service is being purchased, rather than during the period described by Subsection (a), plus interest calculated in accordance with procedures adopted by the board from time to time.

(c) Authorizes a Group B member who is on active service, subject to Subsection (d), to repay the fund all or a portion of the employee contributions withdrawn by an alternate payee pursuant to the terms of a qualified domestic relations order with interest, calculated at the interest rate from time to time used in the pension system's actuarial rate of return assumptions, compounded annually, on the contributions for the period from the date the contributions were withdrawn until the date the principal and accrued interest are repaid, and receive pension service as a Group B member, in accordance with Subsection (d), for the period for which the contributions and interest were paid. Deletes existing text authorizing a Group B member to repay the fund all employee contributions withdrawn by an alternate payee pursuant to the terms of a qualified domestic relations order and receive pension service as a Group B member attributable to the contributions, if the Group B member repays completely to the fund the withdrawn contributions with interest, calculated at the interest rate from time to time used in the pension system's actuarial assumptions, compounded annually, on the contributions for the period from the date the contributions were withdrawn until the date the principal and accrued interest are repaid in full.

(d) Provides that, if payment of the entire amount of pension service a member is entitled to under Subsection (a) or (c) or under Section 4.04(h-1) is not completed by the earlier of the date the Group B member begins participation in DROP or the date the member leaves active service, pension service will be provided only for the number of full years of pension service that the contributions and interest paid under those provisions will purchase, computed based on the most recent years for which the member was entitled to purchase pension service, rather than requires that all partial payments, if payment of the entire amount is not

completed by the date the Group B member leaves active service, be returned to the Group B member or, if the Group B member has died, to the member's heirs or estate, whichever is applicable. Authorizes a fractional year of pension service, except for pension service that is picked up by the city under the authority of Section 414(h)(2), to be purchased only if less than a full year of pension service is available for purchase. Deletes existing text providing that no pension service may be given to a Group B member under Subsection (b) or (c) until the entire amount described by Subsection (b) or (c) has been paid to the fund.

(e) Requires that the amounts paid but insufficient to purchase one or more whole years of pension service that remain available for purchase, including any interest paid by the Group B member, be returned to the Group B member or, if the Group B member has died, to the Group B member's designee, without any accrued interest on the returned money.

(f) Prohibits any amounts that have been picked up and paid by the city, notwithstanding any other provision of this section, from being paid to a member or designee, and requires that the member be given credit for all years, and fractions of years, of pension service that can be purchased with the picked-up contributions.

Sec. 5.08. New heading: MEMBERS IN UNIFORMED SERVICES. (a) Defines “service in the uniformed services.”

(a-1) Creates this subsection from existing text. Requires that a member who is reemployed by the city after an absence due to service in the uniformed services receive contributions, benefits, and pension service that are no less favorable than those required by Section 414(u) in accordance with the procedure described by Subsection (c). Deletes existing text authorizing a member to receive pension service for time spent away from either department while on active duty in any of the military services of the United States, including service in any state or National Guard or any reserve component of any military service in accordance with the military leave provided by this section.

(b) Provides that, to the extent a provision of this section that was in effect before November 25, 1996, would provide a member who was on active service with the pension system before November 25, 1996, with greater rights, the prior provision of this section applies. Deletes existing text requiring that any member inducted into the armed forces as a draftee reapply for reinstatement with the member's prior department within 90 days after the date of honorable discharge or separation from military service and authorizing the member, on such reinstatement, to elect to repay the member's contributions at any time under the procedure described by Subsection (h).

(c) Redesignates existing text of Subsection (h) as Subsection (c). Requires that payment for credit for pension service under this section be made in accordance with Section 5.07 and a uniform and nondiscriminatory procedure adopted by the board, rather than requires that repayment be made in accordance with the procedure set forth in any uniform and nondiscriminatory military leave and payment procedure adopted by the board and in effect from time to time. Deletes existing Subsection (c) providing that any member enlisting in the armed forces, other than as a reservist, whose military service between June 24, 1948, and August 1, 1961, did not exceed four years, or whose military service began after August 1, 1961, and did not exceed five years if the fifth year is at the request and convenience of the federal government, and who was honorably discharged or separated from service is guaranteed, under the provisions of coverage described by this subsection, the right to restore pension service under the procedure described by Subsection (h). Deletes existing text relating to four-and-five-year leaves and limitations.

Deletes existing Subsection (d) providing that any member ordered to an initial period of active duty for training in a reserve component of not less than 12

consecutive weeks is entitled to restore pension service for the period absent from the member's department, if the member returns to the member's department within 31 days after the date of honorable discharge or separation from duty in the reserve unit.

Deletes existing Subsection (e) authorizing any member serving in a reserve component, voluntarily or involuntarily, to remain on military leave for four years, which may be extended for periods when the President of the United States calls the reserve unit into active duty. Deletes existing text providing that the service extension for members joining a reserve unit voluntarily is available only when the additional service is at the request and for the convenience of the federal government. Deletes existing text requiring that any member returning to the member's department under this provision report back to work within the time specified to the member by the department, giving due regard for travel time and hospitalization, if required. Deletes existing text providing that any inquiry into the validity of orders extending terms of reservist active duty for training will be referred to the Department of Labor's Office of Veterans' Employment and Training.

Deletes existing Subsection (f) providing that any member on military leave for short periods of authorized training, such as two-week encampments, are treated as on leave with pay for up to 15 working days in any one calendar year, during which time pension service automatically accrues. Deletes existing text providing that leave in excess of 15 days will be treated as described by Subsection (e).

Deletes existing Subsection (g) providing that, with the exception of circumstances described by Subsection (f), the city is not required to match contributions made by members under the terms of this section.

Sec. 5.09. New heading: **NON-UNIFORMED LEAVE OF ABSENCE.** (a) Defines "authorized non-uniformed leave of absence," rather than provides that an "authorized leave of absence" means any leave of absence that meets certain conditions.

(b) Authorizes a member, subject to the requirements of this section and any procedures adopted by the board, to receive pension service for time spent away from the member's department on an authorized non-uniformed leave of absence, rather than authorizes a member to receive pension service for time spent away from either department on an authorized nonmilitary leave of absence. Requires the member, to receive pension service under this section, to file with the executive director a written application to pay certain contributions to the fund, rather than requires that certain conditions be met to receive pension service for a nonmilitary leave of absence.

(b-1) Prohibits contributions made under Subsection (b)(2) (relating to contributions the city would have made on the member's behalf) of this section from being refunded to the member.

(b-2) Requires that the written application described by Subsection (b) be filed before the member's authorized non-uniformed leave of absence begins, unless the pension system determines that it would not be reasonable to expect the member to file the application before the authorized non-uniformed leave of absence begins, in which case the application is required to be filed as soon as circumstances permit, as determined by the pension system.

(b-3) Requires that the following additional conditions also be met in order to receive pension service under this section:

(1) provides that, if certain rates change before the end of the member's authorized non-uniformed leave of absence, the percentage required to be paid by the member also changes, so that the amount paid by the member in accordance with this section always equals the amount that would have been contributed by the member, and by the city on the member's behalf had the member remained on active service, rather than provides that, if

the city's contribution rate changes as provided by Section 4.02, the percentage of total wages and salary required to be paid by the member also changes, so that the amount paid by the member in accordance with this section always equals the amount that would have been contributed by the city on the member's behalf had the member remained on active service, and in no event is the city required to pay into the fund any contributions that would have been made on behalf of a member had the member remained on active service during the period of an authorized leave of absence. Redesignates existing Subsection (b)(4) as Subsection (b-3)(1);

(2) requires that payment of contributions as set forth in Subsection (b) begin coincident with the beginning of the applicable authorized non-uniformed leave of absence and be made monthly to the executive director for deposit in the fund, unless the board authorizes the deferment of the payments, in which case the payments are required to include interest calculated in accordance with Subsection (b-4), rather than requires that payment of contributions as set forth in Subdivisions (3) and (4) begin coincident with the beginning of the applicable leave of absence and be made monthly to the administrator for deposit in the fund, unless the board authorizes the deferment of the payments until the member has returned to active service. Redesignates existing Subsection (b)(5) as Subsection (b-3)(2);

(3) provides that no pension service will be granted to the member until the member returns to active service, and if the member does not return to active service, the contributions paid, including any interest paid, will be returned to the member except as provided by Subsection (c). Creates this subdivision from existing text;

(4) requires that the payment, if the board authorizes the deferment of the payments under Subdivision (2), be made either by authorizing the deduction of pro rata portions of the total amount due from the member's salary over a one-year period, or by cash payment made to the executive director within one year after the date of the member's return to active service, except that the board is authorized to approve a longer period for making the payment if under a certain condition, rather than authorizes the payment, if the board authorizes the deferment of the payments, to be made either by authorizing the deduction of pro rata portions of the total amount due from the member's salary over a one-year period, or by cash payment made to the administrator within one year after the date of the member's return to active service, except that the board is authorized to approve a longer period for making the payment under a certain condition. Creates this subdivision from existing text;

(5) requires the member to return to active service within 90 days after the date the member's authorized non-uniformed leave of absence expires, or if the member's authorized non-uniformed leave of absence does not have a fixed expiration date, within a reasonable time to be determined by the board, or the member forfeits the right to pay for the leave time. Redesignates existing Subsection (b)(6) as Subsection (b-3)(5); and

(6) provides that no member may ever be allowed to pay leave of absence contributions under this section for any time in excess of the time actually spent on an authorized non-uniformed leave of absence Redesignates existing Subsection (b)(7) as Subsection (b-3)(6).

(b-4) Provides that, for purposes of Subsection (b-3)(2), interest is calculated from the date the member's payment was first due, at the interest rate from time to time used in the pension system's actuarial rate of return assumptions, compounded annually until the date the principal and accrued interest are repaid in full.

(c)(1) Provides that, if a member of the combined pension plan is disabled or dies while on an authorized non-uniformed leave of absence, the member or the member's designee is entitled to a refund, rather than the member or the member's heirs are entitled to either a refund, of contributions pursuant to Section 4.04 of this article or the member or the member's qualified survivors are entitled to benefits under the provisions of this article, to the extent applicable.

(2) Provides that a member who is disabled or dies while on an authorized non-uniformed leave of absence pursuant to this section may receive no pension service for any portion of the period of the leave, except that if the member had, before the member's disability or death, paid for contributions while on an authorized non-uniformed leave of absence in accordance with this section, the member is required to receive pension service for the leave time actually paid for at the time of the member's disability or death, rather than provides that a member who is disabled or dies while on leave of absence pursuant to this section may receive no pension service for any portion of the period of the leave; except that if the member had, before the disability or death, paid for contributions while on leave of absence in accordance with Subsection (a) of this section, the member is required to receive pension service for the leave time actually paid for at the time of the member's disability or death, but provides that the member may receive no pension service for any portion of the period of leave for which contributions have not been paid to the administrator for deposit in the fund. Makes conforming and nonsubstantive changes.

SECTION 1.27. Amends Section 6.01, Article 6243a-1, V.T.C.S., by amending Subsections (a), (b), (d), (e), (f), (g), and (h) and adding Subsections (a-1) and (a-2), as follows:

(a) Requires that a Group A member, rather than a Group A member or former Group A member, have 20 years of pension service to be eligible for a Group A retirement pension under this section. Provides that a member's benefit election under this section once approved, rather than a member's application under this section, once made, is irrevocable.

(a-1) Creates this subsection from existing text. Provides that, if a Group A pensioner returns to active service as a police officer or fire fighter with the city, the person's Group A retirement pension ceases until that person again leaves active service with the city, rather than ceases until the time that the person again leaves active service with the city.

(a-2) Provides that, if a Group A pensioner resumes employment with the city in a capacity other than as a police officer or fire fighter, the pensioner's Group A retirement pension continues during the period of employment, except the pensioner is prohibited from accruing additional credit for pension service during this period. Provides that additional credit for pension service does not accrue during any period in which a Group A pensioner becomes employed by the city unless the additional credit is attributable to active service as a police officer or fire fighter with the city.

(b) Provides that at age 50 a Group A member, rather than a Group A member or former Group A member, is eligible to begin drawing a monthly Group A retirement pension. Provides that although the number of years used in the computation of longevity pay remains fixed at the earlier of the time a Group A member leaves active service or begins participation in DROP, rather than remains fixed at the time a Group A member or former Group A member leaves active service, the monthly rate of longevity pay used in this computation is subject to change in the event of an amendment to the state law governing longevity pay.

(d) Provides that the element of annual retirement pension computed under Subsection (c)(1) (relating to computing an annual Group A retirement pension) of this section is subject to the following limitations:

(1) makes no changes to this subdivision;

(2) requires that it be payable only to those Group A pensioners who, as Group A members on active service, rather than who as a Group A member on active

service, received city service incentive pay and who receive a monthly Group A retirement pension as determined under Subsection (b) of this section on the last day of September of each year. Makes nonsubstantive changes; and

(3) makes no changes to this subdivision.

(4) makes conforming changes.

(e) Provides that at age 55 a Group A member, rather than a Group A member or former Group A member, is eligible to begin drawing a monthly retirement pension computed as follows:

(1)(A) makes no changes to this paragraph; or

(B) if the Group A member had 34 or more years of pension service as of April 30, 1990, then the member's retirement pension is calculated at the rate calculated under the terms of the combined pension plan in effect on April 30, 1990, if the resulting amount would be greater than the amount calculated under Paragraph (A) of this subdivision. Makes a conforming change; plus

(2) and (3) makes conforming changes.

(f) Provides that, for purposes of Subsection (e) of this section, base pay and longevity pay are the amounts in effect on the earlier of the date the member begins participation in DROP or the date benefits are to begin, without subsequent adjustment. Deletes existing text providing that, notwithstanding Subsection (e) of this section, Group A pensioners payments under Subsection (e)(3) of this section are contingent on the city's continuing payment of city service incentive pay to Group A members on active service.

(g) Makes conforming changes.

(h) Provides that entitlement to the Group A retirement pension described by this section is subject to the following conditions:

(1) requires that a written application be filed with the executive director, rather than with the administrator;

(2) requires that the grant of a Group A retirement pension by the board be made at a meeting of the board held during the month the retirement pension is to become effective, or as soon after that as administratively possible, rather than held during the month the Group A retirement pension is to become effective, or as soon after that as possible; and

(3) makes no changes to this subdivision.

SECTION 1.28. Amends Section 6.02, Article 6243a-1, V.T.C.S., as follows:

Sec. 6.02. GROUP B RETIREMENT PENSION. (a) Authorizes a Group B member to apply for a Group B retirement pension under this section if the member has accrued five or more years of pension service, is no longer on active service with the department, has not withdrawn the member's contributions, and otherwise meets the age and pension service requirements under the applicable provision of this section, rather than authorizes a Group B member or former Group B member who has accrued five or more years of pension service to make application for a Group B retirement pension on reaching 50 years of age, or for an actuarially reduced Group B retirement pension on reaching 45 years of age. Provides that a member's benefit election application under a provision of this section, once approved, is irrevocable.

(a-1) Provides that, if a Group B pensioner returns to active service as a police officer or fire fighter with the city, the person's Group B retirement pension ceases until that person again leaves active service with the city.

(a-2) Provides that, if a Group B pensioner resumes employment with the city in a capacity other than as a police officer or fire fighter, the pensioner's Group B retirement pension continues during the period of employment, except the

pensioner is prohibited from accruing additional credit for pension service during this period. Provides that additional credit for pension service does not accrue during any period in which a Group B pensioner becomes employed by the city unless the additional credit is attributable to active service as a police officer or fire fighter with the city.

(b) Authorizes a Group B member who began active service before March 1, 2011, and who has attained at least 50 years of age, or who began active service on or after March 1, 2011, and has attained at least 58 years of age, and who otherwise meets the requirements of Subsection (a) of this section to elect to receive a Group B retirement pension that is required to be calculated in a certain manner, rather than requires a former Group B member or Group B pensioner who withdrew any of the person's Plan B or Group B contributions and who on again becoming a Group B member does not replace such previously withdrawn contributions with interest thereon as provided by Section 4.04 to earn at least five years of pension service after the time the person returns to active service to be eligible for a Group B retirement pension.

(b-1) Provides that, for purposes of Subsection (b)(1)(B) (relating to calculating the sum of a member's retirement pension for a member who began active service before March 1, 2011), the applicable percentage is based on the age of the Group B member when the member's retirement pension begins as set forth. Sets forth the percentages.

(b-2) Requires that the days during which the member earned no pension service due to a termination of active service or otherwise be disregarded in determining the 36 or 60 consecutive months of highest computation pay under Subsection (b)(1) or (2) (relating to calculating the sum of a member's retirement pension for a member who began active service on or after March 1, 2011), as appropriate. Prohibits the pension benefit calculated under Subsection (b) from exceeding the greater of 90 percent of the member's average computation pay determined under the applicable subsection or the vested and accrued benefit of a member as determined on August 31, 2017.

(c) Authorizes a Group B member who has either attained at least 45 years of age on September 1, 2017, or who attains at least 53 years of age after September 1, 2017, and who otherwise meets the requirements of Subsection (a), except as provided by Subsection (c-2), to elect to receive an actuarially reduced Group B retirement pension calculated in accordance with Subsection (c-1) not earlier and not later than certain dates. Deletes existing text providing that entitlement to a Group B retirement pension as described by Subsection (a) or (b) is subject to certain conditions.

(c-1) Requires that a Group B member who applies for an actuarially reduced Group B retirement pension under Subsection (c), except as provided by Subsection (c-2) and subject to Section 6.021, receive a pension calculated under Subsection (b), reduced by two-thirds of one percent per month, for each whole calendar month the benefit is payable before the month in which the member attains a certain age.

(c-2) Provides that, subject to Subsection (d-3) and for purposes of Subsection (c-1), if a Group B member's pension benefit calculated under Subsection (b) is equal to 90 percent of the member's average computation pay, the member is entitled to a Group B retirement pension under Subsection (c) at 45 or 53 years of age, as applicable, that is not actuarially reduced as provided under Subsection (c-1).

(d) Authorizes a Group B member who has accrued 20 or more years of pension service and has been on active service at any time on or after January 1, 1999, except as provided by Subsection (d-2), to elect to apply for a Group B retirement pension beginning at any time after the Group B member leaves active service, regardless of age. Authorizes a Group B member to elect a Group B retirement

pension under this subsection that is computed in a certain manner depending on certain conditions. Deletes existing text requiring that a Group B retirement pension be computed at a certain rate.

(d-1) Provides that a member who elects a pension under Subsection (d) is not entitled to minimum benefits under either Section 6.10A or 6.11 or benefits under Subsection (g).

(d-2) Provides that, subject to Subsection (d-3) and for purposes of Subsection (d), if a Group B member's pension benefit calculated under Subsection (b) is equal to 90 percent of the member's average computation pay, the member is entitled to a Group B retirement pension under Subsection (d) that is not reduced as provided under Subsection (d)(1) or (2) (relating to the computation of certain pensions).

(d-3) Requires that a Group B member's pension benefit calculated under Subsection (b) of this section, for purposes of Subsections (c-2) and (d-2) of this section, be calculated without application of any reduction under Subsection (b-1) of this section.

(e) Provides that a Group B member or former Group B member with 34 or more years of pension service as of April 30, 1990, is entitled to receive the greater of a Group B retirement pension calculated under the terms of Plan B as in effect on that date or a Group B retirement pension calculated pursuant to Subsection (b), rather than requires, however, a Group B member or former Group B member with 34 or more years of pension service as of April 30, 1990, to receive the greater of a Group B retirement pension calculated under the terms of Plan B as in effect on that date or a Group B retirement pension calculated pursuant to Subsection (d).

Deletes existing Subsection (f) authorizing a Group B member, or any former Group B member who was a Group B member as of any date after April 30, 1990, to apply for an actuarially reduced Group B retirement pension beginning no earlier than the person's 45th birthday but before the person's 50th birthday. Deletes existing text requiring that a Group B member or former Group B member who applies for an actuarially reduced Group B retirement pension beginning on or after the person's 45th birthday receive a pension calculated under Subsection (d), reduced by two-thirds of one percent per month for each whole calendar month the pension would be payable before the month in which the Group B member or former Group B member attains age 50.

(g) Provides that in no event may any Group B member, rather than any Group B member or former Group B member, who was at any time a Group A member or a contributing member of the old plan or Plan A, and who satisfied the applicable age and length-of-service requirements of the applicable plan at the time the person left active service, receive a retirement pension in an amount less than the amount the person would be entitled to receive as a Group A member.

(h) Requires that a Group B member who was not a Group B member on or after January 1, 1993, notwithstanding any other provision of this section, receive a retirement pension calculated under the applicable provisions of Plan B as that plan existed on the date the member terminated active service, rather than requires that a former Group B member who was not a Group B member on or after May 1, 1990, receive a retirement pension calculated under the applicable provisions of this plan as in effect on the date the person left active service.

(i) Provides that entitlement to a Group B retirement pension under Subsection (b), (c), (d), or (e) is subject to certain conditions. Deletes existing text authorizing a former Group B member who was not a Group B member after April 30, 1990, to request an actuarially reduced retirement pension beginning no earlier than a certain date and requiring that a former Group B member described by this subsection receive a retirement pension under the applicable provisions of Plan B as in effect on the date the person left active service, reduced by two-thirds

of one percent per month for each whole calendar month the pension would be payable before the month in which the former Group B member attains age 50.

SECTION 1.29. Amends Part 6, Article 6243a-1, V.T.C.S., by adding Sections 6.021 and 6.022, as follows:

Sec. 6.021. **AUTHORITY TO ADOPT ALTERNATIVE MULTIPLIERS FOR COMPUTATION OF CERTAIN GROUP B BENEFITS.** (a) Authorizes the board, by rule, for purposes of Section 6.02(c-1) or (d)(2), to adopt alternative multipliers, including an alternative table prescribing actuarially appropriate multipliers. Requires the board, in adopting rules under this subsection, to designate the date on which the alternative multiplier is required to take effect.

(b) Requires that copies of any alternative multipliers adopted under this section be maintained at the principal office of the pension system and published on the pension system's publicly available Internet website.

Sec. 6.022. **AUTHORITY TO REDUCE RETIREMENT AGE.** Authorizes the board, notwithstanding any other law, to reduce the age at which a Group B member is eligible to begin receiving a retirement pension, including an actuarially reduced retirement pension, under Section 6.02 of this article if the board determines that the reduction will not cause the amortization period of the unfunded actuarial accrued liability of the pension system to exceed 25 years, after taking into account the impact of the reduction. Prohibits a board action under this section from taking effect until PRB reviews the board's determination described by this section.

SECTION 1.30. Amends Section 6.03, Article 6243a-1, V.T.C.S., by amending Subsections (a), (d), (f), and (g) and adding Subsections (k) and (l), as follows:

(a) Authorizes the member, if a member who is on active service, other than a member participating in DROP, becomes disabled to the extent that the member cannot perform the member's duties with the member's department, to apply for a disability pension, subject to any uniform and nondiscriminatory disability application procedure and recall and review procedure adopted by the board and in effect from time to time, rather than authorizes the member, if a member becomes disabled to the extent that the member cannot perform the member's duties with the member's department, to apply for a disability pension, in accordance with any uniform and nondiscriminatory disability application procedure adopted by the board and in effect from time to time.

(d) Provides that no disability pension may be paid to a member for any disability if the disability was a result of an intentionally self-inflicted injury or a chronic illness resulting from an addiction by the member through a protracted course of indulgence in alcohol, narcotics, or other substance abuse that was not coerced, rather than through a protracted course of noncoerced indulgence in alcohol, narcotics, or other substance abuse.

(f) Provides that no disability pension may be paid if the chief of the member's department is able to provide the member with duties that are within the member's physical or mental capabilities, even though the duties are different from the duties the member performed before the disability, rather than if the chief of the member's department is able to provide the member with duties that are within the member's physical or mental capabilities, as long as the board agrees that the duties are within the member's capabilities, even though the duties are different from the duties the member performed before the disability.

(g) Requires that written application for a disability pension be filed with the executive director not later than the 180th day after the date the member leaves active service, rather than be filed with the administrator. Requires that a certain recommendation from the health director contain a statement indicating whether the member became disabled while the member was on duty or off duty and whether the disability was service-connected or was not service-connected, rather than whether the disability was service-connected or nonservice-connected.

(k) Provides that for purposes of Sections 6.04 and 6.05 of this article and this section:

- (1) longevity pay and incentive pay are the amounts in effect on the date the benefits are to begin, without subsequent adjustment; and
- (2) except as provided by Section 6.05(b-1), base pay is the amount in effect on the date benefits are to begin, without subsequent adjustment.

(l) Provides that, notwithstanding any other law, Subchapter B (Diseases or Illnesses Suffered by Firefighters and Emergency Medical Technicians), Chapter 607 (Benefits Relating to Certain Diseases and Illnesses), Government Code, applies to all members without regard to the employing department or job assignment.

SECTION 1.31. Amends Part 6, Article 6243a-1, V.T.C.S., by adding Section 6.035, as follows:

Sec. 6.035. **DISABILITY BENEFITS FOR CERTAIN PERSONS IN UNIFORMED SERVICES.** (a) Defines “uniformed services.”

(b) Provides that this section applies to a person who was released from the uniformed services after December 17, 2001, under conditions that would have made the person eligible for benefits under Section 414(u) if the person could have returned to active service.

(c) Provides that, if a person subject to this section was unable to return to active service by reason of disability incurred while on a leave of absence due to service in the uniformed services, that person is entitled to a regular disability pension in accordance with Section 6.03, calculated in accordance with Section 6.04.

(d) Requires that a written application for a disability pension, notwithstanding Section 6.03(g), be filed not later than the 180th day after the date of the person's release from the uniformed services.

(e) Provides that a person subject to this section is entitled to receive pension service for the period of service with the uniformed services only to the extent that contributions are made for that period in accordance with this article.

SECTION 1.32. Amends Section 6.04, Article 6243a-1, V.T.C.S., as follows:

Sec. 6.04. New heading: **CALCULATION OF REGULAR DISABILITY BENEFITS.**

(a) Authorizes a Group A member, subject to Subsection (g), if the Group A member's application for a Group A disability pension has been approved by the board pursuant to Section 6.03, including any procedures adopted under that section, to elect to receive a Group A disability pension calculated in the same manner as the benefit under Sections 6.01(b) and (c) or under Subsection (c), rather than under Subsection (b). Makes nonsubstantive changes.

(b) Creates this subsection from existing text. Provides that an election under Subsection (a) of this section, once approved by the board, is irrevocable, rather than provides that an election under this section, once made, is irrevocable. Deletes existing Subsection (b) requiring that a Group A disability pension, when a Group A member elects to accept that pension, be calculated as provided by Subsections (c), (d), and (e).

(c) Provides that, subject to Subsection (g), a Group A member who elects to have benefits determined under this subsection is entitled to a monthly disability pension calculated as follows, rather than provides that if a Group A member's disability results during the performance of duties with either department, the member is entitled to a monthly disability pension calculated as follows:

- (1) at a rate of three percent of base pay for each year, prorated for fractional years, of pension service, with a maximum of 32 years of pension service being credited, or 96 percent of base pay, except that if the Group A member had 34 or more years of pension service as of April 30, 1990, the member is entitled to receive the greater of a disability pension calculated under the terms of the combined pension plan in effect on that date or as calculated under this subdivision, rather than at a rate of three

percent of base pay for each year, prorated for fractional years, of pension service, with a minimum of 20 years of pension service being deemed credited and a maximum of 32 years of pension service being credited, or 96 percent of base pay or, if the Group A member had 34 or more years of pension service as of May 1, 1990, the member is required to receive the greater of a disability pension calculated under the terms of the combined pension plan in effect on that date or as calculated under this subdivision; plus

(2) makes no changes to this subdivision; plus

(3) subject to Subsection (d) of this section, 1/24th of the annualized amount of city service incentive pay the Group A member received at the time the member left active service, rather than 1/24th, without subsequent adjustment, of the annualized amount of city service incentive pay the Group A member received at the time the member left active service.

(c-1) Prohibits the disability pension calculated under Subsection (c) from exceeding the greater of certain amounts.

(d) Provides that payments of the amounts described by Subsection (c)(3) are contingent on the city's continuing payment of city service incentive pay to Group A members on active service, rather than provides that, notwithstanding Subsection (c), the amount of a disability retirement benefit of a Group A pensioner who is on disability retirement under Subsection (c)(3) is contingent on the city's continuing payment of city service incentive pay to Group A members on active service. Deletes existing text providing that, for purposes of this subsection, base pay and longevity pay are the amounts in effect on the date the benefits are to begin, without subsequent adjustment.

(e) Authorizes a Group B member, if the Group B member's application for a Group B disability pension has been approved by the board under Section 6.03 of this article, including any procedures adopted under that section, to elect to receive a Group B disability pension calculated in the manner described by Subsection (f) or (f-1) of this section, subject to Subsection (g), rather than provides that, if a Group A member's disability does not result during the performance of the member's duties with either department, the member is entitled to a monthly disability pension calculated in a certain manner.

(f) Requires that the disability pension of a Group B member, subject to Subsections (f-1), (f-3), and (g), be calculated in a certain manner. Deletes existing text providing that payments of the amounts described by Subsection (e)(3) are contingent on the city's continuing payment of city service incentive pay to Group A members on active service.

(f-1) Provides that, notwithstanding Subsection (f), for a Group B member who had 34 or more years of pension service as of April 30, 1990, the member is entitled to receive the greater of a disability pension calculated under the terms of Plan B in effect on April 30, 1990, or calculated under Subsection (f).

(f-2) Provides that for purposes of Subsections (f) and (f-1):

(1) any partial year of pension service for a Group B member's first 20 years of pension service is counted as a full year of pension service, if the member was considered by the member's department to have worked a normal full-time schedule at the time of the disability;

(2) if the member has less than 36 or 60 consecutive months of pension service, as applicable, the member's average computation pay will be computed based on the member's entire pension service; and

(3) days during which the member earned no pension service due to a termination of active service or otherwise are required to be disregarded in determining the 36 or 60 consecutive months of highest computation pay.

(f-3) Prohibits the disability pension calculated under Subsection (f) or (f-1) from exceeding the greater certain amounts.

(g) Requires that the disability pension calculated in accordance with this section, including both a Group A benefit described by Subsection (a) of this section and a Group B benefit described by Subsection (f) of this section, be reduced dollar-for-dollar by any monthly disability compensation benefit received under Section 6.05 of this article. Prohibits a member, if the monthly disability compensation benefit provided to the member under Section 6.05 of this article equals or exceeds any benefit the member is entitled to under this section or Section 6.01(b) or (c) of this article, from receiving the benefit under this section. Deletes existing text providing that, for purposes of Subsection (e)(3), base pay and longevity pay are the amounts in effect on the date the benefits are to begin, without subsequent adjustment.

SECTION 1.33. Amends the heading to Section 6.05, Article 6243a-1, V.T.C.S., to read as follows:

Sec. 6.05. COMPENSATION BENEFITS FOR SERVICE-CONNECTED
DISABILITY.

SECTION 1.34. Amends Section 6.05, Article 6243a-1, V.T.C.S., by amending Subsections (a), (b), and (c) and adding Subsection (b-1), as follows:

(a) Provides that, if a member leaves active service at any time due to disability and the board determines that the member with the disability became unable to perform the member's duties with the member's department due to an injury or sickness incurred in the performance of the member's duties, the member is entitled to periodic disability compensation benefits in accordance with this section. Deletes existing text authorizing a Group B member, if the Group B member's application for a Group B disability pension has been approved by the board pursuant to Section 6.03 of this article, including any procedures adopted under that section, to, depending on the circumstances, elect to receive a Group B disability pension calculated in the manner described by Subsection (b) or (c).

(b) Requires that a Group A member whose disability, as determined by the board, was caused by an injury or sickness incurred in the performance of the member's duty, subject to Subsection (b-1), receive a monthly benefit equal to 60 percent of the member's base pay. Provides that, for purposes of this subsection, "base pay" is the amount in effect on the date compensation benefits under this section are to begin, without subsequent adjustment. Deletes existing text providing that, if a Group B member becomes disabled during the performance of the member's duties with either department, the member is entitled to a monthly disability pension calculated at a certain rate. Deletes existing text providing that, if a Group B member had 34 or more years of pension service as of April 30, 1990, the Group B member is entitled to receive the greater of a Group B disability pension calculated under the terms of Plan B in effect on that date or calculated pursuant to this subsection.

(b-1) Authorizes a Group A member who is entitled to periodic disability compensation benefits under this section, instead of receiving a periodic disability compensation benefit under Subsection (b), before the benefits begin, to elect to receive those benefits as a monthly benefit equal to 50 percent of the member's base pay adjusted from time to time to reflect changes in base pay that occur after the member began receiving a monthly compensation benefit under this section.

(c) Requires that a Group B member whose disability, as determined by the board, was caused by an injury or sickness incurred in the performance of the member's duty receive a monthly benefit equal to the disability pension under Sections 6.04(f), (f-1), (f-2), and (f-3) of this article except that if the member:

(1) does not have 20 years of pension service, the member is considered to have 20 years of pension service for the purposes of calculating the disability pension under that section; and

(2) has less than 36 or 60 consecutive months, as applicable, of employment with the department, the member's average computation pay will be computed based on all the member's computation pay, and days during which the member earned no pension service due to a termination of active service or otherwise are required to be disregarded in determining either the 36 or 60 consecutive months of highest computation pay.

Deletes existing text requiring that the Group B disability pension for any Group B member whose disability does not result during the performance of the member's duties with either department be computed at a certain rate. Deletes existing text providing that, if the Group B member has less than five years of pension service, the Group B member's average computation pay will be computed based on the member's entire pension service, and if a Group B member had 34 or more years of pension service as of April 30, 1990, the Group B member is entitled to receive the greater of a disability pension calculated under the terms of Plan B in effect on that date or calculated pursuant to this subsection.

SECTION 1.35. Redesignates Section 6.05(d), Article 6243a-1, V.T.C.S., as Section 6.055, Article 6243a-1, V.T.C.S., and amends it, as follows:

Sec. 6.055. REDUCTION IN DISABILITY OR COMPENSATION BENEFITS FOR CERTAIN PERSONS. (a) Defines "earned income."

(b) Redesignates existing Section 6.05(d) as Section 6.055(b). Requires the board to require any Group B pensioner who became a member of Plan B or the combined pension plan on or after May 1, 1990, and who is receiving a Group B disability pension under Section 6.04 of this article or a periodic disability compensation under Section 6.05 of this article to provide the board annually, on or before July 1 of each year, with a true and complete copy of those portions of the person's federal and, if applicable, state tax return, including appropriate schedules, for the previous calendar year that indicate the person's occupations, if any, and earned income for the previous calendar year, rather than requires the board to require any Group B pensioner who became a member of Plan B or the combined pension plan on or after May 1, 1990, and who is receiving a Group B disability pension in accordance with Subsection (b) or (c) to provide the board annually, on or before May 1 of each year, with a true and complete copy of those portions of the person's federal and, if applicable, state tax return, including appropriate schedules, for the previous calendar year that indicate the person's occupations and earned income for the previous calendar year. Authorizes the board, if the pensioner did not file a tax return for the previous calendar year, to require other documentation reflecting the pensioner's occupation or earned income that the board determines appropriate.

(c) Creates this subsection from existing text. Authorizes the pension system to waive the July 1 date under Subsection (b) in lieu of one later in the same calendar year if the Group B pensioner provides the board with certain documents, rather than authorizes the board, however, to waive the May 1 date in lieu of one later in the same calendar year if the Group B pensioner provides the board with certain documents.

(d) Creates this subsection from existing text. Requires the board, if, after evaluating the information received under Subsection (b) of this section, the board finds the Group B pensioner is or has been receiving earned income from one or more employments, including self-employment, during the preceding year, to reduce future disability retirement payments to the Group B pensioner in accordance with a certain formula, rather than requires the board, if the Group B pensioner is or has been receiving earned income from one or more employments, including self-employment, during the preceding year, to reduce future disability pension payments to the Group B pensioner in accordance with a certain formula.

(e) Creates this subsection from existing text. Requires that the average computation pay, for purposes of the computation under Subsection (d), be deemed increased at a rate of 2.75 percent, without compounding during the year, as of each January 1 that the Group B pensioner receives a Group B disability retirement payment, rather than requires that the average computation pay, for purposes of this computation, be deemed increased at a rate of four percent simple interest, without compounding during the year, as of each January 1 that the Group B pensioner receives a Group B disability pension.

SECTION 1.36. Amends Section 6.06, Article 6243a-1, V.T.C.S., by amending Subsections (b), (e), (f), (g), (h), (j), (k), (l), (m), (n), (o), (p), (q), (r), and (t) and adding Subsections (e-1), (e-2), (j-1), (o-1), (o-2), (u), and (v), as follows:

(b) Requires that a written application for benefits be filed with the executive director, rather than with the administrator.

(e) Provides that, if surviving children of a primary party are not qualified survivors entitled to death benefits, the spouse of the primary party who is a qualified survivor is entitled only to receive a share of the death benefits in a certain amount and is not entitled to what otherwise would be the surviving children's share, rather than provides that, if the qualified surviving children are not entitled to death benefits, the qualified surviving spouse is entitled only to receive a share of the death benefits in a certain amount and is not entitled to what otherwise would be the qualified surviving children's share.

(e-1) Creates this subsection from existing text. Requires that any surviving child who is a qualified survivor, if a primary party had no surviving spouse, receive only a certain amount and provides that the surviving child is not entitled to what otherwise would be the surviving spouse's share, rather than requires that any qualified surviving children, if there is no qualifying surviving spouse, receive only a certain amount and provides that the children are not entitled to what otherwise would be the qualified surviving spouse's share.

(e-2) Creates this subsection from existing text. Requires that any dependent parent of the primary party who is a qualified survivor, if a primary party does not have a spouse or children who are qualified survivors, receive only a certain amount and provides that the dependent parent is not entitled to what otherwise would be the surviving spouse's or surviving children's share, rather than requires that any qualified dependent parent, if there is no qualified surviving spouse or qualified surviving children, receive only a certain amount and provides that the dependent parent is not entitled to what otherwise would be the qualified surviving spouse's or qualified surviving children's share.

(f) Prohibits the total monthly death benefits received by the qualified survivors of a primary party under this article, including the primary party's spouse, children, or dependent parents, from exceeding the pension to which the deceased primary party was entitled per month, rather than prohibits the death benefit received by the qualified surviving spouse, qualified surviving children, or qualified dependent parent from exceeding the pension to which the deceased primary party was entitled per month.

(g) Authorizes the board, if there is no surviving spouse or legal guardian for the surviving children of a primary party who are qualified survivors and if the board determines that the surviving children lack the discretion to handle money, or in other appropriate circumstances, notwithstanding any other provision of this section, to request a court of competent jurisdiction to appoint a suitable person to receive and administer the surviving children's money or in those circumstances described in Subsection (n) of this section, appoint a new trustee to administer the surviving children's trust, rather than authorizes the board, if there is no surviving spouse or legal guardian for the qualified surviving children and if the board determines that the qualified surviving children lack the discretion to handle money, or in other appropriate circumstances, notwithstanding any other provision of this section, to request a court of competent jurisdiction to appoint a suitable person to receive and administer the qualified surviving children's money or in those circumstances described in Subsection (n) of this section, appoint a new trustee to administer the qualified surviving children's support trust.

(h) Makes conforming changes. Deletes existing text authorizing the board to withhold payment of benefits if it has reason to believe the benefits are not being properly applied.

(j) Requires that death benefits payable to surviving children, with the exception of those circumstances described in Subsection (n), be delivered to the legal guardian of the estate of the surviving children if one has been appointed and the pension system has been provided proof of the appointment, rather than requires that death benefits paid to qualified surviving children living with a person other than the surviving spouse, with the exception of those circumstances described in Subsection (n), be delivered to a certain person and administer the benefits. Requires that death benefits, if no legal guardian has been appointed, be delivered to one of the following persons, provided there is evidence that the person is a suitable person to receive and administer the benefits:

(1) the surviving spouse with whom the child resides; or

(2) the adult head of the household with whom the child resides, if the child does not reside with the surviving spouse.

(j-1) Creates this subsection from existing text. Requires that the recipient of a surviving child's death benefits under Subsection (j), in accordance with Subsection (h), use the death benefits to benefit the child. Authorizes the board to withhold payment of benefits to anyone, if presented with evidence that the death benefits are not being used to benefit the surviving child, rather than authorizes the board, however, to withhold payment of benefits to anyone but the legal guardian of the qualified surviving children and to require proof that a person has been appointed legal guardian of the qualified surviving children before authorizing any benefits to be delivered to that person.

(k) Authorizes dependent parents of a primary party who are entitled to receive death benefits provided by this article to only receive the benefits for the remainder of the dependent parents' lives, rather than provides that the qualified surviving dependent parents of a member are entitled to receive any survivor benefits provided by this article for the remainder of their lives.

(l) Authorizes the pension system to require all qualified survivors receiving death benefits to file a sworn statement with the executive director concerning the qualified survivor's eligibility to continue to receive death benefits at least once every two years, or at any other time the executive director considers a sworn statement to be appropriate to evidence the continued eligibility of the qualified survivor, rather than authorizes the board to require all persons receiving death benefits, including qualified surviving spouses, qualified surviving children or their guardians, and qualified surviving dependent parents, to file with the administrator, at least once every two years, a sworn statement concerning their eligibility to continue to receive death benefits. Deletes existing text authorizing the board to also require a sworn statement from any person receiving death benefits at any time.

(m) Requires that an amount equal to the excess, if any, of the total amount of all contributions made to the fund by the primary party while a member over the sum of all benefits paid to the primary party and all of the primary party's qualified survivors, when the last qualified survivor of any primary party becomes ineligible to continue to receive death benefits, be paid in a lump sum to the last person to receive benefits as a qualified survivor or, if none exists, to the member's designee, rather than requires that the last qualified survivor of any primary party, when that survivor becomes ineligible to continue to receive death benefits, be paid in a lump sum an amount equal to the difference, if any, between the total amount of all contributions made to the fund while a member, and the sum of all benefits paid to the primary party and all of his qualified survivors

(n) Authorizes death benefits awarded to an unmarried child who is a qualified survivor who is determined by the board to be disabled under the terms of Subsection (o-2), notwithstanding any other provision of this section, to be paid to the trustee of a management trust, supplemental needs or special needs trust, or comparable trust established for the benefit of the child, if the trust meets the requirements set forth in a procedure adopted from time to time by the board and requires the pension system, as

soon as practicable after the pension system has knowledge of an event listed in this subdivision, to terminate payment of death benefits to a trust described by Subdivision (1) effective on the earlier occurrence of certain events. Deletes existing text authorizing death benefits awarded to an unmarried qualified surviving child of a primary party who is determined by the board to be handicapped under the terms of Subsection (o), notwithstanding any other provision of this section, to be paid to the trustee of a support trust established for the benefit of the qualified child under certain conditions. Makes conforming and nonsubstantive changes.

(o) Provides that when a child who, as a qualified survivor, is entitled to receive death benefits under this article reaches the age of 19, the child may no longer participate in the division of the benefits, but requires that the same undiminished child's share as determined by this section be paid to any remaining children who are qualified survivors who remain eligible to continue to receive death benefits, rather than when a qualified surviving child who is entitled to receive death benefits under this article reaches the age of 19, the qualified surviving child may no longer participate in the division of the benefits, but requires that the same undiminished qualified surviving child's share as determined by this section be paid to any remaining qualified surviving children under 19 years of age. Deletes existing text prohibiting, however, a handicapped qualified surviving child from being removed from participation in the division of benefits on reaching the age of 19 or from being barred from original participation at any time after reaching the age of 19, and the payments are required to continue for the duration of the handicap. Deletes existing text providing that, if a qualified surviving child is not married and, after cessation of benefits (because of attainment of age 19) but before age 23, becomes handicapped, the child is entitled to participate in the division of death benefits under this article.

(o-1) Provides that, if benefits are no longer payable to the trust described in Subsection (n)(1) (relating to certain death benefits) in accordance with Subsection (n)(2) (relating to the pension system terminating death benefits), the benefits are divisible and payable to any remaining children who are qualified survivors who remain eligible to receive death benefits.

(o-2) Creates this subsection from existing text. Provides that, if an unmarried child, after cessation of entitlement to death benefits because of attainment of age 19, becomes disabled before age 23, the child is entitled to participate in the division of death benefits under this article. Provides that, notwithstanding the preceding, all death benefits granted under this subsection are conditioned on the board finding that:

(1) the child is so physically or mentally disabled, rather than the qualified surviving child is so physically or mentally handicapped, either congenitally or through injury suffered or disease contracted, as to be unable to be self-supporting or to secure and hold gainful employment or pursue an occupation;

(2) makes a conforming change;

(3) the disability, rather than the handicap, was not the result of an occupational injury for which the child received compensation equal to or greater than that provided under this article. Makes a conforming change;

(4) the disability was not the result of an intentional self-inflicted injury or a chronic illness itself resulting from an addiction of the child through a protracted course of indulgence in alcohol, narcotics, or other substance abuse that was not coerced, rather than through a protracted course of noncoerced indulgence in alcohol, narcotics, or other substance abuse. Makes conforming changes; and

(5) makes conforming changes.

(p) Requires that the difference, if a child with a disability received or is receiving workers' compensation resulting from an occupational injury equal to a certain amount, rather than if a handicapped qualified surviving child received or is receiving compensation resulting from an occupational injury equal to a certain amount, be paid out of the assets of the fund in the form otherwise payable as monthly benefits. Authorizes

the fund's actuary, for purposes of Subsections (o), (o-1), and (o-2), rather than for purposes of Subsection (o), to compute a corresponding monthly equivalent if a lump sum is awarded for an injury. Makes conforming and nonsubstantive changes.

(q) Requires that the death benefits, on the death or marriage of a child granted death benefits under this article, cease being paid to that child; however, the same undiminished child's share as determined by this section is required to be uniformly distributed among any remaining unmarried children who are under 19 years of age or disabled as described by Subsection (o-2) and entitled to death benefits as qualified survivors, rather than who are under 19 years of age and any unmarried qualified surviving children who are handicapped as described by Subsection (o). Makes conforming changes.

(r) Provides that a spouse of a primary party who married the primary party after the date the primary party terminated active service is not a qualified survivor and is entitled only to those death benefits, if applicable, provided under Section 6.063 of this article, rather than provides that a spouse resulting from any marriage to a former member or pensioner after the date the member or pensioner leaves active service is not a qualified surviving spouse and is not entitled to death benefits under this article.

(t) Provides that a surviving spouse who first remarried on or after April 21, 1988, is eligible to receive death benefits for the remainder of the spouse's life provided the surviving spouse is a qualified survivor, rather than provides that a qualified surviving spouse who first remarried on or after April 21, 1988, is eligible to receive death benefits for the remainder of the qualified surviving spouse's life.

(u) Provides that the eligibility of a surviving spouse who first remarried before April 21, 1988, is governed by Section 6.061 of this article.

(v) Provides that the qualified survivors of a member who dies while performing qualified military service are entitled to any additional benefits, other than benefits relating to the qualified military service, that qualified survivors would have received if the member had returned from qualified military service the day before death, resumed employment, and then died.

SECTION 1.37. Amends Part 6, Article 6243a-1, V.T.C.S., by adding Sections 6.061, 6.062, 6.063, and 6.064, as follows:

Sec. 6.061. PROSPECTIVE REINSTATEMENT OF CERTAIN DEATH BENEFITS.

(a) Provides that, subject to Subsection (c) of this section, the surviving spouse of a primary party who was a member of the old plan, Plan A, or Plan B whose death benefits, also referred to as "survivor benefits" or "widow benefits," terminated because of a remarriage of the surviving spouse that occurred before April 21, 1988, is entitled to receive death benefits, on a prospective basis only, as of the first day of the month following the month in which the executive director receives the application.

(b) Requires the board to make reasonable efforts to notify all known living surviving spouses who may be entitled to a reinstatement of benefits under this section.

(c) Requires that a surviving spouse's properly completed, board-approved application for reinstatement of death benefits under this section be received by the executive director not later than the 180th day after the date the board completes, as determined by the board, the reasonable efforts required by Subsection (b) of this section.

(d) Provides that a surviving spouse's application for reinstatement of death benefits under this section constitutes the spouse's waiver of any claims against the pension system, the board, the executive director, or any other employee of the board or the pension system arising out of any claim for death benefits.

(e) Prohibits this section from being applied retroactively. Prohibits a surviving spouse from receiving death benefits attributable to periods before the executive director's receipt of a properly completed and board-approved application, and

requires that any benefit provided to a surviving spouse described in this section be calculated as if the benefits had not terminated on the surviving spouse's remarriage notwithstanding the fact the reinstatement of benefits is not retroactive.

Sec. 6.062. LUMP-SUM PAYMENT ON DEATH OF CERTAIN MEMBERS. (a) Requires that the last person to receive benefits as the member's qualified survivor or, if the member does not have a qualified survivor living, the member's designee, if an unmarried member dies while on active service and before beginning participation in DROP, be paid a lump-sum payment determined in accordance with this section if, at the time of the member's death, the member:

- (1) had no qualified survivors; or
- (2) only had qualified survivors who are children who become ineligible to receive death benefits before the benefits were paid for at least 120 consecutive months.

(b) Provides that the amount of the lump-sum payment under this section is the greater of:

- (1) the payment that could have been provided under Section 6.06(m) of this article; or
- (2) an amount equal to the actuarial equivalent of the remainder of the monthly benefits that would have been paid for the period from the last monthly benefit payment to the end of the 120 months, starting with the date of the first monthly benefit payment, if any.

(c) Requires that the amount of a monthly death benefit payment, if no death benefit payments have been made with respect to the member, be considered to be the monthly death benefit that would have been paid if the member had died leaving only one dependent parent who was a qualified survivor.

(d) Requires that payments, if a qualified survivor or designee is entitled to payment under both this section and Section 6.06(m) of this article, be made only under this section.

(e) Requires that the payment required under this section be made as soon as practicable after the later of a certain date.

Sec. 6.063. AUTHORITY TO ELECT CERTAIN ACTUARIALLY REDUCED BENEFITS. (a) Requires the board to adopt policies under which a member who is leaving active service or a pensioner may elect to accept actuarially reduced benefits to provide certain optional benefits.

(b) Prohibits an election under this section from being revoked by the member or pensioner after it is filed with the pension system.

(c) Requires that an election under this section, notwithstanding any other provision of this article, result in benefits being paid as prescribed by this section instead of as prescribed by certain sections of this article, as applicable.

(d) Requires a pensioner who desires to make an election under Subsection (a)(1) (relating to a 100 percent joint and survivor annuity) after having made an election under Subsection (a)(2) (relating to a 50 percent joint and survivor annuity with a certain spouse) to incur a second actuarial reduction in benefits to pay for the increased survivor annuity.

(e) Provides that, except as provided by Subsection (f), a person is not entitled to the payment of benefits under this section with respect to a pensioner who makes an election after termination of active service and dies within one year after making the election, except the amount by which the pensioner's benefits were

reduced are paid to the person who is entitled to receive payments under Section 6.064 of this article.

(f) Provides that Subsection (e) does not apply to a person who makes an election under Subsection (a)(1) of this section to receive a 100 percent joint and survivor annuity with a spouse who is a qualified survivor at the time:

(1) the board grants a retirement pension; or

(2) a retirement pension would have been granted but for the fact that the person elected to participate in DROP after retirement.

(g) Provides that the actuarially reduced benefits being paid to the pensioner under this section will not be increased if the spouse dies before the pensioner, or if the child attains 19 years of age before the pensioner dies.

(h) Provides that the joint and survivor annuity or the pensioner's pension and child's death benefit payable under this section is the actuarial equivalent of the pension and death benefits, if any, that would have been payable, at the time of the election, if the election had not been made. Provides that on the death of the pensioner:

(1) the surviving spouse of a pensioner who made an election under Subsection (a)(1) of this section receives a pension that is equal to the reduced pension being received by the pensioner at the time of death; and

(2) a surviving spouse who is not a qualified survivor of a pensioner who made an election under Subsection (a)(2) of this section receives a pension that is 50 percent of the reduced pension being received by the pensioner at the time of death.

(i) Provides that a pensioner and surviving spouse receiving a death benefit payable under this section are eligible for adjustments under Sections 6.12 and 6.13 of this article, if the pensioner or surviving spouse, as applicable, is otherwise entitled to those adjustments, except that in each case the adjustment is required to be calculated so that the total pension or death benefit paid is reduced by the same percentage the pensioner's pension is otherwise reduced under this section.

(j) Provides that a pensioner and surviving spouse receiving a death benefit payable under this section are not entitled to the minimum benefits provided under Section 6.10A, 6.10B, or 6.11 of this article.

(k) Provides that a surviving spouse receiving a death benefit payable under this section is not entitled to the special death benefit provided under Section 6.09 of this article.

(l) Provides that, during a period in which there are two or more qualified survivors of a member who has made a joint and survivor annuity election under this section, the spousal benefit will be divided among the eligible survivors under Section 6.07 or 6.08 of this article, as applicable.

(m) Provides that a child's death benefit elected under Subsection (a)(3) (relating to a certain death benefit for a child) is treated the same way as a death benefit to a child who is a qualified survivor, except that it is based on the actuarially reduced pension.

Sec. 6.064. DESIGNEEES. (a) Authorizes a member, pensioner, or qualified survivor to at any time designate, in writing, one or more persons as a designee to receive any lump-sum payment due from the pension system on the death of the member, pensioner, or qualified survivor, as applicable.

(b) Requires that a designation under this section of a person other than the spouse of the member, pensioner, or qualified survivor, as appropriate, be made with the written consent of the spouse, if the individual has a spouse.

(c) Provides that a designation made under this section:

(1) is authorized to be revoked or changed at any time; and

(2) is void if the person designated dies or goes out of existence before the payment is made.

(d) Provides that, if a member, pensioner, or qualified survivor designates a spouse to receive a payment and the parties are later divorced, the designation is void at the time of the divorce unless ratified in writing at the time of the divorce or after that time.

(e) Provides that a designation by a member under this section is void at the time the member becomes a pensioner unless ratified in writing at the time the member becomes a pensioner or after that time.

(f) Provides that, if a member, pensioner, or qualified survivor does not have a valid designee on file with the pension system at the time of death, the designee is:

(1) the spouse;

(2) the qualified survivors, if any, if there is no spouse;

(3) the estate of the person, if there is no spouse or qualified survivors; or

(4) the heirs of the person, if there is no spouse, qualified survivors, or estate.

SECTION 1.38. Amends Sections 6.07, 6.08, 6.09, and 6.10A, Article 6243a-1, V.T.C.S., as follows:

Sec. 6.07. GROUP A DEATH BENEFITS. (a)(1) Requires that the Group A member's spouse and children who are qualified survivors, if a Group A member dies before leaving active service and before the Group A member had 20 years of pension service, in the aggregate, receive a Group A death benefit equal to a Group A retirement pension computed under the terms of Section 6.01 of this article as if the Group A member had completed 20 years of pension service, rather than requires the qualified surviving spouse, if a Group A member dies before service retirement and before the Group A member has 20 years of pension service, leaving both a qualified surviving spouse and qualified surviving children, to make an election for all survivors to receive a Group A death benefit consisting in the aggregate of an amount equal to a Group A retirement pension computed under the terms of Section 6.01 of this article as if the Group A member had completed 20 years of pension service. Deletes existing text providing that an election under this subdivision, once made, is irrevocable and requiring that this Group A death benefit be divided one-half to the qualified surviving spouse and one-half to the qualified surviving children.

(2) Requires that a Group A member's spouse and children who are qualified survivors, if the Group A member dies before service retirement and after the Group A member has 20 years of pension service, in the aggregate, receive a Group A death benefit calculated under Section 6.01 of this article as if the Group A member had left active service on the date of the Group A member's death, rather than requires the survivors in the aggregate, if a Group A pensioner dies during disability retirement and before the Group A pensioner had 20 years of pension service, leaving both a qualified surviving spouse and qualified children, to receive a Group A death benefit calculated either under Sections 6.01(b) and (c) of this article if the Group A pensioner's Group A disability pension was calculated under Section 6.04(a) of this article, or under Section 6.01(e) of

this article if the Group A pensioner's Group A disability pension was calculated under Section 6.04(b) of this article and requiring that this Group A death benefit be divided one-half to the qualified surviving spouse and one-half to the qualified surviving children. Deletes existing text and designation of Subsection (b)(1) requiring the qualified surviving spouse, if a Group A member or former Group A member dies before service retirement and after the Group A member or former Group A member has 20 years of pension service, leaving both a qualified surviving spouse and qualified surviving children, to make an election for all survivors to receive a Group A death benefit of an amount equal to a Group A retirement pension the Group A member or former Group A member would have received had the person left active service on the date of death, computed under the terms of Section 6.01 of this article. Deletes existing text providing that an election under this subdivision, once made, is irrevocable and requiring that this benefit be divided one-half to the qualified surviving spouse and one-half to the qualified surviving children.

(3) Requires that the Group A pensioner's spouse and children who are qualified survivors, if a Group A pensioner dies during service retirement, in the aggregate, receive a Group A death benefit in an amount equal to the Group A retirement pension being received by the Group A pensioner on the date of the pensioner's death.

(4) Requires that the Group A pensioner's spouse and children who are qualified survivors, if a Group A pensioner dies after November 25, 1996, while receiving periodic disability compensation under Section 6.05 of this article or a disability pension under Section 6.04 of this article, and before the Group A pensioner has 20 years of pension service, in the aggregate, receive a Group A death benefit calculated under Section 6.04 or 6.05 of this article, as applicable, in the same manner as the Group A pensioner's periodic disability compensation or disability pension, but as if the Group A pensioner had completed 20 years of pension service.

(5) Redesignates existing Paragraph (2)(A) as Subsection (a)(5). Requires that the Group A pensioner's spouse and children who are qualified survivors, if a Group A pensioner who has 20 or more years of pension service dies during disability retirement, in the aggregate, receive a Group A death benefit in an amount equal to the Group A disability pension being received by the Group A pensioner on the date of the pensioner's death, rather than requires the qualified surviving spouse, if a Group A pensioner dies leaving both a qualified surviving spouse and qualified surviving children, to make an election for all survivors to receive a Group A death benefit in the amount of the Group A retirement pension being received by the Group A pensioner before the person's death. Deletes existing text requiring that this Group A death benefit be divided one-half to the qualified surviving spouse and one-half to the qualified surviving children. Deletes existing Paragraph (2)(B) requiring that the Group A death benefits awarded to the qualified survivors under this subsection, with the exception of those circumstances described by Section 6.06(n) of this article, be paid entirely to the qualified surviving spouse and the qualified surviving children. Deletes existing text requiring that the qualified surviving children's one-half share be equally and uniformly distributed by the qualified surviving spouse to them.

(b) Creates this subsection from existing text. Requires that Group A death benefits under Subsection (a) be divided one-half to the spouse and one-half to the children who are qualified survivors; and, subject to the terms of Sections 6.06(n), (o), (o-1), and (o-2) of this article, be distributed in an equal and uniform manner to the children described by Subdivision (1).

(c) Redesignates existing Subsection (c)(1) as Subsection (c). Requires that the dependent parents who are qualified survivors, if a Group A member or pensioner

dies leaving no spouse or children who are qualified survivors, receive a Group A death benefit equal to the death benefit otherwise payable under Subsection (a) of this section, rather than authorizes the qualified surviving dependent parents, if a Group A member or former Group A member dies leaving no qualified surviving spouse or qualified surviving children but leaves surviving one or both qualified surviving dependent parents, to elect to receive a Group A death benefit equal to the Group A retirement pension the Group A member or former Group A member would have been entitled to under Section 6.01 of this article after leaving active service. Provides that, if there is only one dependent parent, that parent is entitled to one-half of the death benefit described in this subsection, rather than provides that, if there is only one qualified surviving dependent parent, the parent is entitled to one-half of a certain determined amount. Deletes existing designation of Subsection (d). Deletes existing text requiring that the election be mutual if there are two qualified dependent parents and providing that an election under this subdivision, once made, is irrevocable, requiring that the qualified surviving dependent parents of a Group A pensioner receive a Group A death benefit equal to the amount of the actual Group A retirement pension being received at the time of the pensioner's death, divided equally between the qualified surviving dependent parents.

Deletes existing Subdivision (c)(2) authorizing the qualified surviving dependent parents, if a Group A pensioner dies during disability retirement and before the Group A pensioner had 20 years of pension service, leaving no qualified surviving spouse or qualified surviving children, but leaves surviving one or both qualified surviving dependent parents, to elect to receive a Group A death benefit calculated in a certain manner. Deletes existing text providing that an election under this subdivision, once made, is irrevocable.

Sec. 6.08. GROUP B DEATH BENEFITS. (a) Authorizes the person's qualified survivors, or the person described in Section 6.06(g) or (j) of this article as the recipient of the children's benefits, if a Group B member dies while on active service, a Group B member who left active service and is vested under Section 5.06 of this article dies, or a Group B pensioner dies while receiving service or disability retirement or while receiving periodic disability compensation under Section 6.05 of this article, to make application for Group B death benefits, rather than authorizes the person's qualified survivors, or the guardian of the qualified surviving children if no qualified surviving spouse exists, if a Group B member dies while on active service, a former Group B member who is vested under Section 5.06 of this article dies, or a Group B pensioner dies while on service or disability retirement, to make application for Group B death benefits. Requires that the option to elect whether Group A or Group B death benefits are received, if the deceased Group B member was previously eligible to elect whether to receive either a Group A or Group B retirement pension, be exercised by a certain person. Deletes existing text providing that certain persons have the option to select whether Group A or Group B death benefits are received, if the Group B member or former Group B member was eligible to receive either a Group A or Group B retirement pension.

(a-1) Creates this subsection from existing text. Provides that a qualified survivor who receives Group A death benefits under Subsection (a), rather than under this subsection, is entitled to a ratable portion of a reimbursement from the fund in the same amount and manner determined under Section 5.03(d) of this article. Requires that a qualified survivor or guardian desiring a refund of excess contributions make application for the refund with the executive director, rather than with the administrator, within three years after the date the qualified survivor or guardian makes application for Group A death benefits. Provides that the option contained in this subsection is not available to qualified survivors of a Group B member, rather than a Group B member or former Group B member, who had, at the time of death, already applied for a retirement pension and selected a Group A retirement pension as provided by Section 5.03(c) or (c-1) of this article, but the qualified survivors are entitled to receive a Group A death benefit.

(b) Requires that death benefits, subject to Subsection (b-2), be computed in a certain way for the qualified survivors of Group B members who die while on active service. Sets forth the methods for computing death benefits.

(b-1) Prohibits pension service for purposes of the calculation under Subsection (b) of this section from being less than 20 years and provides that any partial year of pension service for the first 20 years of pension service is counted as a full year of pension service, if the member was considered by the member's department to have worked a normal full-time schedule at the time of the member's death.

(b-2) Creates this subsection from existing text. Prohibits the death benefit calculated under Subsection (b) from exceeding the greater of certain amounts.

(b-3) Provides that for purposes of Subsections (b) through (b-2):

(1) if the Group B member had less than 36 or 60 consecutive months, as applicable, of pension service, rather than if the Group B member had less than five years of pension service, the average computation pay will be computed based on the person's entire pension service. Creates this subdivision from existing text; and

(2) days during which the member earned no pension service due to a termination of active service or otherwise are required to be disregarded in determining the 36 or 60 consecutive months of highest computation pay.

Deletes existing Subdivision (b)(2) requiring that a qualified surviving child's Group B death benefit be computed in the same manner as a qualified surviving spouse's benefit is computed under Subdivision (1) and be divided equally among all of the qualified surviving children.

Deletes existing Subdivision (b)(3) requiring that each qualified surviving dependent parent's Group B death benefit be computed in the same manner as a qualified surviving spouse's Group B benefit is computed under Subdivision (1) of this subsection.

(c) Requires that Group B death benefits be computed in a certain manner for the qualified survivors of any Group B member, rather than any former Group B member, who died after leaving active service and who had vested rights under Section 5.06 of this article but who had not received retirement benefits at the time of death, rather than who had not received Group B retirement benefits under Section 6.02 of this article at the time of death. Sets forth the methods for computing death benefits.

(d) Requires that Group B death benefits be computed in a certain manner for the qualified survivors of any Group B pensioner who dies while receiving service retirement, rather than for the qualified survivors of any Group B pensioner of this plan who dies while receiving a Group B retirement pension. Sets forth the computations.

(e) Requires that Group B death benefits be computed in a certain manner for the qualified survivors of any Group B pensioner who dies while receiving disability retirement or while receiving periodic disability compensation under Section 6.05 of this article, rather than for the qualified survivors of any Group B pensioner who dies while receiving a Group B disability pension due to either a service-connected or nonservice-connected disability. Sets forth the computations.

Sec. 6.09. QUALIFIED SURVIVING SPOUSE SPECIAL DEATH BENEFIT. (a) Provides that a person who is the spouse of a Group A primary party, who is a qualified survivor, and who is entitled to death benefits under Sections 6.06, 6.061, 6.062, 6.063, and 6.07 of this article is also entitled to a special death benefit, rather than provides that the qualified surviving spouse of a Group A primary party, notwithstanding Sections 6.06 and 6.07 of this article, is entitled to a special death benefit under this section, if:

(1) the Group A primary party:

(A) had at least 20 years of pension service, left active service after October 1, 1985, and was at least 55 years of age on the earlier of the date the primary party left active service or began participation in DROP. Deletes existing designation of Subdivision (2). Deletes existing text providing that the Group A primary party elected to receive a Group A retirement pension and later died, was receiving a disability or retirement pension either under the terms of Plan A before the original enactment of this article or elected to receive a Group A retirement pension under Sections 6.01(e), (f), and (g) of this article and later died, or was receiving a Group A disability pension under Section 6.04(c) of this article and later died; or

(B) had at least 20 years of pension service, left active service on or after May 31, 2000, and on the earlier of the date the primary party left active service or began participation in DROP, had a total of at least 78 credits, rather than on or after May 1, 1990, the Group A primary party, after accruing at least 20 years of pension service, left active service and had a total of at least 80 credits, with each year of pension service, prorated for fractional years, equal to one credit and with each year of age, prorated for fractional years, equal to one credit. Deletes existing designation as Subparagraph (ii); or, rather than and

(2) the spouse has attained 55 years of age and there are no children who are qualified survivors, rather than the qualified surviving spouse has attained 55 years of age and there are no qualified surviving children, eligible for death benefits. Deletes existing designation as Subdivision (3).

(b) Changes a reference to a qualified surviving spouse to a qualified survivor who is the spouse of a Group A primary party.

(c) Provides that the special Group A death benefit under Subsection (a), rather than the special Group A death benefit under this section, is calculated based on the following formula:

$$(P \times P \times A) + (P \times C) + D, \text{ where}$$

A = base pay at the time the Group A primary party began participation in DROP, begins service retirement, dies, or becomes disabled, rather than at the time the Group A primary party begins service retirement, dies, or becomes disabled, plus certain pay;

B = Group A primary party's benefit calculated at the time the Group A primary part began participation in DROP, begins service retirement, dies, or becomes disabled, rather than calculated at the time the Group A primary party begins service retirement, dies, or becomes disabled;

P = B/A (expressed as a percentage or a decimal);

C = the number of adjustments made to a Group A primary party's retirement pension, disability pension, or periodic disability compensation, multiplied by the amount of the adjustments, rather than the number of adjustments made to a Group A primary party's Group A retirement pension or periodic Group A disability pension under Section 6.04 of this article multiplied by the amount of the adjustments; and

D = the number of adjustments made under this article to the Group A death benefit of a spouse who is a qualified survivor under Section 6.07 of this article, multiplied by the amount of the adjustments, rather than the

number of adjustments made to a qualified surviving spouse's Group A death benefit under Section 6.07 of this article multiplied by the amount of the adjustments.

(d) Provides that a person who is the spouse of a Group B primary party, who is a qualified survivor, and who is entitled to any death benefits under Sections 6.06, 6.061, 6.062, 6.063, and 6.08 of this article, rather than a qualified surviving spouse of a Group B primary party, notwithstanding Sections 6.03 and 6.05 of this article, who is entitled to any death benefits under Sections 6.06 or 6.08 of this article, is also entitled to a special benefit under this section if:

(1) the Group B primary party, rather than the Group B primary party elected to receive a Group B retirement pension and later died, or was receiving a Group B disability or retirement pension under this article and died:

(A) had at least 20 years of pension service, left active service after October 1, 1985, and was at least 55 years of age at the earlier of the date the primary party left active service or began participation in DROP, rather than the Group B primary party had at least 20 years of pension service, left active after October 1, 1985, and was at least 55 years of age at the time of leaving active service; or

(B) on or after May 31, 2000, left active service or began participation in DROP, whichever was earlier, having a total of at least 78 credits, with each year of pension service, prorated for fractional years, equal to one credit and with each year of age, determined at the time the Group B primary party left active service or began participation in DROP, prorated for fractional years, equal to one credit, rather than on or after May 1, 1990, the Group B primary party left active service having a total of at least 80 credits, with each year of pension service, prorated for fractional years, equal to one credit and with each year of age, prorated for fractional years equal to one credit; or, rather than and

(2) the spouse has attained 55 years of age, and there are no children of the primary party who are qualified survivors, rather than the qualified surviving spouse has attained 55 years of age, and there are no qualified surviving children. Redesignates existing Subdivision (3) as Subdivision (2).

(d-1) Creates this subsection from existing text. Authorizes a spouse who is a qualified survivor, until the requirements of Subsection (d) are satisfied, to only receive a Group B death benefit in accordance with Sections 6.06, 6.061, 6.062, 6.063, and 6.08 of this article, rather than authorizes a qualified surviving spouse, until the requirements of Subsection (c) are satisfied, to only receive a Group B death benefit in accordance with Sections 6.03 and 6.05 of this article.

(e) Provides that the special Group B death benefit under Subsection (d), rather than provides that this special survivor benefit under this section, is calculated based on the following formula:

$$(P \times P \times A) + (P \times C) + D, \text{ where}$$

A = average monthly computation pay at the time the Group B primary party begins service retirement, dies, becomes disabled, or begins participation in DROP, rather than begins service retirement, dies, or becomes disabled;

B = the Group B primary party's benefit calculated at the time the Group B primary party begins participation in DROP, begins to receive service retirement, dies, or becomes disabled, rather than the Group B primary party's Group B retirement or Group B disability pension calculated at the time the Group B primary party begins service or disability retirement or dies;

P = B/A (expressed as a percentage or a decimal);

C = the number of post-retirement adjustments made to a Group B primary party's retirement pension, disability pension, or periodic disability compensation multiplied by the amount of the adjustments, rather than the number of postretirement adjustments made to a Group B primary party's Group B retirement pension or Group B disability pension under Section 6.05 of this article multiplied by the amount of the adjustments; and

D = the number of adjustments made to the Group B death benefit of a qualified survivor who is the primary party's spouse under Section 6.08 of this article multiplied by the amount of the adjustments, rather than the number of adjustments made to a qualified surviving spouse's Group B death benefit under Section 6.08 of this article multiplied by the amount of the adjustments.

Sec. 6.10A. New heading: MINIMUM BENEFITS TO CERTAIN GROUP A PRIMARY PARTIES WHO WERE GROUP A, OLD PLAN, OR COMBINED PENSION PLAN MEMBERS AND THEIR QUALIFIED SURVIVORS. (a) Requires that the minimum Group A benefits provided by this section, except as provided by Section 6.063 of this article or Subsections (b) and (h), rather than except as provided by Subsections (b) and (h), and notwithstanding any benefit computation and determination to the contrary contained in this article, be paid to any Group A primary party who elects to receive a Group A retirement pension under Sections 6.01(b) and (c) of this article, the old plan, or former Section 14(a) of this article, or to the primary party's qualified survivors, except that a Group A primary party who elects to receive an actuarially reduced retirement pension before 50 years of age and the primary party's qualified survivors are not entitled to the specified minimum benefits, rather than except that a Group A primary party who elects to receive an actuarially reduced Group A retirement pension because of the primary party's request to receive a Group A retirement pension before 50 years of age and the primary party's qualified survivors are not entitled to the Group A specified minimum benefits. Deletes existing text requiring that the benefits under this section be distributed in accordance with Sections 6.01(b) and (c), 6.04(a), or 6.07 of this article, as applicable.

(b) Provides that a Group A primary party who elects to receive a Group A retirement pension under Sections 6.01(b) and (c) of this article, the old plan, or former Section 14(a) of this article and who left active service with 20 or more years of pension service is entitled to receive a minimum Group A retirement pension of \$2,200, rather than \$1,500, a month. Deletes existing text providing that the Group A primary party's monthly Group A retirement pension will be increased, if the Group A primary party's Group A retirement pension is subject to a qualified domestic relations order and the sum of the actuarial equivalents of the monthly benefits payable to the Group A primary party and the alternate payee is less than the actuarial equivalent of the minimum monthly Group A retirement pension described by this subsection, so that the sum of the actuarial equivalents of the alternate payee's and the Group A primary party's monthly Group A retirement pension equals the actuarial equivalent of the minimum monthly Group A retirement pension calculated under this subsection.

(c) Provides that, in the absence of children who are qualified survivors, a spouse who is a qualified survivor of a Group A primary party who elected to receive a

Group A retirement pension under Sections 6.01(b) and (c) of this article, the old plan, or former Section 14(a) of this article will receive a minimum monthly Group A death benefit of \$1,200, rather than provides that a qualified surviving spouse of a Group A primary party who elected to receive a Group A retirement pension under Sections 6.01(b) and (c) of this article will receive a minimum monthly Group A death benefit of \$750.

(d) Provides that a spouse who is a qualified survivor of a Group A primary party who elected to receive a Group A retirement pension under Sections 6.01(b) and (c) of this article, the old plan, or former Section 14(a) of this article will receive, if there are children who are qualified survivors, a minimum Group A death benefit of \$1,100 a month, rather than provides that a qualified surviving spouse of a Group A primary party who elected to receive a Group A retirement pension under Sections 6.01(b) and (c) of this article will receive, if there are qualified surviving children, a minimum Group A death benefit of \$750 a month. Deletes existing text providing that the qualified surviving children, as a group, will receive a minimum Group A death benefit of \$750 a month, to be divided equally among them.

(e) Provides that, in the absence of a spouse who is a qualified survivor of a Group A primary party who elected to receive a Group A retirement pension under Section 6.01(b), (c), or (e) of this article, the old plan, or former Section 14(a) of this article, the primary party's children who are qualified survivors, as a group, will receive a minimum Group A death benefit of \$1,100 a month, to be divided equally among them, rather than provides that, in the absence of a qualified surviving spouse of a Group A primary party who elected to receive a Group A retirement pension under Sections 6.01(b) and (c) of this article, the primary party's qualified surviving children, as a group, will receive a minimum Group A death benefit of \$750 a month, to be divided equally among them.

(f) Provides that, if there is neither a spouse nor a child who is a qualified survivor of a Group A primary party who elected to receive a Group A retirement pension under Sections 6.01(b) and (c) of this article, the old plan, or former Section 14(a) of this article, each dependent parent who is a qualified survivor will receive a minimum Group A death benefit of \$1,100 a month, rather than provides that, in the absence of both a qualified surviving spouse and qualified surviving children of a Group A primary party who elected to receive a Group A retirement pension under Sections 6.01(b) and (c) of this article, each qualified surviving dependent parent will receive a minimum Group A death benefit of \$750 a month. Provides that, if only one of them is surviving, that dependent parent will receive a minimum Group A death benefit equal to \$1,100 a month, rather the qualified surviving dependent parent will receive a minimum Group A death benefit equal to \$750 a month.

(g) Requires that a Group A primary party who receives periodic disability compensation under Section 6.05(b) of this article or a Group A disability pension under Section 6.04(a) of this article, the old plan, or former Section 17(a) of this article, rather than a Group A primary party who receives a Group A disability pension under Section 6.04(a) of this article, calculated in the same manner as a Group A retirement pension under Sections 6.01(b) and (c) of this article, notwithstanding the minimum monthly benefit described in other subsections of this section, receive a minimum Group A disability pension equal to \$2,200, rather than \$1,500, a month

(h) Provides that, if a Group A pensioner who received a monthly benefit under Section 6.05(b-1) of this article or a disability pension under Section 6.04(a) of this article, calculated in the same manner as a Group A retirement pension under Sections 6.01(b) and (c) of this article, the old plan, or former Section 17(a) of this article before the completion of 20 years of pension services dies, rather than if a Group A pensioner who received a disability under Section 6.04(a) of this

article, calculated in the same manner as a Group A retirement pension under Sections 6.01(b) and (c) of this article before completion of 20 years of pension service dies, the qualified survivors will receive a minimum Group A death benefit as provided under Subsection (c), (d), (e), or (f), as applicable, whichever is greatest. Deletes existing text providing that, if a Group A primary party's disability pension is subject to a qualified domestic relations order and the sum of the actuarial equivalents of the monthly benefits payable to the Group A primary party and the alternate payee is less than the actuarial equivalent of the minimum monthly Group A disability pension determined under Subsection (g), the Group A primary party's minimum monthly Group A disability pension will be increased so that the sum of the actuarial equivalents of the alternate payee's and the Group A primary party's minimum monthly Group A disability pension equals the amount determined under Subsection (g). Deletes existing designation as Subsection (i).

SECTION 1.39. Amends the heading to Section 6.10B, Article 6243a-1, V.T.C.S., to read as follows:

Sec. 6.10B. MINIMUM BENEFITS TO CERTAIN GROUP A PRIMARY PARTIES WHO WERE GROUP A, PLAN A, OR COMBINED PLAN MEMBERS AND THEIR QUALIFIED SURVIVORS.

SECTION 1.40. Amends Sections 6.10B(a), (b), (c), (d), (e), (f), (g), and (i), Article 6243a-1, V.T.C.S., as follows:

(a) Requires that the provided minimum Group A benefits, except as provided by Section 6.063 of this article and Subsection (b), rather than except as provided by Subsections (b) and (h), and notwithstanding any benefit computation and determination to the contrary contained in this article, be paid to any Group A primary party who elects to receive a Group A retirement pension under Section 6.01(e) of this article, Plan A, or former Section 14(b) of this article or to the primary party's qualified survivors, except that a Group A primary party who elects to receive an actuarially reduced Group A retirement pension before 55 years of age and the primary party's qualified survivors are not entitled to the minimum benefits specified in this section, rather than be paid to any Group A primary party who elects to receive a Group A retirement pension under Section 6.01(e) of this article or the primary party's qualified survivors and requires that the benefits be distributed in accordance with Section 6.01(e), 6.04(b), or 6.07 of this article, as applicable, except that a Group A primary party who elects to receive an actuarially reduced Group A retirement pension because of the primary party's request to receive a Group A retirement pension before 55 years of age and the primary party's qualified survivors are not entitled to the Group A minimum benefits specified under this section.

(b) Provides that a Group A primary party who elects to receive a Group A retirement pension under Section 6.01(e) of this article, Plan A, or former Section 14(b) of this article and who left active service with 20 or more years of pension service is entitled to receive a minimum retirement pension equal to the greater of \$2,200 a month or \$1,000 a month adjusted, if applicable, in the manner described by Section 6.12 of this article, rather than provides that a Group A primary party who elected to receive a Group A retirement pension under Section 6.01(e) of this article and who left active service with 20 or more years of pension service is entitled to receive a minimum Group A retirement pension equal to the greater of (i) \$1,500 a month or (ii) \$1,000 a month adjusted in the manner described by Section 6.12(a) of this article. Deletes existing text providing that, if the Group A primary party's Group A retirement pension is subject to a qualified domestic relations order and the sum of the actuarial equivalents of the monthly benefits payable to the Group A primary party and the alternate payee is less than the actuarial equivalent of the minimum monthly Group A retirement pension described by this subsection, the Group A primary party's monthly Group A retirement pension will be increased so that the sum of the actuarial equivalents of the alternate payee's and the Group A primary party's monthly Group A retirement pension equals the actuarial

equivalent of the minimum monthly Group A retirement pension calculated under this subsection.

(c) Provides that, in the absence of children who are qualified survivors, a spouse who is a qualified survivor of a Group A primary party who elects to receive a Group A retirement pension under Section 6.01(e) of this article, Plan A, or former Section 14(b) of this article will receive a minimum monthly death benefit equal to the greater of \$1,200 a month or \$500 a month adjusted, if applicable, in the manner described by Section 6.12 of this article, rather than provides that a qualified surviving spouse of a Group A primary party who elected to receive a Group A retirement pension under Section 6.01(e) of this article will receive a minimum Group A death benefit equal to the greater of (i) \$750 a month or (ii) \$500 a month adjusted in the manner described by Section 6.12(a) of this article.

(d) Provides that a spouse who is a qualified survivor of a Group A primary party who elects to receive a Group A retirement pension under Section 6.01(e) of this article, Plan A, or former Section 14(b) of this article will receive, if there are children who are qualified survivors, a minimum Group A death benefit equal to the greater of \$1,100 a month or \$500 a month adjusted, if applicable, in the manner described by Section 6.12 of this article, rather than provides that a qualified surviving spouse of a Group A primary party who elects to receive a Group A retirement pension under Section 6.01(e) of this article, will receive, if there are qualified surviving children, a minimum Group A death benefit equal to the greater of (i) \$750 a month or (ii) \$500 a month adjusted in the manner described by Section 6.12(a) of this article. Provides that the children who are qualified survivors, as a group, will receive a minimum death benefit equal to the greater of \$1,100 a month or \$500 a month adjusted, if applicable, in the manner described by Section 6.12 of this article, to be divided equally among them, rather than provides that the qualified surviving children, as a group, will receive a minimum Group A death benefit equal to the greater of (iii) \$750 a month or (iv) \$500 a month adjusted in the manner described by Section 6.12(a) of this article, to be divided equally among them.

(e) Provides that, in the absence of a spouse who is a qualified survivor of a Group A primary party who elected to receive a Group A retirement pension under 6.01(e) of this article, Plan A, or former Section 14(b) of this article, the primary party's children who are qualified survivors, as a group, will receive a minimum Group A death benefit equal to the greater of \$1,100 a month or \$500 a month adjusted, if applicable, in the manner described by Section 6.12 of this article, to be divided equally among them, rather than provides that, in the absence of a qualified surviving spouse of a Group A primary party who elected to receive a Group A retirement pension under Section 6.01(e) of this article, the qualified surviving children of a Group A primary party, as a group, will receive a minimum Group A death benefit equal to the greater of (i) \$750 a month or (ii) \$500 a month adjusted in the manner described by Section 6.12(a) of this article, to be divided equally among them.

(f) Provides that, if there is neither a spouse nor child who is a qualified survivor of a Group A primary party who elected to receive a Group A retirement pension under Section 6.01(e) of this article, Plan A, or the former Section 14(b) of this article, each dependent parent who is a qualified survivor will receive a minimum Group A death benefit equal to the greater of \$1,100 a month or \$500 a month adjusted, if applicable, in the manner described by Section 6.12 of this article, rather than provides that, in the absence of both a qualified surviving spouse and qualified surviving children of a Group A primary party who elected to receive a Group A retirement pension under Section 6.01(e) of this article, each qualified surviving dependent parent will receive a minimum Group A death benefit equal to the greater of (i) \$750 a month or (ii) \$500 a month adjusted in the manner described by Section 6.12(a) of this article. Provides that, if only one of them is surviving, that dependent parent will receive a minimum Group A death benefit equal to the greater of \$1,100 a month or \$500 a month adjusted, if applicable, in the manner described by Section 6.12 of this article, rather than provides that, if only one of them is surviving, the qualified surviving dependent parent will receive a minimum

Group A death benefit equal to the greater of (iii) \$750 a month or (iv) \$500 a month adjusted in the manner described by Section 6.12(a) of this article.

(g) Requires that a Group A primary party who leaves active service on a non-service-connected disability under Section 6.04(a) of this article, Plan A, or former Section 17(b)(2) of this article, rather than a Group A primary party who leaves active service on a nonservice-connected disability under Section 6.04(b)(2) of this article, with less than 20 years of pension service, notwithstanding the minimum monthly benefit as described in other subsections of this section, receive a minimum monthly Group A disability pension equal to the greater of \$110 multiplied by the number of the years of the primary party's pension service or \$50 multiplied by the number of years of the primary party's pension service, the product adjusted, if applicable, in the manner described by Section 6.12 of this article, rather than a disability pension equal to the greater of (i) \$75 multiplied by the number of years of the primary party's pension service or (ii) \$50 multiplied by the number of years of the primary party's pension service, the product adjusted in the manner described by Section 6.12(a) of this article.

(i) Provides that the qualified survivors, if a Group A pensioner who received a non-service-connected disability pension under Section 6.04(a) of this article, Plan A, or former Section 17(b)(2) of this article before the completion of 20 years of pension service dies, rather than if a Group A pensioner who received a nonservice-connected disability under Section 6.04(b)(2) of this article before the completion of 20 years of pension service dies, will each receive the amount specified in Section 6.07 of this article or the minimum Group A death benefit, rather than minimum monthly Group A death benefit, as provided under Subsection (c), (d), (e), or (f), as applicable, whichever is greatest.

SECTION 1.41. Amends Sections 6.11, 6.12, and 6.13, Article 6243a-1, V.T.C.S., as follows:

Sec. 6.11. MINIMUM BENEFITS TO GROUP B PRIMARY PARTIES AND THEIR QUALIFIED SURVIVORS. (a) Requires that the provided minimum Group B benefits, except as provided by Section 6.063 of this article or Subsections (b), (c), and (h) of this section, rather than except as provided by Subsections (b), (c), and (h) of this section, and notwithstanding any benefit computation and determination to the contrary contained in this article, be paid to any Group B primary party or the primary party's qualified survivors, except further that a Group B primary party who elects to receive an actuarially reduced retirement pension, including a request for a benefit under Sections 6.02(c) and (d) of this article, and the primary party's qualified survivors or alternate payee, rather than except that a Group B primary party who elects to receive an actuarially reduced Group B retirement pension because of the primary party's request to receive the pension at or after age 45, but before age 50, and the primary party's qualified survivors, or an alternate payee of the primary party, are not entitled to the Group B minimum benefits specified by this section.

(b) Provides that a Group B primary party, if a Group B primary party leaves active service with 20 or more years of pension service, is entitled to receive a Group B minimum retirement pension equal to the greater of \$2,200 a month or \$925 a month, rather than the greater of (i) \$1,500 a month or (ii) \$925 a month, which sum is authorized to (A) increase at a certain rate, but the increase is prohibited from exceeding \$75 and (B) be adjusted, if applicable, in the manner described by Section 6.12, rather than be adjusted in the manner described by Section 6.12(a), of this article. Deletes existing text providing that, if a Group B primary party's Group B retirement pension is or becomes subject to a qualified domestic relations order and the sum of the actuarial equivalents of the monthly Group B retirement pension payable to the Group B primary party and the alternate payee is less than the actuarial equivalent of the minimum monthly Group B retirement pension as calculated under this subsection, the Group B primary party's monthly Group B retirement pension will be increased so that the sum of the actuarial equivalents of both the alternate payee's and the Group B primary party's Group B retirement pensions equals the actuarial equivalent of the

minimum monthly Group B retirement pension as calculated under this subsection.

(c) Provides that, if a Group B primary party leaves active service with less than 20 years of pension service, the primary party is entitled to receive a minimum monthly Group B retirement pension equal to the greater of:

(1) \$2,200, rather than \$1,500, a month divided by 20 and multiplied by the Group B primary party's number of years of pension service. Redesignates existing Subparagraph (i) as Subdivision (1); or

(2) \$925 a month divided by 20 and multiplied by the Group B primary party's number of years of pension service, which amount is then adjusted, if applicable, in the manner described by Section 6.12, rather than which amount is then adjusted in the manner described by Section 6.12(a) of this article. Deletes existing text providing that, if a Group B primary party's retirement pension is or becomes subject to a qualified domestic relations order and the sum of the actuarial equivalents of the monthly Group B retirement pension payable to the Group B primary party and the alternate payee is less than the actuarial equivalent of the monthly retirement pension as calculated under this subsection, the Group B primary party's monthly Group B retirement pension will be increased so that the sum of the actuarial equivalents of the alternate payee's and the Group B primary party's monthly Group B retirement pensions equals the actuarial equivalent of the minimum monthly Group B retirement pension as calculated under this subsection. Redesignates existing Subparagraph (ii) as Subdivision (2).

(d) Provides that, in the absence of children who are qualified survivors, a spouse who is a qualified survivor of a Group B primary party, rather than in the absence of qualified surviving children, the qualified surviving spouse of a Group B primary party, will receive a minimum Group B death benefit equal to the greater of:

(1) \$1,200 a month, rather than \$750 a month. Redesignates existing Subparagraph (i) as Subdivision (1); or

(2) \$600 a month adjusted, if applicable, in the manner described by Section 6.12 of this article, rather than \$600 a month adjusted in the manner described by Section 6.12(a) of this article. Redesignates existing Subparagraph (ii) as Subdivision (2).

(e) Provides that a spouse who is a qualified survivor of a Group B primary party, if there are children who are qualified survivors, will receive a minimum Group B death benefit of \$1,100 a month, rather than provides that a qualified surviving spouse of a Group B primary party will receive, if there are qualified surviving children, the greater of a minimum Group B death benefit of 50 percent of the primary party's minimum monthly Group B retirement pension described by Subsection (b) or (c) of this section, whichever is applicable. Deletes existing text providing that the qualified surviving children, as a group, will receive the greater of a minimum monthly Group B death benefit of 50 percent of the minimum monthly Group B retirement pension described by Subsection (b) or (c) of this section, whichever is applicable, to be divided equally among them.

(f) Provides that the children who are qualified survivors of a Group B primary party, as a group, will receive a minimum Group B death benefit equal to the greater of \$1,100 a month or \$600 a month adjusted, if applicable, in the manner described by Section 6.12 of this article, to be divided equally between them, rather than provides that, in the absence of a qualified surviving spouse, the qualified surviving children of a Group B primary party, as a group, will receive a

minimum Group B death benefit equal to the greater of (i) \$750 a month or (ii) \$600 a month adjusted in the manner described by Section 6.12(a) of this article, to be divided equally between them.

(g) Provides that if there is neither a spouse nor a child who is a qualified survivor, each dependent parent who is a qualified survivor of the deceased Group B primary party will receive a minimum death benefit of \$1,100 a month. Deletes existing text providing that in the absence of either a qualified surviving spouse or qualified surviving children, each qualified surviving dependent parent of the deceased Group B primary party will receive a Group B minimum death benefit equal to the greater of 50 percent of the Group B primary party's minimum monthly Group B retirement pension described by Subsection (b) or (c) of this section, whichever is applicable. Deletes existing text providing that if only one qualified surviving dependent parent is surviving, the parent will receive a Group B minimum death benefit of 50 percent of the minimum monthly Group B retirement pension described by Subsection (b) or (c) of this section, whichever is applicable.

(h) Provides that, notwithstanding the minimum monthly retirement pension otherwise described by this section, a Group B primary party who left active service on a non-service-connected disability with less than 20 years of pension service will receive a minimum monthly disability pension equal to the greater of \$110 multiplied by the number of years of the primary party's pension service or \$46.25 multiplied by the number of years of the primary party's pension service, the product adjusted in the manner, if applicable, described by Section 6.12 of this article, rather than a Group B primary party who left active service on a nonservice-connected disability with less than 20 years of pension service will receive a minimum monthly Group B disability pension equal to the greater of (i) \$75 multiplied by the number of years of the primary party's pension service or (ii) \$46.25 multiplied by the number of years of the primary party's pension service, the product adjusted in the manner described by Section 6.12(a) of this article. Deletes existing text providing that, if the Group B primary party's Group B disability pension is or becomes subject to a qualified domestic relations order and the sum of the actuarial equivalents of the monthly Group B disability pension payable to the Group B primary party and the alternate payee is less than the actuarial equivalent of the monthly disability pension as calculated under this subsection, the Group B primary party's monthly Group B disability pension will be increased so that the sum of the actuarial equivalents of the alternate payee's and the Group B primary party's monthly Group B disability pensions equals the actuarial equivalents of the minimum monthly Group B disability pension as calculated under this subsection. Makes conforming changes.

Sec. 6.12. ADJUSTMENTS TO RETIREMENT AND DISABILITY PENSION BENEFITS. (a) Provides that this section applies to the following benefits provided under this article:

(1) a retirement pension calculated under Section 6.01(e) or 6.02 of this article, rather than annually on the first day of October, a retirement pension calculated under Section 6.01 or 6.02 of this article. Creates this subdivision from existing text;

(2) a disability pension calculated under Section 6.04 of this article, other than under 6.04(a) of this article, rather than a disability pension calculated under Section 6.04 of this article. Creates this subdivision from existing text;

(3) periodic disability compensation benefit under Section 6.05 of this article, other than Section 6.05(b-1) of this article, rather than or 6.05 of this article. Creates this subdivision from existing text; or

(4) creates this subdivision from existing text to include a death benefit calculated under:

(A) Section 6.07 of this article, if calculated in the manner of a retirement pension under Section 6.01(e) of this article or in the manner of a disability compensation benefit under Section 6.05(b) of this article, rather than Section 6.07. Creates this paragraph from existing text; or

(B) Section 6.08 of this article currently in pay status, or pending board approval on the last day of September, rather than 6.08 of this article currently in pay status, or pending board approval on the last day of September, will be increased by an amount equal to four percent, not compounded, of the original amount of the retirement or disability pension or death benefit. Creates this paragraph from existing text.

(b) Authorizes the pension system, except as provided by Subsection (d), annually on the first day of October, to increase the base pension of a benefit described by Subsection (a) by a percentage equal to the average annual rate of actual investment return of the pension system for the five-year period ending on the December 31 preceding the effective date of the adjustment less five percent.

(c) Prohibits an adjustment from being less than zero percent or from exceeding four percent of the applicable base pension benefit.

(d) Authorizes the pension system to only make an adjustment to benefits if the ratio of the amount of the pension system's market value of assets divided by the amount of the pension system's actuarial accrued liabilities, after giving effect to the adjustment, is not less than .70.

(e) Requires that the amount of the pension system's market value of assets and the amount of the pension system's actuarial accrued liabilities, for purposes of Subsection (d), be based on and determined as of the date of the most recently completed actuarial valuation.

(f) Prohibits certain persons from receiving an adjustment under this section.

(g) Prohibits a retirement or disability pension or periodic disability compensation, rather than a Group B retirement or Group B disability pension, paid to any Group B pensioner from being less than the Group B pensioner's base pension. Redesignates existing Subsection (b) as Subsection (g).

(h) Prohibits the death benefit of the qualified survivors who are the spouse, dependent parent, or child of a Group B pensioner, as a group, from being less than 50 percent of the pensioner's base pension, rather than prohibits the death benefit of a Group B qualified surviving spouse, Group B qualified surviving dependent parents, as a group, or Group B qualified surviving children, as a group, from being less than 50 percent of a Group B pensioner's base pension. Creates this subsection from existing text.

Sec. 6.13. SUPPLEMENT TO CERTAIN RECIPIENTS 55 YEARS OF AGE OR OLDER. (a) Provides that the pensioner, the pensioner's spouse who is a qualified survivor eligible to receive benefits under this article, or the pensioner's children who are qualified survivors, as a group, under Section 6.06 of this article, except as provided by Subsection (b) of this section, if a pensioner had at least 20 years of pension service under any plan adopted pursuant to Article 6243a or this article, or if a pensioner is receiving the periodic disability compensation benefit under Section 6.05 of this article, are entitled to receive, when the pensioner or spouse who is a qualified survivor attains 55 years of age, provided the pensioner or spouse attains 55 years of age before

September 1, 2017, a monthly supplement equal to the greater of \$50 or three percent of their total monthly benefit and for months beginning on and after January 1, 1991, a monthly supplement equal to the greater of \$75 or three percent of their total monthly benefit, rather than provides that the pensioner, the pensioner's qualified surviving spouse who is eligible to receive benefits under this article, or the pensioner's qualified surviving children, as a group, under Section 6.06(o) of this article, if a pensioner had at least 20 years of pension service under any plan adopted pursuant to Article 6243a or this article, or if a pensioner is receiving a service-connected disability pension, are entitled to receive, when the pensioner or qualified surviving spouse attains 55 years of age, the greater of a monthly supplement equal to \$50 or three percent of their total monthly benefit, and for years beginning on and after January 1, 1991, the monthly supplement will be equal to the greater of \$75 or three percent of their total monthly benefit. Redefines the phrase "their total monthly benefit" to include any adjustments under Section 6.12 of this article made after September 1, 2017.

(b) Provides that a person described by Subsection (a) who, on September 1, 2017, is not receiving or has not received a supplemental benefit is not entitled to receive a supplemental benefit.

SECTION 1.42. Amends Section 6.14, Article 6243a-1, V.T.C.S., by amending Subsections (a), (b), (c), (d), (e), (f), (g), (h), and (j) and adding Subsections (e-1), (e-2), (e-3), (e-4), (f-1), (g-1), (l), (m), (n), and (o), as follows:

(a) Authorizes a member who remains on active service after becoming eligible to receive a retirement pension under either Section 6.01 or 6.02 of this article to become a participant in the DROP in accordance with Subsections (b) and (c) of this section, and defer the beginning of the person's retirement pension, rather than authorizes a member who is eligible to receive an unreduced retirement pension under Section 6.01 or 6.02, in lieu of either leaving active service and commencing a retirement pension as provided for under Section 6.01 or 6.02 of this article, whichever is applicable, or remaining in active service and continuing to accrue additional pension benefits as provided under Section 6.01 or 6.02, to remain in active service, become a participant in the Deferred Retirement Option Plan ("DROP") in accordance with Subsections (b) and (c) of this section, and defer the beginning of the person's retirement pension. Provides that once an election to participate in the DROP has been made, the election continues in effect at least as long, rather than in effect as long as, the member remains in active service. Authorizes the member, on leaving active service, to:

(1) apply for a retirement pension under Sections 6.01(b) and (c), Section 6.01(e), or Section 6.02(b), (c), (d), or (e), rather than or Section 6.02, of this article, whichever is applicable, together with any provided DROP benefit. Creates this subdivision from existing text; or

(2) continue to participate n DROP except the member is ineligible for disability benefits described by Subsection (g-1) of this section.

(b) Requires that the election, to determine the proper amount to be credited to a member's DROP account, indicate whether the member desires to receive a retirement pension under Sections 6.01(b) and (c), Section 6.01(e), or Section 6.02(b), (c), (d), or (e) of this article, rather than or Section 6.02 of this article, whichever is applicable. Authorizes the election to be made at any time on or after the date the member becomes eligible for a retirement pension as provided by this subsection, rather than becomes eligible for an unreduced retirement pension under Sections 6.01(b) and (c), Section 6.01(e), or Section 6.02 of this article, whichever is applicable. Provides that the election becomes effective on the first day of the first month on or after the date on which the member makes the election, except that an election that would otherwise have been effective on October 1, 1993, and every October 1 after that date, is considered, for purposes of this section and Section 6.12 of this article, to be effective on September 30 of the year in which it would otherwise have been effective, rather than becomes effective on the first day of the first month after the date on which the member makes the

election. Provides that on and after the effective date of the election, the member will no longer be eligible for any refund of contributions, rather than the member will no longer make member contributions to the fund, notwithstanding Section 4.03(b) or (f) of this article, whichever is applicable.

(c) Requires that an amount equal to the retirement pension the member would have received under the applicable subsection, each month after a member has made an election to participate in the DROP and indicated a desire to receive a retirement pension under Sections 6.01(b) and (c), Section 6.01(e), or Section 6.02(b), (c), (d), or (e) of this article, whichever is applicable, and through the month before the month in which the member leaves active service, rather than an amount equal to the retirement pension the member would have received under Sections 6.01(b) and (c), Section 6.01(e), or Section 6.02, whichever is applicable, each month after a member has made an election to participate in the DROP and indicated a desire to receive a retirement pension under Sections 6.01(b) and (c), Section 6.01(e), or Section 6.02 of this article, whichever is applicable, and until the member leaves active service, for that month if the member had left active service and been granted a retirement pension by the board on the effective date of DROP participation, be credited, rather than transferred, to a separate DROP account maintained within the fund for the benefit of the member. Requires that amounts held in the DROP account of a member be credited at the end of each calendar month, rather than requires that amounts held in a member's DROP account be credited at the end of each calendar month with interest at a rate that will approximately equal one-twelfth of the annual rate assumed by the pension system's qualified actuary and approved by the board as the assumed actuarial rate of return for the fund. Requires a member on active service who has 10 years or more of participation in DROP, notwithstanding this section, effective January 1, 2018, to no longer have the amount of the member's retirement pension credited to the member's DROP account while the member is on active service.

(d) Prohibits a member from receiving a distribution from the member's DROP account while the member is on active service, rather than requires a member who participates in DROP, on leaving active service and on the board's grant of a retirement pension, to begin to receive the balance in the person's DROP account under one of the following methods of distribution elected by the member.

Deletes existing Subdivisions (1) through (3) providing certain methods of distribution.

(e) Requires that the balance in the DROP account of a member who terminated from active service on or before September 1, 2017, or who terminates from active service, except as provided by Subsections (e-1) and (1), be distributed to the member in the form of an annuity, payable either monthly or annually at the election of the member, by annuitizing the amount credited to the DROP account over the life expectancy of the member as of the date of the annuitization using mortality tables recommended by the pension system's qualified actuary, rather than requires that the DROP account balance of a member who elects the method of distribution described by Subsection (d)(3) be credited with interest on the unpaid balance at the end of each calendar month in the same manner as is prescribed by Subsection (c). Requires that the annuity be distributed beginning as promptly as administratively feasible after the later of, as applicable, the date the member retires and is granted a retirement pension or September 1, 2017.

(e-1) Authorizes the board to adopt a shorter period for annuitizing DROP account balances under Subsection (e) if the pension system's qualified actuary determines that the shorter period will not cause the pension system's amortization period to exceed 25 years. Deletes existing text authorizing a member to change a distribution election at any time before the member attains 70-1/2 years of age to receive one or more additional payments or to accelerate or delay any payment not then due, if the change is communicated to the plan administrator, in accordance with procedures then in effect, not less than 30 days before the day it is to take effect and if the change does not result in a failure of the distributions to satisfy the requirements of Section 401(a)(9) of the code.

(e-2) Requires that the annuitization of a DROP account under Subsection (e) reflect the accrual of interest on the amount in the DROP account as of September 1, 2017, over the annuitization period applied to the account. Requires that the interest rate applied under this subsection be a rate as reasonably equivalent as practicable to the interest rate on a note issued by the United States Department of the Treasury or other federal treasury note with a duration that is reasonably comparable to the annuitization period applied to the account, as determined by the board. Prohibits the portion of an annuity attributable to amounts credited to a member's DROP account on or after September 1, 2017, from reflecting the accrual of this interest on annuitization.

(e-3) Authorizes the board, by rule, to allow a DROP participant who has terminated active service and who is eligible for a retirement pension to:

(1) assign the distribution from the participant's annuitized DROP account to a third party provided the pension system receives a favorable private letter ruling from the Internal Revenue Service ruling that such an assignment will not negatively impact the pension system's qualified plan status; and

(2) subject to Subsection (e-4) of this section, in the event of a financial hardship that was not reasonably foreseeable obtain a lump-sum distribution from the participant's DROP account resulting in a corresponding reduction in the total number or in the amount of annuity payments.

(e-4) Requires the board to adopt rules necessary to implement Subsection (e-3)(2), including rules regarding what constitutes a financial hardship for purposes of that subdivision. Requires the board, in adopting the rules, to provide flexibility to members.

(f) Authorizes the board to adopt rules and policies relating to the administration of Subsections (e), (e-1), and (e-2), if the rules and policies are:

(1) consistent with the qualification of the plan under Section 401 of the code; and

(2) in the best interest of the pension system. Deletes existing text authorizing any election made in accordance with Subsection (d) of this section to be changed at any time before leaving active service to any other election permitted by that subsection, subject to the requirements for spousal consent, in Section 6.14(d)(1), if applicable.

(f-1) Provides that the DROP account of a member who begins participating in DROP on or after September 1, 2017, does not accrue interest.

(g) Provides that the provisions of Sections 6.06, 6.061, 6.062, 6.063, 6.07, and 6.08 of this article pertaining to death benefits of a qualified survivor do not apply to amounts held in a member's or pensioner's DROP account, rather than provides that the provisions of Sections 6.06, 6.07, and 6.08 of this article pertaining to death benefits of a qualified survivor do not apply to amounts held in a member's DROP account, and the class of persons eligible to become qualified survivors of a member closes on the effective date of the member's participation in DROP. Authorizes, instead, a member or pensioner who participates in DROP to designate a beneficiary to receive the annuity payments under this section over the remaining annuitization period in the event of the member's or pensioner's death subject to any rights provided under Subsection (e-3) of this section and in the manner allowed by Section 401(a)(9) of the code and any policy adopted by the board, rather than authorizes a member who participates in DROP to designate a beneficiary to receive the balance of the member's DROP account in the event of the member's death in the following manner. Provides that a member or pensioner who is or becomes married is considered to have designated the member's or pensioner's spouse as the member's or pensioner's beneficiary, notwithstanding any prior beneficiary designation, unless the member or pensioner has made a different designation in

accordance with a policy adopted by the board. Provides that if a member or pensioner does not have a spouse or the spouse predeceases the member or pensioner, the member's or pensioner's, as applicable, DROP account will be distributed to the member's or pensioner's, as applicable, designee. Requires that the member's or pensioner's DROP account, notwithstanding anything in this section to the contrary, if a member or pensioner has previously designated the member's or pensioner's spouse as the beneficiary or co-beneficiary of the DROP account and the member or pensioner and spouse are subsequently divorced, the divorce automatically results in the invalidation of the designation of the spouse as a beneficiary and, if there is no additional beneficiary designated, be distributed as provided by Subsection (e). Provides that if there are beneficiaries who survive the deceased member or pensioner, the surviving beneficiaries share equally in that portion that would have otherwise been payable to the former spouse.

Deletes existing Subdivision (1) requiring that the beneficiary designation be made on an election form adopted by the board and in effect from time to time and in accordance with the conditions on the form, except that if the member is married, the designation of a beneficiary other than the member's spouse is valid only if the spouse consents to the designation at the time, in the manner, and on the consent form as is adopted by the board and in effect from time to time.

Deletes existing Subdivision (2) providing that, if a member who participates in DROP dies while in active service or before the beginning of the member's DROP account, distributions will begin no more than one year after the date of the member's death under a method described by Subsection (d) of this section and are required to be completed within the life, or life expectancy, of the designated beneficiary.

Deletes existing Subdivision (3) requiring that the balance in the member's DROP account, if a member who participates in DROP dies after having begun to receive distribution in accordance with Subsection (d), continue to be distributed to the member's designated beneficiary or other person described by Subdivision (4) of this subsection in accordance with any elections that had been made under Subsection (d) of this section.

Deletes existing Subdivision (4) requiring that the member's DROP account, if the deceased member has not designated a beneficiary or has designated a beneficiary but not a method of distribution, be distributed in a single-sum payment as soon as administratively feasible after the member's death to the beneficiary if one was designated and otherwise to the spouse if the member was married at the time of death or, if the member was not married, to the member's estate.

(g-1) Redesignates existing Subdivision (g)(5) as Subsection (g-1). Provides that a member who becomes a DROP participant is ineligible for any disability benefits described by Section 6.03, 6.04, or 6.05 of this article, but is entitled to a retirement pension in accordance with Sections 6.01(b) and (c), Section 6.01(e), or Section 6.02 of this article, whichever is applicable, on termination from active service, and is also entitled to receive annuity payments in accordance with Subsection (e) of this section, rather than provides that a member who participates in DROP becomes ineligible for any disability benefits described by Sections 6.03, 6.04, and 6.05 of this article, but instead, on the board's acknowledgment of a disability that would otherwise qualify the member for disability benefits, the board is required to grant a retirement pension in accordance with Sections 6.01(b) and (c), Section 6.01(e), or Section 6.02 of this article, whichever is applicable, and the member is also entitled to receive both a retirement pension and a distribution of the DROP account in accordance with Subsection (d) of this section.

(h) Requires that the base pay or computation pay, whichever is applicable, in effect as of the effective date of a member's participation in DROP be used in calculating the member's retirement pension under Section 6.01 or 6.02 of this article, rather than requires that the base pay in effect as of the effective date of a Group A member's

participation in DROP be used in calculating the member's Group A retirement pension under Section 6.01 of this article. Provides that a member who elects to participate in DROP does not accrue additional pension service for purposes of computing a retirement pension for any period after the effective date of the election, rather than provides that a Group A member who elects to participate in DROP does not accrue additional pension service for purposes of computing the Group A retirement pension provided under Section 6.01(e) of this article for any period after the effective date of the election.

(j) Requires a person, except as provided by Subsection (l) of this section, if a pensioner who has been a DROP participant returns to active service, to become a participant in DROP under the terms and conditions in effect at the time of return to active service, rather than requires the person, if a pensioner who participated in DROP returns to active service, to once again become a participant in DROP under the terms and conditions in effect at the time of the person's return.

(l) Authorizes a member who has entered DROP before June 1, 2017, notwithstanding any other provision of this section and except as provided by Subsection (o), to revoke the DROP election at any time on or after September 1, 2017, and before the earlier of February 28, 2018, or the member's termination of active service.

(m) Provides that if a member revokes participation in DROP under Subsection (l):

(1) the member's DROP account balance is eliminated; and

(2) the member is required to receive pension service credited for all or a portion of the period of the revoked DROP participation on payment of the required contributions for the period of the revoked DROP participation in accordance with a uniform and nondiscriminatory procedure adopted by the board that results in the payment of the amount of member contributions that would have been made if the member had never participated in DROP.

(n) Provides that a member who revokes the member's DROP election under Subsection (l) of this section is entitled to only a monthly pension computed on the basis of the member's pension service, including pension service purchased under Subsection (m) of this section that is based on the member's average computation pay at the time of leaving active service, if the member is a Group B member or as provided by Section 6.01(b) of this article, if the member is a Group A member.

(o) Prohibits a member from revoking DROP participation under Subsection (l) if any money has been transferred out of the member's DROP account.

SECTION 1.43. Amends Part 6, Article 6243a-1, V.T.C.S., by adding Section 6.141, as follows:

Sec. 6.141. DEFERRED ANNUITIZATION OF CERTAIN DROP ACCOUNTS. (a) Provides that this section applies only to a pensioner who meets certain criteria.

(b) Provides that, notwithstanding Section 6.14 of this article and solely to avoid the possibility of an early distribution tax penalty under Section 72(t)(4) of the code:

(1) a pensioner subject to this section is authorized until the pensioner attains 59-1/2 years of age, subject to Subsection (c) of this section, continue to participate in DROP, have the same amount of the pensioner's service retirement pension credited to the pensioner's DROP account as has been credited since the pensioner's service retirement pension was initially granted, and defer annuitization of the pensioner's DROP account under Section 6.14(e) of this article; and

(2) once a pensioner subject to this section attains 59-1/2 years of age, the pensioner is prohibited from having any portion of the pensioner's service

retirement pension credited to the pensioner's DROP account and as soon as administratively feasible, the balance in the pensioner's DROP account is required to be annuitized and distributed to the pensioner in accordance with Section 6.14(e) of this article.

(c) Provides that the DROP account of a pensioner who continues participation in DROP under Subsection (b)(1)(A) (relating to authorizing a pensioner, until a certain age, to continue to participate in DROP) does not accrue interest on and after September 1, 2017.

SECTION 1.44. Amends Sections 6.15(a), (b), and (e), Article 6243a-1, V.T.C.S., as follows:

(a) Authorizes the board to require the following pensioners receiving a disability pension or a periodic disability compensation benefit, rather than a disability pension, to appear and undergo a medical examination by the health director or, if the health director approves, by any licensed medical practitioner, to determine if the pensioner's disability continues or has been removed to the extent that the pensioner is able to resume duties with the department:

(1) makes no changes to this subdivision;

(2) any Group A pensioner who elected a Group A disability pension under Section 6.04 of this article, periodic disability compensation under Section 6.05 of this article, or a non-service-connected disability pension under Plan A or former Section 17(b)(2) of this article, and who had more than 20 years of pension service, but is less than 55 years of age, rather than any Group A pensioner who elected a Group B disability pension under Section 6.04(e) of this article and who has served more than 20 years but is less than 55 years of age; and

(3) any Group B pensioner who was granted a Group B disability pension under Section 6.04 of this article or periodic disability compensation under Section 6.05 of this article or a disability pension under the terms of Plan B and is less than 50 years of age, rather than any Group B pensioner who elected a Group B disability under Section 6.05 of this article and is less than 50 years of age.

(b) Provides that any medical examination is subject to the following conditions:

(1) Authorizes the board to waive, rather than prohibits the board from requiring, subsequent examinations, when it becomes clear to the board from reliable medical evidence that the disability is unequivocally permanent and is not expected to diminish.

(2) through (4) makes no changes to these subdivisions.

(e) Authorizes the board, pursuant to its authority under Section 6.06(o-2) of this article to review and modify any funding relating to the disability of a child who is a qualified survivor, to require the qualified survivor with a disability receiving death benefits to appear and undergo medical examination by the health director or, if the health director approves, by any licensed medical practitioner, to determine if the disability continues or if the disability has been removed, rather than authorizes the board, pursuant to its authority under Section 6.06(o) of this article to review and modify any funding relating to a qualified surviving child's handicap, to require a handicapped qualified surviving child receiving death benefits to appear and undergo medical examination by the health director or, if the health director approves, by any licensed medical practitioner, to determine if the handicap continues or if the handicap has been removed.

SECTION 1.45. Amends Sections 6.16, 6.18, and 6.19, Article 6243a-1, V.T.C.S., as follows:

Sec. 6.16. WAIVER OF BENEFITS. (a) Authorizes a primary party, qualified survivor, or beneficiary of a member's DROP account to, on a form prescribed by the board and

filed with the executive director, waive all or a portion of the benefits to which the person is or may be entitled, rather than authorizes a pensioner who is on either service or disability retirement, a qualified surviving spouse, a handicapped qualified surviving child, a member who may be a participant in DROP, a beneficiary of a deceased former DROP participant, or a qualified surviving dependent parent to, on a form prescribed by the board and filed with the administrator, irrevocably waive all or a portion of the benefits, to which the person who waives the benefit is entitled. Authorizes the wavier to state whether it is revocable or irrevocable, and is irrevocable unless the waiver clearly states it is revocable.

(b) Provides that the waiver described by Subsection (a) applies only to benefits, rather than the irrevocable waiver described by Subsection (a) applies only to retirement, disability, or DROP survivor benefits, that become payable on or after the date the waiver is filed.

(b-1) Provides that benefits waived by a revocable wavier are forfeited and the person making the waiver has no right, title, claim, or interest in the benefits.

(c) Requires that the waiver described by Subsection (a), if two or more persons are or may be entitled to benefits under this article, be executed by each person to become effective, rather than if there are two qualified surviving dependent parents receiving death benefits, be executed by both of the parents. Requires the living parent or parents or legal guardian or guardians of a child to sign the waiver described by Subsection (a) on behalf of the child.

Sec. 6.18. INVESTIGATION. (a) Requires the board to consider all applications for retirement and disability pensions, all applications for death benefits, and all elections to participate in DROP, rather than all applications for retirement and disability pensions of members, all applications for death benefits by qualified survivors, and all elections for participation by a member in DROP. Requires the board to give notice to persons applying for benefits, advising them of their right to appear before the board, rather than requires the board to give notice to those persons, advising of their right to appear before the board, and offer such sworn evidence as they may desire. Authorizes any person claiming retirement, disability, or DROP benefits to appear before the board and offer testimony that is relevant to a contested application for a retirement pension, a disability pension, death benefits, or DROP benefits, rather than authorizes any primary party, survivor, or other person claiming DROP benefits to appear before the board in person and offer testimony that is relevant to a contested application for a retirement pension, disability pension, death benefit, or DROP benefit. Requires that process for witnesses be served by any method of serving process, rather than be served by any member of the police or fire department or by any other method of serving process or person, permitted by the state law in any civil judicial proceeding.

(b) Authorizes any person who is aggrieved by a determination of the board regarding a retirement pension, a disability pension, death benefits, or DROP benefits to appeal the board determination to a state district court in the city where the pension system is located by giving written notice of appeal, rather than authorizes any primary party, spouse, child, dependent parent, or other person claiming DROP benefits who is aggrieved by a determination of the board on the person's application for or continuation of a retirement pension, disability pension, or death benefit, or an election for DROP benefits to appeal the board determination to a state district court in the county where the pension system is located by giving written notice of appeal. Changes a reference to the secretary of the board to the executive director.

(c) Requires the executive director, rather than the secretary of the board, within 30 days after the date of service of the notice of appeal on the board, to make up and file with the state district court a transcript of all nonprivileged papers, rather than all papers, and proceedings in the case before the board.

(d) Authorizes the court, at any time before the rendering of its decision on appeal, rather than at any time before rendering its decision on the appeal, to require further or additional proof or information, either documentary or under oath. Provides that the decision, rather than the decision or order, of the court is appealable in the same manner as are civil cases generally.

(e) Makes nonsubstantive changes.

Sec. 6.19. New heading: CERTIFICATE OF MEMBER PENSION BENEFIT ELIGIBILITY. Requires that a member, when a member has earned five years of pension service, be issued an incontestable five-year certificate indicating that the member is entitled to pension benefits subject to the effect of any withdrawals as permitted under Article 6243a or this article, rather than requires that a member, when the member has earned 20 years of pension service, be issued a certificate of retirement that, barring administrative error, miscalculation, or other error, after issuance is incontestable. Requires that the certificate state that the calculation of the retirement pension to which the member is entitled, or any disability benefits to which the member may become entitled, be determined solely under the actual terms of the combined pension plan as in effect at the time the member leaves active service, rather than under the actual terms of the combined pension plan. Requires that the certificate further state that in the case of the member's death, the member's qualified survivors, if any, are authorized to become entitled to death benefits as determined solely under the actual terms of the combined pension plan as in effect at the time of the member's death, rather than the member's survivors are required to be entitled to survivor benefits as determined under the terms of the combined pension plan. Requires that the certificate bear a seal and be signed by the executive director and chairman of the board, rather than requires that the certificate be signed by the mayor, or the mayor pro tem, or the city manager and by the chairman of the board and attested under the seal of the city by the city secretary.

SECTION 1.46. Amends Part 6, Article 6243a-1, V.T.C.S., by adding Section 6.20, as follows:

Sec. 6.20. ERRONEOUS PAYMENTS OR OVERPAYMENTS. (a) Provides that, if the pension system pays money to any person not entitled to the payment, whether by reason of an error of the pension system as to entitlement to or the amount of a benefit or otherwise, or an act or error of some other person, including the recipient of the payment, the recipient of the payment holds the funds to which the recipient was not entitled in constructive trust for the pension system and those funds are subject to demand by the pension system at any time.

(b) Requires the recipient of an erroneous payment from the pension system to repay to the pension system all funds associated with the erroneous payment.

(c) Authorizes the board by rule, subject to Subsection (e) of this section, to adopt a procedure to enable the pension system to offset the future benefit or other payments of a recipient described by this section. Authorizes the board, in addition, to take any additional action, including the bringing of a lawsuit, the board considers necessary to recover an erroneous payment the pension system is entitled to under this section.

(d) Requires that the pension system, if the pension system determines that a person is entitled to additional benefits as a result of an error made by the pension system, promptly pay the additional benefits owed.

(e) Requires that the board's correction procedures comply with the Internal Revenue Service's Employee Plans Compliance Resolution System and Revenue Procedure 2016-51, including subsequent guidance.

SECTION 1.47. Amends Article 6243a-1, V.T.C.S., by adding Part 6A, as follows:

PART 6A. EQUITABLE ADJUSTMENTS

Sec. 6A.01. **EQUITABLE ADJUSTMENTS TO BENEFITS.** (a) Authorizes the board, subject to this section and notwithstanding any other provision of this article, by at least a two-thirds vote of all trustees, to consider and adopt rules requiring the equitable return of funds paid to or credited to the benefit of a member or pensioner under this article before September 1, 2017, to the extent the funds exceeded reasonable amounts that should be paid or credited given the circumstances of the pension system at the time the payment or credit was made, including the return of excessive interest credited to a member's DROP account and excessive adjustments made under Section 6.12 of this article.

(b) Defines "reasonable amounts."

Sec. 6A.02. **ADJUDICATION OF CERTAIN CHALLENGES.** (a) Provides that the Texas Supreme Court (supreme court) has exclusive and original jurisdiction over a challenge to the constitutionality under the Texas Constitution of Section 6A.01 of this article. Provides that an action under this section is authorized to the full extent permitted by Section 3 (Jurisdiction of Supreme Court; Writs; Clerk), Article V (Judicial Department), Texas Constitution. Authorizes the supreme court to issue any injunctive, declaratory, or equitable relief the supreme court deems appropriate or necessary to effectuate the supreme court's mandamus jurisdiction in connection with a challenge under this section.

(b) Requires that any action brought under this section be filed not later than a certain date.

(c) Prohibits the board, if an action brought under this section is timely filed, from enforcing or otherwise administering any rules adopted pursuant to Section 6A.01 of this article during the pendency of the action.

SECTION 1.48. Amends Section 8.01, Article 6243a-1, V.T.C.S., as follows:

Sec. 8.01. **QUALIFICATION UNDER FEDERAL TAX LAW.** (a) Provides that the plans within the pension system and the assets of the fund are intended to qualify as a governmental plan under Sections 401 and 414(d) of the code, rather than to qualify under Section 401 of the code, be exempt from federal income taxes under Section 501(a) of the code, and conform at all times to applicable requirements of law, regulations, and orders of duly constituted federal governmental authorities.

(b) Makes no changes to this subsection.

(c) Prohibits the annual benefit provided with respect to any member in any limitation year, notwithstanding any other provisions of this article, from exceeding the amount permitted by Section 415(b) of the code for the limitation year, and the sum of the member contributions and all other annual additions for any limitation year from exceeding the amount permitted under Section 415(c) of the code for the limitation year. Requires that the required reductions in benefits or contributions, if the aggregated annual benefit or aggregated annual additions under any qualified plans created under this article and any other defined benefit plan or plans maintained by the city would otherwise exceed the limitations of Section 415 of the code, first be made to the extent possible from the other plan or plans, rather than requires that the reductions in benefits, if the aggregate benefits otherwise payable from any qualified plans created under this article and any other defined benefit plan or plans maintained by the city would otherwise exceed the limitations of Subdivision (1) of this subsection, first be made to the extent possible from the other plan or plans. Requires that the limitations referenced in this subsection be adjusted annually in accordance with Section 415(d) of the code and provides that any adjustment to benefits applies to the benefits of active and terminated members and applies without regard to whether a terminated member is a pensioner. Deletes existing text prohibiting the pension provided

with respect to any member from exceeding an annual benefit computed in accordance with the limitations prescribed by this subsection.

Deletes existing Subdivision (1) prohibiting the maximum annual benefit payable in any limitation year to a member from exceeding the lesser of certain amounts.

Deletes existing Subdivision (2) requiring that benefits provided to a member under this article and under any defined benefit plan or plans maintained by the city be aggregated for purposes of determining whether the limitations in Subdivision (1) of this subsection are met.

Deletes existing Subdivision (3) setting forth certain required adjustments on retirement.

Deletes existing Subdivision (4) requiring that certain limitations be adjusted annually as provided by Section 415(d) of the code and the regulations prescribed by the secretary of the treasury, and providing that the adjusted limitation is effective as of a certain date and is applicable to limitation years ending with or within that calendar year. Deletes existing text requiring that the limitation provided by this paragraph for a certain member be adjusted annually as provided by Section 415(d) of the code and the regulations prescribed by the secretary of the treasury.

Deletes existing Subdivision (5) requiring that certain interest rate assumptions be used in computing the limitations under this section.

Deletes existing Subdivision (6) prohibiting an adjustment under Section 415(d) of the code, for purposes of Subdivisions (1) and (3), from being taken into account before the limitation year for which that adjustment first takes effect. Deletes existing text providing that, for purposes of Subdivisions (1) and (5), an adjustment is not required for the value of certain benefits.

Deletes existing Subdivision (7) authorizing this plan to pay an annual benefit to any member in excess of the member's maximum annual benefit otherwise allowed if certain conditions are met.

Deletes existing Subdivision (8) requiring that certain limitations be reduced by a certain amount if a member has less than 10 years of pension service in the plan at the time the member begins to receive benefits under the plan.

Deletes existing Subdivision (9) requiring that, if a member is or has been a participant in one or more defined benefit plans and one or more defined contribution plans maintained by the city, certain provisions apply.

Deletes existing Subdivision (10) requiring that, for purposes of determining the provided limits, all qualified defined benefit plans, whether terminated or not, ever maintained by or contributed to by the city, be treated as one defined benefit plan, and that all qualified defined contributions plans, whether terminated or not, ever maintained by or contributed to by the city, be treated as one defined contribution plan.

(c-1) Redesignates existing Subdivision (c)(11) as Subsection (c-1). Requires that the limitations, adjustments, and other requirements prescribed by this section, notwithstanding anything contained in this section to the contrary, at all times be computed in the manner most favorable to the affected members, to the extent permitted by guidelines issued by the Internal Revenue Service, rather than

comply with the requirements of Section 415 of the code and all regulations promulgated under the code.

(c-2) Requires that any benefit reductions that are required to be made be applied to reduce the monthly benefit that would otherwise have been payable to the member, unless the value of the member's DROP account accrued under Section 6.14 of this article exceeds the amount that is authorized to be paid. Requires that the member, if the value of the DROP account exceeds the value of the payments that are authorized to be made, receive a lump-sum payment from the account of the maximum amount that may be paid and requires that the payment permanently reduce the benefits the member would otherwise have been entitled to receive under the combined pension plan.

(d) Includes the requirement that a member's retirement pension at all times comply with the requirements of Section 401(a)(9) of the code. Deletes existing text prohibiting benefits to a qualified beneficiary from beginning later than one year after the date of the member's death.

(e) Provides that any person who receives any distribution from any plan within the pension system that is an eligible rollover distribution as defined by Section 402(f)(2)(A) of the code is entitled to have that distribution transferred directly to another eligible retirement plan as defined by Section 402(c)(8)(B) of the code of the person's choice on providing direction regarding that transfer to the executive director in accordance with procedures established by the executive director, rather than provides that any member or beneficiary who receives any distribution from any plan within the system that is an eligible rollover distribution as defined by Section 402(f)(2)(A) of the code is entitled to have that distribution transferred directly to another eligible retirement plan of the member's or beneficiary's choice on providing direction regarding that transfer to the administrator in accordance with procedures established by the administrator.

(e-1) Authorizes the transfer, if an eligible rollover distribution described by Subsection (e) is to a designated beneficiary who is not the spouse or former spouse of the member, to only be to an individual retirement account or an individual retirement annuity.

(f) Prohibits the annual compensation taken into account for any purpose under the combined pension plan, for the 2017 calendar year, from exceeding \$400,000 for an eligible participant or \$270,000 for an ineligible participant, rather than prohibits the annual compensation taken into account under this article from exceeding \$200,000 for any calendar year. Provides that for a Group A member the term "annual compensation" means the aggregate of the member's base pay. Provides that for a Group B member the term "annual compensation" means the aggregate of the member's computation pay for any given plan year. Requires that these dollar limits be adjusted from time to time in accordance with guidelines provided by the secretary of the treasury, rather than requires that the \$200,000 limit be adjusted on January 1 of each year at the same time and in the same manner as provided by Section 415(d) of the code. Defines, for purposes of this subsection, "eligible participant" and "ineligible participant." Deletes existing text providing that, in determining the compensation of a member for purposes of this limitation, the family aggregation rules of Section 414(q)(6) of the code apply, except that the term "family member" includes only the spouse of the member and any lineal descendants of the member who have not attained age 19 at the end of the plan year. Deletes existing text requiring that, if as a result of this family aggregation requirement, the \$200,000 limit is exceeded, the limitation be prorated among the affected individuals in proportion to each individual's compensation as determined before application of the limit.

(g) Defines "normal retirement age" for purposes of Subsection (h).

(h) Provides that the retirement benefit earned by a member is nonforfeitable under certain conditions

(i) Prohibits forfeitures arising under the combined pension plan, in accordance with Section 401(a)(8) of the code, from being used to increase the benefits any member would otherwise receive under the terms of the plan. Authorizes forfeitures to be used first to reduce administrative expenses, then to reduce required city contributions.

(j) Requires that the pension system, subject to procedures adopted by the board, accept an eligible rollover distribution from another eligible retirement plan as defined by Section 402(f)(2)(B) of the code as payment of all or a portion of any payment a member is permitted to make to the pension system for past pension service credit. Requires that the pension system separately account for any after-tax contributions transferred from any plan under this subsection.

SECTION 1.49. Amends Section 8.02, Article 6243a-1, V.T.C.S., as follows:

Sec. 8.02. EXCESS BENEFIT PLAN FOR POLICE OFFICERS AND FIRE FIGHTERS. Authorizes the board by rule to establish and administer a separate qualified governmental excess benefit arrangement and associated trust for the arrangement in accordance with Section 415(m) of the code. Deletes existing text providing that, on the enactment of federal legislation enabling public retirement systems to establish excess benefit plans for the benefit of employees for whom additional benefits from retirement plans qualified under Section 401 of the code would exceed the limitations of Section 415 of the code, there is created outside the pension system a separate, nonqualified excess benefit plan containing certain terms and provisions.

Deletes existing Subsection (a) providing that all definitions prescribed by Section 2.01 of this article are applicable to the plan created pursuant to this section except if certain conditions are met. Deletes existing text defining "excess benefit plan," "qualified plan," "maximum benefit," "excess benefit participant," and "unrestricted benefit."

Deletes existing Subsection (b) providing that an excess benefit participant who is receiving benefits from an applicable qualified plan is entitled to a monthly benefit under this excess benefit plan in a certain amount.

Deletes existing Subsection (c) requiring that this plan be administered by the board, and requiring the administrator to also carry out the business of the board with respect to this excess benefit plan. Deletes existing text requiring that the rights, duties, and responsibilities of the board and administrator, except as provided to the contrary by this subsection, be the same for this excess benefit plan as for the qualified pension plans within the pension system. Deletes existing text providing that the qualified actuary employed pursuant to Section 4.08 of this article is responsible for determining the amount of benefits that are prohibited from being provided under the qualified plans solely by reason of the limitations of Section 415 of the code and thus the amount of the city contributions that will be made to this excess benefit plan rather than to a qualified plan. Deletes existing text requiring the legal advisors described by Section 3.03 of this article to also provide advice to the board for this excess benefit plan.

Deletes existing Subsection (d) prohibiting contributions from being accumulated under this excess benefit plan to pay future retirement benefits. Deletes existing text requiring that, instead, each payment of city contributions that would otherwise be made to the fund pursuant to Section 4.02 of this article or comparable provisions of other qualified plans approved by the members be reduced by the amount determined by the administrator as necessary to meet the requirements for retirement benefits under this excess benefit plan until the next payment of city contributions is expected to be made to the fund by the city.

Deletes existing text requiring the city to then pay to this excess benefit plan, out of the withheld city contributions no earlier than the 14th day before the date of each distribution of monthly retirement benefits is required to be made from this excess benefit plan, the amount necessary to satisfy the obligation to pay this excess benefit plan monthly retirement benefits. Deletes existing text requiring the administrator to satisfy the obligation of this excess benefit plan to pay retirement benefits out of the city contributions so transferred for that month. Deletes existing text requiring that the city contributions otherwise required to the pension system pursuant to Section 4.02 of this article and any other qualified plan approved by the members be divided into those contributions required to pay retirement benefits pursuant to this section and those contributions paid into and accumulated to pay the maximum benefits required under the qualified plans. Deletes existing text prohibiting city contributions made to provide retirement benefits pursuant to this section from being commingled with the monies of the fund or any other qualified plan.

Deletes existing Subsection (e) requiring that amendments to this excess benefit plan be made in the same manner provided by Section 7.01 of this article.

SECTION 1.50. Amends Section 8.03, Article 6243a-1, V.T.C.S., as follows:

Sec. 8.03. New heading: EXEMPTION OF BENEFITS FROM JUDICIAL PROCESS OR ALIENATION. (a) Prohibits a portion of the fund or benefit or amount awarded to any primary party, qualified survivor, beneficiary of a member's DROP account, excess benefit participant, or survivor of an excess benefit participant under this article, rather than a portion of the fund or benefit or amount awarded to any primary party qualified survivor or beneficiary of a member's DROP account under this article, from being held, seized, taken, subjected to, or detained or levied on by virtue of any execution, attachment, garnishment, injunction, or other writ, order, or decree, or any process or proceedings issued from or by any court for the payment or satisfaction, in whole or in part, of any debt, damage, claim, demands, or judgment against any person entitled to benefits from any plan within the pension system or from the excess benefit plan, rather than within the pension system. Changes references to the fund to the fund and the excess benefit plan.

(b) Changes a reference to the administrator to the executive director.

(c) Provides that this section does not preclude:

(1) the payment of death benefits to a trust for certain children, rather than the payment of death benefits to a support trust for certain surviving children, of a primary party pursuant to Section 6.06(n) of this article. Creates this subdivision from existing text;

(2) the withholding of federal taxes from pension benefits;

(3) the recovery by the board of overpayments of benefits previously made to any person;

(4) the direct deposit of benefit payments to an account in a bank, savings and loan association, credit union, or other financial institution, provided the arrangement is not an alienation;

(5) under any policy adopted by the board and uniformly applied to voluntary arrangements entered into by a primary party or qualified survivor, any voluntary and revocable arrangement entered into by a pensioner or a qualified survivor that permits the withholding and direct payment of health care or life insurance premiums or similar payments from the monthly benefit payments; or

(6) an assignment of the distribution from an annuitized DROP account to a third party under Section 6.14(e-3)(1) of this article.

(d) Provides that, for purposes of Subsection (c), an attachment, garnishment, levy, execution, or other legal process is not considered a voluntary arrangement.

SECTION 1.51. Amends Chapter 810, Government Code, by adding Section 810.002, as follows:

Sec. 810.002. ALTERNATIVE BENEFIT PLAN FOR CERTAIN MUNICIPALITIES.

(a) Defines "alternative benefit plan."

(b) Provides that his section applies only to a municipality subject to Article 6243a-1 (Pension System for Police Officers and Firefighters in Certain Cities), Revised Statutes.

(c) Authorizes the governing body of a municipality subject to this section by ordinance, notwithstanding any other law and subject to Subsection (f), to establish an alternative benefit plan and determine the benefits, funding source and amount, and administration of the alternative benefit plan and require an employee first hired by the municipality on or after the date the alternative benefit plan is implemented to participate in the alternative benefit plan instead of participating in the pension system provided under Article 6243a-1, Revised Statutes.

(d) Requires each active participant of an alternative benefit plan established under this section to contribute to the plan an amount, if any, determined by the municipality. Requires that the municipality contribute for each active participant in an alternative benefit plan established under Subsection (c) an amount determined by the municipality.

(e) Requires that municipality that establishes an alternative benefit plan under this section file all reports with PRB required by Chapter 802.

(f) Authorizes the governing body of a municipality to only establish an alternative benefit plan under this section if:

(1) the qualified actuary of the pension system established under Article 6243a-1, Revised Statutes, determines that after establishment and implementation of the alternative benefit plan, the pension system would continue to comply with funding and amortization period requirements applicable to the pension system under Subchapter C, Chapter 802; and

(2) PRB conducts a review of and validates the determination made under Subdivision (1).

SECTION 1.52. Repealer: Section 3.01(c) (relating to election procedures and duties of the three alternate trustees of the board), Article 6243a-1, V.T.C.S.

Repealer: Section 4.01(b) (relating to requiring the city, on request of the board, to provide the administrator and the administrator's staff with first class, Class "A" office space), Article 6243a-1, V.T.C.S.

Repealer: Section 4.02(f) (relating to providing that a member's contribution rate, regardless of the plan of which the person is a member, is considered to be the highest contribution rate of any member for any pension plan), Article 6243a-1, V.T.C.S.

Repealers: Sections 6.06(i) (relating to requiring that the death benefits paid to qualified surviving children living with a surviving spouse be delivered to the spouse to use on

behalf of the children) and (s) (relating to requiring a surviving child to meet certain criteria to be eligible for death benefits), Article 6243a-1, V.T.C.S.

Repealer: Section 6.10B(h) (relating to the disability pension of a Group A primary party who leaves active service on disability retirement), Article 6243a-1, V.T.C.S.

Repealers: Sections 6.14 (i) (relating to providing that a Group B member who elects to participate in DROP does not accrue additional pension service for certain purposes and prohibiting any compensation earned by a Group B member during that period from being considered in the calculation of the benefit) and (k) (relating to prohibiting any member from electing to begin in DROP after any certain date), Article 6243a-1, V.T.C.S.

Repealer: Part 7 (Amendment of Pension System), Article 6243a-1, V.T.C.S.

SECTION 1.53. (a) Defines "board," "city," "nominations committee," "pension system," and "trustee."

(b) Provides that the terms of the current trustees expire on the effective date of this article. Provides that, subject to Subsection (e), on that date or as soon as possible after that date:

(1) the mayor is required to appoint new trustees to the board in accordance with the requirements of Section 3.01(b)(1), Article 6243a-1, V.T.C.S., as added by this article; and

(2) notwithstanding the requirements of Sections 3.01(b)(2), (3), and (4) and (f), Article 6243a-1, V.T.C.S., as added or amended by this article, that the board in consultation with the nominations committee adopt rules governing the election of trustees appointed under Sections 3.01(b)(2), (3), and (4), Article 6243a-1, V.T.C.S., as added by this article, the nominations committee is required to adopt procedures electing the initial trustees elected under Sections 3.01(b)(2), (3), and (4), Article 6243a-1, V.T.C.S., as added by this article.

(c) Prohibits the board, notwithstanding Section 3.01(o), Article 6243a-1, V.T.C.S., as amended by this article, and except as provided by Subsections (d) and (g) of this section, from taking any action authorized by Article 6243a-1, V.T.C.S., until at least 10 initial trustees have been appointed or elected, except that the board is authorized to take such an action, other than an action described by Section 3.01(o)(2), Article 6243a-1, V.T.C.S., as added by this article, before at least 10 initial trustees have been appointed or elected if the action is in the ordinary course of business of the board and is required for the continued administration of the pension system.

(d) Requires the board, once all trustees have been appointed or elected to the board under this section, to by majority vote adopt rules establishing a process for electing trustees under Sections 3.01(b)(2), (3), and (4), Article 6243a-1, V.T.C.S., as added by this article.

(e) Requires the mayor and the nominations committee, as soon as possible after the effective date of this article, to:

(1) make a determination under Section 3.01(e), Article 6243a-1, V.T.C.S., as amended by this article, regarding the term limits of the board established under that section; and

(2) notwithstanding Section 3.01(e), Article 6243a-1, V.T.C.S., as amended by this article, determine the terms of initial trustees to ensure the appropriate staggering of trustee terms.

(f) Requires the board, notwithstanding Section 3.01(g), Article 6243a-1, V.T.C.S., to elect from among its trustees an initial chairman, vice chairman, and deputy vice chairman as soon as possible after all trustees have been appointed or elected in accordance with this article and, if the board elects to do so, an initial second deputy vice chairman.

(g) Requires the board, not later than the 90th day after the date all trustees under Section 3.01, Article 6243a-1, V.T.C.S., as amended by this article, have been appointed or elected, to vote on and, if the board determines it is appropriate, amend the existing rules relating to the governance and conduct of the board.

SECTION 1.54. (a) Requires the board of trustees of the pension system established under Article 6243a-1, V.T.C.S., not later than January 1, 2018, to:

(1) establish the ethics policy required by Section 3.01(r), Article 6243a-1, V.T.C.S., as added by this article; and

(2) appoint an executive director under Section 3.04, Article 6243a-1, V.T.C.S., as amended by this article.

(b) Authorizes the executive director, as soon as possible after the executive director is appointed under Subsection (a) of this section, to hire, subject to confirmation by the board of trustees of the pension system established under Article 6243a-1, V.T.C.S., a chief investment officer as authorized under Section 3.025, Article 6243a-1, V.T.C.S., as added by this article, and a chief legal officer as authorized under Section 3.03(c), Article 6243a-1, V.T.C.S., as amended by this article.

SECTION 1.55. (a) Defines "executive director," "nominations committee," and "pensioner."

(b) Requires the president, chair, or other executive head of an organization described by Section 3.011(a)(2), Article 6243a-1, V.T.C.S., as added by this article, that is eligible to and intends to participate on the nominations committee, as soon as possible after the effective date of this article but not later than the 30th day after the effective date of this article, to notify the executive director of the organization's intent to participate on the nominations committee and whether the president, chair, or other executive head, as appropriate, or that person's designee will serve on the committee.

SECTION 1.56. Provides that Section 4.025, Article 6243a-1, V.T.C.S., as added by this article, applies only to a contribution made on or after the date of the most recently completed actuarial valuation following the effective date of this article.

SECTION 1.57. Requires the board to review all investments held on the effective date of this article under Section 4.071, Article 6243a-1, V.T.C.S., as added by this article.

SECTION 1.58. Provides that changes in law to Part 5, Article 6243a-1, V.T.C.S., as amended by this article, apply to membership in a pension system established under Article 6243a-1, V.T.C.S., on or after the effective date of this article.

SECTION 1.59. Provides that a rollover distribution to a plan administered by the pension system established under Article 6243a-1, V.T.C.S., that was made on or after January 1, 2002, is validated as of the date the distribution occurred. Prohibits a distribution described by this section from being held invalid because the distribution was not performed in accordance with Section 8.01(j), Article 6243a-1, V.T.C.S., as added by this article, or other applicable law.

SECTION 1.60. Provides that Section 6.14(e), Article 6243a-1, V.T.C.S., as amended by this article, applies only to a distribution out of a deferred retirement option plan account that is made on or after the implementation of that section. Provides that a distribution out of a deferred retirement option plan account that is made before the implementation of that section is governed by the law in effect when the distribution is made.

ARTICLE 2. IMMEDIATE PROHIBITION ON CERTAIN DISTRIBUTIONS

SECTION 2.01. Amends Part 6, Article 6243a-1, V.T.C.S., by adding Section 6.142, as follows:

Sec. 6.142. PROHIBITION ON CERTAIN DISTRIBUTIONS. (a) Prohibits the board, notwithstanding Section 6.14 of this article, including Section 6.14(d)(1) of this article, from allowing any distribution out of a DROP participant's DROP account to a DROP participant or a participant's designated beneficiary, except:

(1) in the event of an unforeseeable emergency, as described in Section 6 of the DROP addendum policy adopted by the board that took effect on January 12, 2017;

(2) for purposes of making a minimum annual distribution, as described in Section 7 of the DROP addendum policy adopted by the board that took effect on January 12, 2017;

(3) as permitted by the board under Section 8e of the DROP addendum policy adopted by the board that took effect on January 12, 2017, in order to avoid the possibility of an early distribution tax penalty under Section 72(t) of the code; or

(4) in compliance with a court order.

(b) Provides that this section expires September 1, 2017.

ARTICLE 3. SEVERABILITY AND EFFECTIVE DATE

SECTION 3.01. Severability clause.

SECTION 3.02. (a) Effective date, except as provided by Subsections (b) and (d) of this section: upon passage or the 91st day after the last day of the legislative session.

(b) Effective date, Article 1 of this Act: September 1, 2017, unless the board violates Section 6.142, Article 6243a-1, V.T.C.S., as added by this Act, on or before August 31, 2017, as determined by PRB. Requires the board, at the request of PRB and within the time prescribed by PRB, to provide the data or other information requested by PRB for purposes of making a determination under this subsection.

(c) Requires PRB, if PRB determines that the pension system violated Section 6.142, Article 6243a-1, V.T.C.S., as added by this Act, to:

(1) not later than August 31, 2017, notify the board and the mayor and city council of a city subject to Article 6243a-1, V.T.C.S., of its determination and publish notice of its determination on PRB's Internet website; and

(2) as soon as practicable after August 31, 2017, publish notice of its determination in the Texas Register.

(c-1) Requires PRB to make the determination described by Subsection (c) of this section based on the data or other information that is in PRB's possession on or before August 31, 2017, and was provided with enough time for PRB to reasonably use the information to make a determination under this section.

(d) Provides that if, not later than August 31, 2017, PRB makes the determination described by Subsection (c), Article 1 of this Act has no effect.