

Art. 6243n. Municipal Retirement System in municipalities of 460,000 to 500,000

TX CIV ST Art. 6243n | Vernon's Texas Statutes and Codes Annotated | Civil Statutes (Titles 78 to 111) | Effective: September 1, 2023

Search Details


Jurisdiction: Texas

Delivery Details

Date: September 6, 2023 at 10:06 AM

Delivered By: Michelle Litz

Client ID: KYLE

Status Icons: 

Vernon's Texas Statutes and Codes Annotated
Civil Statutes (Titles 78 to 111) (Refs & Annos)
Title 109. Pensions (Refs & Annos)
2. City Pensions

Vernon's Ann.Texas Civ.St. Art. 6243n

Art. 6243n. Municipal Retirement System in municipalities of 460,000 to 500,000

Effective: September 1, 2023

Currentness

Scope

Sec. 1. (a) A retirement system is established by this Act for employees of each municipality having a population of more than 950,000 and less than 1,050,000 .

(b) Any right or privilege accruing to any member of a retirement system established by this Act is a vested right according to the terms of this Act.

(c) This Act continues to apply to a municipality described by Subsection (a) and a retirement system established by this Act continues to operate regardless of any change in the municipality's population.

Definitions

Sec. 2. The following words and phrases have the meanings assigned by this section unless a different meaning is plainly required by the context:

(1) "Accumulated deposits" means the amount standing to the credit of a member derived from the deposits required to be made by the member to the retirement system improved annually by interest credited at a rate determined by the retirement board from time to time upon the advice of the retirement board's actuary and credited as of December 31 to amounts standing to the credit of the member on January 1 of the same calendar year.

(2) “Actual retirement date” means the last day of the month during which a member retires.

(2A) “Actuarial accrued liability” means the portion of the actuarial present value of projected benefits of the retirement system attributed to past periods of member service based on the cost method used in the risk sharing valuation study under Section 10B or 10C of this Act, as applicable.

(3) “Actuarial equivalent” means any benefit of equal present value when computed on the basis of actuarial tables adopted by the retirement board from time to time upon the advice of the retirement board’s actuary. The actuarial tables adopted for this purpose shall be tables that are acceptable to the Internal Revenue Service and be clearly identified by resolution adopted by the retirement board.

(3A) “Actuarial value of assets” means the value of the retirement system’s assets as calculated using the asset smoothing method used in the risk sharing valuation study under Section 10B or 10C of this Act, as applicable.

(4) “Actuary” means the technical advisor of the retirement board regarding the operations which are based on mortality, service, and compensation experience.

(5) “Agency of the municipality” means any agency or instrumentality of the municipality or governmental or publicly owned legal entity created by the municipality, before or after the effective date of this Act, to perform or provide a public service or function and that employs at least one employee to provide services or accomplish its public purpose.

(5A) “Amortization period” means:

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

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

(5B) “Amortization rate” means, for a given calendar year, the percentage rate determined by:

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

(B) subtracting the city legacy contribution amount for the same calendar year, as determined in the risk sharing valuation study under Section 10B or 10C of this Act, as applicable, from the sum under Paragraph (A); and

(C) dividing the difference under Paragraph (B) by the projected pensionable payroll for the same calendar year.

(6) “Approved medical leave of absence” means any absence authorized in writing by the member’s employer for the purpose of enabling the member to obtain medical care or treatment or to recover from any sickness or injury.

(7) “Authorized leave of absence” means military leave of absence, including a period of not more than 90 days after the date of release from active military duty, or any other leave of absence during which a member is otherwise authorized by law to continue making contributions to the system. The term does not include an approved medical leave of absence.

(8) “Average final compensation” means the average monthly compensation, as defined and limited by Subdivision (12) of this section, less overtime, incentive, and terminal pay, plus, (i) amounts picked up by the employer pursuant to Section 10(e) of this Act, and (ii) amounts that would be included in wages but for an election under Section 125(d), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b) of the code, during, as applicable:

(A) if the member has 120 months or more of membership service, the 36 months of membership service which yielded the highest average during the last 120 months of membership service;

(B) if the member has less than 120 months of membership service, but has at least 36 months of membership service, then the average during the 36 months which yield the highest average; or

(C) if the member does not have 36 months of membership service, then the average during the member’s months of membership service.

The term does not include annual compensation in excess of the dollar limit under Section 401(a)(17) of the code for any employee who first becomes a member in a year commencing after 1995, and that compensation shall be disregarded in determining average final compensation. Any reduction for overtime, incentive, and terminal pay shall not cause a member’s compensation to be less than the limit under Section 401(a)(17) of the code to the extent that the compensation has already been reduced in accordance with Subdivision (12). The dollar limitation shall be adjusted for cost of living increases as provided under Section 401(a)(17) of the code.

(9) “Beneficiary” means the member’s designated beneficiary. If there is no effective beneficiary designation on the date of the member’s death, or if the designated beneficiary predeceases the member (or dies as a result of the same event that caused the member’s death and does not survive the member by 48 hours), the member’s

spouse or, if the member does not have a spouse, the member's estate shall be the beneficiary.

(10) "Board" means the boards of directors of an employer that is not a municipality as described in Section 1 of this Act.

(10A) "City" means a municipality described in Section 1 of this Act.

(10B) "City legacy contribution amount" means, for each calendar year, a predetermined payment amount expressed in dollars in accordance with a payment schedule amortizing the legacy liability for the calendar year ending December 31, 2022, that is included in the initial risk sharing valuation study under Section 10B of this Act.

(11) "Code" means the United States Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.) and its successors.

(12) "Compensation" means, with respect to any member, such member's wages, within the meaning of Section 3401(a) of the code (for purposes of income tax withholding at the source) but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Section 3401(a)(2) of the code). Compensation in excess of the dollar limit under Section 401(a)(17) of the code shall be disregarded in determining the compensation of any employee who first becomes a member in a year commencing after 1995. The dollar limitation shall be adjusted for cost of living increases as provided under Section 401(a)(17) of the code.

(13) "Consumer price index" means the Consumer Price Index for Urban Wage Earners and Clerical Workers (United States City Average, All Items) published monthly by the Bureau of Labor Statistics, United States Department of Labor, or its successor in function.

(13A) "Corridor" means the range of employer contribution rates that are:

(A) equal to or greater than the minimum employer contribution rate; and

(B) equal to or less than the maximum employer contribution rate.

(13B) "Corridor margin" means five percentage points.

(13C) “Corridor midpoint” means the projected employer contribution rate specified for each calendar year for 30 years as provided by the initial risk sharing valuation study under Section 10B of this Act, rounded to the nearest hundredths decimal place.

(14) “Creditable service” means the total of prior service, membership service, redeemed service, and service purchased under Section 6 of this Act.

(15) “Current service annuity” means a series of equal monthly payments payable for the member’s life after retirement for creditable service from funds of the retirement system equal to:

(A) for Group A members, one-twelfth of the product of 3.0 percent of a member’s average final compensation multiplied by the number of months of creditable service; and

(B) for Group B members, one-twelfth of the product of 2.5 percent of a member’s average final compensation multiplied by the number of months of creditable service.

(16) “Deposits” means the amounts required to be paid by members in accordance with the provisions of this Act.

(17) “Designated beneficiary” means any person, trust, or estate properly designated on a form provided by the retirement system by a member to receive benefits from the system in the event of the member’s death. If the member is married, an individual other than the member’s spouse may be the designated beneficiary only if the spouse consents to such designation in the form and manner prescribed by the retirement board.

(18) “Disability retirement” means the termination of employment of a member because of disability with a disability retirement allowance as provided in Section 8 of this Act.

(18A) “Early retirement annuity” means an annuity that is the actuarial equivalent of a current service annuity that would otherwise be payable at age 65 under this Act but that is reduced based on the member’s actual age in years and months.

(18B) “Early retirement eligible member” means a member of Group B that:

(A) is at least 55 years of age; and

(B) has at least 10 years of creditable service, excluding nonqualified permissive service credit.

(19) “Employer” means the municipality described in [Section 1](#) of this Act, the retirement board, or an agency of the municipality.

(19A) “Employer contribution rate” means, for a given calendar year, a percentage rate equal to the sum of the employer normal cost rate and the amortization rate, as adjusted under Section 10D or 10E of this Act, as applicable.

(19B) “Employer normal cost rate” means, for a given calendar year, the normal cost rate minus the applicable member contribution rate determined under Section 10 of this Act.

(19C) “Estimated employer contribution rate” means, for a given calendar year, an employer contribution rate equal to the sum of the employer normal cost rate and the amortization rate of the liability layers, as applicable, excluding the legacy liability layer, and before any adjustments under Section 10D or 10E of this Act.

(20) “Fund” means the trust fund containing the aggregate of the assets of Fund No. 1 and Fund No. 2.

(20A) “Funded ratio” means the ratio of the actuarial value of assets divided by the actuarial accrued liability.

(21) “Fund No. 1” means the fund in which shall be kept all accumulated deposits of members who have not withdrawn from the system.

(22) “Fund No. 2” means the fund in which shall be kept all money contributed by the city on behalf of city employees, by an agency of the municipality on behalf of the agency’s employees, and by the retirement board on behalf of retirement board employees, interest earned thereon, and all accumulations and earnings of the system.

(23) “Governing body” means the city council of the municipality described in [Section 1](#) and its successors as constituted from time to time.

(23A) “Group A” means the group of members of the retirement system that includes each member who:

(A) began membership service on or after January 1, 1941, and on or before December 31, 2011; or

(B) returned to full-time employment on or after January 1, 2012, and:

(i) was previously a member of Group A;

(ii) ceased to be a member of the retirement system;

(iii) received a distribution of the member's accumulated deposits; and

(iv) reinstated all of the member's prior membership service credit.

(23B) "Group B" means the group of members of the retirement system that includes each member who:

(A) began membership service on or after January 1, 2012; or

(B) returned to full-time employment on or after January 1, 2012, and:

(i) was previously a member of Group A;

(ii) ceased to be a member of the retirement system;

(iii) received a distribution of the member's accumulated deposits; and

(iv) has not reinstated all of the member's prior membership service credit.

(24) Repealed by Acts 1999, 76th Leg., ch. 834, Sec. 14, eff. Oct. 1, 1999.

(25) “Investment consultant” means the person or entity that monitors the investment performance of the system and provides such other services as requested by the retirement board.

(26) “Investment manager” means the persons or entities that have the power to manage, acquire, or dispose of assets of the fund on behalf of the retirement system and that acknowledge fiduciary responsibility to the system in writing. An investment manager must be a person, firm, or corporation registered as an investment adviser under the Investment Advisers Act of 1940, a bank, or an insurance company qualified to manage, acquire or dispose of assets under the laws of more than one state including this state that meets the requirements of [Section 802.204, Government Code](#).

(26A) “Legacy liability” means the unfunded actuarial accrued liability determined as of December 31, 2022, and for each subsequent calendar year, adjusted as follows:

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

(B) adjusted by the assumed rate of return adopted by the retirement system for the calendar year;

(26B) “Level percent of payroll method” means the amortization method that defines the amount of a liability layer recognized each calendar year as a level percent of pensionable payroll until the amount of the liability layer remaining is reduced to zero.

(26C) “Liability gain layer” means a liability layer that decreases the unfunded actuarial accrued liability.

(26D) “Liability layer” means:

(A) the legacy liability established in the initial risk sharing valuation study under Section 10B or 10C of this Act, as applicable; or

(B) for calendar years after December 31, 2022, the amount that the retirement system’s unfunded actuarial accrued liability increases or decreases, as applicable, due to the unanticipated change for the calendar year as determined in each subsequent risk sharing valuation study under Section 10C of this Act.

(26E) “Liability loss layer” means a liability layer that increases the unfunded actuarial accrued liability. For

purposes of this Act, the legacy liability is a liability loss layer.

(27) “Life annuity” means a series of equal monthly payments, payable after retirement for a member’s life, consisting of a combination of prior service pension and current service annuity, or early retirement annuity, to which the member is entitled.

(28) “Life annuity (modified cash refund)” means a life annuity providing that, in the event of death of the retired member before that member has received payments under the life annuity totaling the amount of that member’s accumulated deposits at the date of retirement, the excess of such accumulated deposits over the payments made shall be paid in one lump sum to the member’s designated beneficiary.

(29) “Malfeasance” means willful misconduct or the knowingly improper performance of any act, duty, or responsibility under this Act, including non-performance, that interrupts, interferes with, or attempts to interfere with the administration, operation, and management of the retirement system or any person’s duties under this Act.

(29A) “Maximum employer contribution rate” means, for a given calendar year, the rate equal to the corridor midpoint plus the corridor margin.

(30) “Member” means any:

(A) regular full-time employee of an employer; and

(B) former regular full-time employee who has not withdrawn the member’s accumulated deposits from the system.

In any case of doubt regarding the eligibility of any employee to become or remain a member of the retirement system, or the assignment of a member to a group, the decision of the retirement board is final.

(31) “Membership service” means the period of time on or after January 1, 1941, during which a person is or was employed as a regular full-time employee or is or was on an authorized leave of absence and who is eligible for participation in the system and pays into and keeps on deposit the amounts of money prescribed to be paid by the member into the system. The term includes redeemed membership service.

(31A) “Minimum employer contribution rate” means, for a given calendar year, the rate equal to the corridor midpoint minus the corridor margin.

(31B) “Normal cost rate” means, for a given calendar year, the salary weighted average of the individual normal cost rates determined for the current active member population, plus the assumed administrative expenses determined in the most recent actuarial experience study.

(32) “Normal retirement age” means:

(A) for members of Group A:

(i) age 62;

(ii) 55 years of age with 20 years of creditable service; or

(iii) 23 years of creditable service, regardless of years of age; and

(B) for members of Group B:

(i) 62 years of age with 30 years of creditable service, excluding nonqualified permissive service credit; or

(ii) 65 years of age with five years of creditable service, excluding nonqualified permissive service credit.

(33) “Normal retirement date” means:

(A) for members of Group A, the earlier of the date a member attains a normal retirement age or the date on which the member has completed 23 years of creditable service; and

(B) for members of Group B, the date the member reaches normal retirement age under Subdivision (32)(B) of this section.

(33A) “Payoff year” means the year a liability layer is fully amortized under the amortization period.

(33B) “Pensionable payroll” means the aggregate basic hourly earnings of all active-contributory members for a calendar year or pay period, as applicable.

(34) “Prior service” means membership service as an employee of the city:

(A) rendered by a person prior to January 1, 1941, for which a pension credit is allowable under prior law governing the retirement system of that city; and

(B) which for a person after January 1, 1941, includes redeemed membership service.

(35) “Prior service pension” means a series of equal monthly payments payable from funds of the retirement system for a member’s life after retirement for prior service equal to one-twelfth of the product of 3.0 percent of the member’s average monthly earnings during a period of five years preceding January 1, 1941, multiplied by the number of months of prior service.

(35A) “Projected pensionable payroll” means the estimated pensionable payroll for the calendar year beginning 12 months after the date of any risk sharing valuation study under Section 10B or 10C of this Act, as applicable, at the time of calculation by:

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

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

(36) “Qualified domestic relations order” has the meaning assigned by [Section 804.001, Government Code](#), and its subsequent amendments.

(37) “Redeemed membership service” means membership service reinstated in accordance with Section 5(e) of this Act.

(38) “Redeemed prior service” means prior service reinstated in accordance with Section 5(e) of this Act.

(39) “Regular full-time employee” means an individual who is employed by the municipality, an agency of the municipality, or the retirement board who is not a commissioned civil service police officer or fire fighter, a fire or police cadet employed under civil service procedures, the mayor, or a member of the governing body; who serves in a position that is classified in the annual budget of an employer for employment for the full calendar year; and who works or is budgeted for 30 hours or more in a normal 40-hour work week. The term does not include an individual whose position is classified as seasonal or temporary by the employer, even if the individual works 30 hours or more in a normal 40-hour work week in which the individual is employed.

(40) “Retired member” means a person who because of creditable service or age is qualified to receive and who has retired and is eligible to continue receiving a retirement allowance as provided by this Act.

(41) “Retirement” means the termination of employment of a member after the member becomes entitled to receive a retirement allowance in accordance with the provisions of this Act.

(42) “Retirement allowance” means the life annuity (modified cash refund) to which a member may be entitled under this Act, including annuities payable on disability retirement.

(43) “Retirement board” means the board of trustees of the retirement and pensioning system herein created for the purpose of administering the retirement system.

(44) “Retirement system,” “retirement and pensioning system,” “pension system,” or “system” means the retirement and pensioning system created by this Act for a municipality governed by this Act or a retirement system established under this Act.

(44A) “Unanticipated change” means, with respect to the unfunded actuarial accrued liability in each subsequent risk sharing valuation study under Section 10B or 10C of this Act, as applicable, the difference between:

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

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

(44B) “Unfunded actuarial accrued liability” means the difference between the actuarial accrued liability and the actuarial value of assets.

(45) “Year of creditable service” means a 12-month period of creditable service determined in accordance with uniform and nondiscriminatory rules established by the retirement board.

Establishment And Applicability

Establishment and applicability

Sec. 3. Subject to the authority granted under this Act:

(1) members who retired, and the beneficiaries of members who died, prior to October 1, 2011, shall continue to receive the same retirement allowances or benefits they were entitled to receive prior to that date, together with any benefit increase authorized under this Act;

(2) members of the retirement system on or before December 31, 2011, shall be enrolled as members of Group A; and

(3) persons that first become members of the retirement system on or after January 1, 2012, shall be enrolled in Group B.

Administration

Sec. 4. (a) The retirement board of the retirement system is hereby vested the power and responsibility for the proper and effective general administration, management, and operation of the retirement system for the exclusive benefit of its present and future members and beneficiaries.

(b) The retirement board consists of 11 members as follows:

(1) place one: one member of the governing body, designated by the governing body;

(2) place two: the city manager of the municipality or the manager’s designee;

(3) places three through five: three qualified voters of the city who:

(A) have been city residents for the preceding five years;

(B) have experience in the field of securities investment, pension administration, pension law, or governmental finance; and

(C) are not employees, former employees, or officers of an employer;

(4) place six: the director of finance of the municipality or the director's designee;

(5) places seven through nine: three active-contributory members elected by the active-contributory members; and

(6) places ten and eleven: two retired members elected by the retired members.

(c)(1) The place one retirement board member serves at the pleasure of the governing body and until the governing body redesignates the place one member, or until the member is no longer able to serve because of death, resignation, termination of position as a member of the governing body, or disability. The governing body shall appoint a person to fill a vacancy in place one not later than the 90th day after the first date of the vacancy.

(2) In December of every second even-numbered year, the governing body shall appoint, to place three, one person meeting the qualifications for place three. In December of every second odd-numbered year, the governing body shall appoint, to place four, one person meeting the qualifications for place four. In December of every second odd-numbered year, the retirement board shall appoint, to place five, one person meeting the qualifications for place five. Retirement board members holding places three through five each serve a four-year term beginning on January 1 of the year after their appointment, unless service is earlier terminated by the death, disability, resignation, or removal of that retirement board member or the retirement board member ceases to meet the qualifications of a citizen retirement board member as set forth in Section 4(b) of this Act. The governing body shall fill a vacancy in place three or four with a person meeting the qualifications for that place not later than the 90th day after the first date of the vacancy. If the governing body fails to appoint an eligible person to fill a vacancy in place three or four within the 90-day period, the retirement board may appoint a person meeting the qualifications for that place to fill the vacancy for the remainder of the unexpired term. The retirement board shall appoint a person meeting the qualifications for place five to fill a vacancy in place five for the remainder of the unexpired term.

(3) The places seven through nine retirement board members each serve on the retirement board for a four-year term, unless service is earlier terminated by the death, resignation, termination of employment, disability, retirement, or removal of the retirement board member. The retirement board shall appoint an active-contributory member to fill a vacancy in each of places seven through nine for the remainder of the unexpired term if the remainder of the unexpired term is 364 days or fewer. If the remainder of the unexpired

term is 365 days or more, the vacancy shall be filled by the active-contributory members voting at a special election.

(4) The places ten and eleven retirement board members serve for a four-year term, unless that service is earlier terminated by the death, disability, resignation, or removal of the member. The retirement board shall appoint a retired member to fill a vacancy in place ten or eleven for the remainder of the unexpired term if the remainder of the unexpired term is 364 days or fewer. If the remainder of the unexpired term is 365 days or more, the vacancy shall be filled by the retired members voting at a special election.

(d) Members for places seven through eleven shall be elected in accordance with Subsections (e)-(m) of this section.

(e) Only active-contributory members shall be eligible for election for places seven through nine. Only retired members shall be eligible for election for places ten and eleven. Not more than one active-contributory member shall be eligible for election from any one department or office or similar organizational unit that is established in the annual budget of an employer and is not part of any department.

(f) Members for places seven through nine shall be elected to four-year terms with the place seven term beginning January 1, 2024, and the terms of places eight and nine beginning January 1 of the following even-numbered year.

(g) Members for places ten and eleven shall be elected to four-year staggered terms. One such retirement board member shall be elected at an election held in every other even-numbered year with the term of such retirement board member beginning on January 1 of the following odd-numbered year.

(h) No later than the first day of October of each odd-numbered year, the retirement board shall appoint a nominating and election committee consisting of five committee members and two alternates, all of whom are active-contributory members of the retirement system. The nominating and election committee shall make one or more nominations for each active-contributory member vacancy and shall act as election judges. The nominating and election committee shall determine and certify that each such nominee and each candidate announcing for election is an active-contributory member and prepare the ballot containing the names of all certified active-contributory member candidates.

(i) No later than the first day of October of every second even-numbered year, the retirement board shall appoint a nominating and election committee consisting of five committee members and five alternates, all of whom are retired members of the retirement system. The nominating and election committee shall make one or more nominations for the retired member vacancy and shall act as election judges. The nominating and election committee shall determine and certify that each such nominee and each candidate announcing for election is a retired member and prepare the ballot containing the names of all certified retired member candidates.

(j) Each nominating and election committee shall publish a notice at least two weeks prior to the applicable election date, informing all active-contributory members or retired members, as applicable, of the names of the persons who have been certified as candidates.

(k) Elections for places seven through nine shall be held in December of odd-numbered years. Elections for places 10 and 11 shall be held in December of every second even-numbered year. The candidates receiving the highest number of eligible votes shall be deemed elected. In case of a tie vote, selection shall be by lot drawn by an existing member of the retirement board at a meeting of the retirement board held after the election but before the first day of January of the year after the election.

(l) The applicable nominating and election committee shall canvass the returns, certify the results, and announce the official results of the election.

(m) The retirement board shall approve written procedures for the conduct of the election no later than August 1 of each year in which an election is held. The procedures may include comprehensive provisions prescribing the conduct of the election and early voting.

(n) Each member of the retirement board shall, within 30 days after appointment or election, take an oath of office that he or she will diligently and honestly administer the affairs of the retirement system and will not knowingly violate or willingly permit to be violated any law or statute applicable to the retirement system. All members of the retirement board serve without compensation.

(o) In January of each year, the retirement board shall elect from its membership a presiding officer and an assistant presiding officer for one calendar year terms.

(p) The retirement board shall hire a pension director as an employee of the retirement board. The retirement board shall establish, consistent with this Act, the duties of the pension director and shall assign the pension director a title. The pension director shall hire and may fire or suspend necessary staff members, and those staff members are employees of the retirement system. The pension director acting under the direction of the retirement board shall keep all of the records of the retirement system and a record of the proceedings of the retirement board. The pension director and each staff member shall receive such compensation as the retirement board may fix in each annual budget of the retirement system, or amendments to the budget, and that compensation shall be paid from the fund.

(q) Subject to this Act, the retirement board shall from time to time establish rules and regulations for the administration of the funds authorized to be created and for the transaction of the retirement system's business. Each member of the retirement board is entitled to one vote. Six concurring votes are necessary for a decision by the retirement board at any meeting of the retirement board, and six members constitute a quorum. Each member will be required to serve on a committee of the retirement board. Any retirement board member who is absent from four consecutive regular monthly meetings of the retirement board shall be removed from the retirement board and replaced in accordance with the provisions of this section.

(r) The retirement board shall keep or cause to be kept in convenient form such data as are necessary for actuarial valuation of the fund of the retirement system and for checking the mortality, service, compensation, and payment experience of the system. Each employer shall provide to the retirement board records that are useful for the board's administration of the retirement system or the fund.

(s) The retirement board shall keep a record of all its proceedings, which shall be open to public inspection except as otherwise specifically provided or permitted by law, and shall publish annually a report showing the fiscal transactions of the retirement system for the preceding year, the amount of the accumulated cash, securities and other assets of the system, and the last balance sheet showing the financial condition of the system as disclosed by the most recent actuarial valuation of the assets and liabilities of the retirement system.

(t) The retirement board shall have charge of and administer the fund as trustee of the fund and shall order payments from the fund in accordance with this Act. If practicable, the retirement board shall collect underpayments and refund overpayments. The retirement board shall report annually to the members on the condition of the fund and the receipts and disbursements on account of the fund.

(u) Individual accounts shall be maintained for each member of the retirement system, showing the amount of the member's accumulated deposits. Annually a statement shall be given each member showing the total amount of that member's accumulated deposits. The board shall keep a record of the names and amounts paid to retired members, surviving spouses, and beneficiaries. The accounts of the retirement board and the retirement system shall be included in the annual independent audit of the accounts of the system performed by a certified public accounting firm selected by the retirement board. One copy of the annual audit shall be provided to the governing body and to the board of each employer.

(v) The retirement board shall designate an actuary who shall be the technical advisor of the retirement board regarding the maintenance and operations of the fund authorized by the provisions of this Act and shall perform such other duties as may be required in connection therewith, but shall not be an investment advisor or fiduciary with respect to any investments of the fund. The actuary shall make periodic valuations of the assets and liabilities of the funds and other evaluations as requested by the retirement board.

(w) At least once every five years, the actuary shall make an actuarial investigation of the mortality, service, and compensation experience of members, retired members, surviving spouses, and beneficiaries of the retirement system and shall make a valuation of the assets and liabilities of the funds of the system. Taking into account the result of such investigation and valuation, the retirement board shall adopt for the retirement system such mortality, service, and other actuarial tables or rates as are deemed necessary. On the basis of tables and rates adopted by the retirement board, the actuary shall make a valuation at least once every two years of the assets and liabilities of the funds of the retirement system.

(x) The retirement board may retain the services of one or more investment managers who shall have full authority to invest and manage the assets of the retirement system and the fund, as specified by contract in accordance with Subchapter C, Chapter 802, Government Code.¹

(y) The retirement board may retain the services of one or more investment consultants to monitor the investment performance of the investment managers and provide other investment-related services as requested by the retirement board.

(z) The retirement board may retain legal counsel as necessary in the judgment of the retirement board to advise, consult, assist and represent the retirement board and the system in and with respect to any legal matter, issue, cause or claim that comes before the retirement board or that may affect the retirement system or the operation of the fund.

(aa) Except as provided by Subsection (cc) of this section, the retirement board may adopt rules, policies, and procedures, correct any defect, supply any information, or reconcile any inconsistency as the retirement board considers necessary or advisable to carry out this Act. Further, the retirement board is authorized to adopt any amendment that modifies this Act to the extent necessary for the retirement system to be a qualified plan under the code.

(bb) This Act shall be construed and administered in a manner that will allow the retirement system's benefit plan to be a plan qualified under Section 401(a) of the code. The retirement board may adopt rules that modify the plan to the extent necessary for the retirement system to be a qualified plan and shall adopt rules to ensure that benefits paid to a retired member or to a beneficiary do not exceed the limits provided by Section 415 of the code. Rules adopted by the retirement board are part of the plan. The retirement board may adopt rules that establish a separate qualified excess benefit arrangement under Section 415(m) of the code to provide any benefits that would have been provided under the qualified plan except for the limits in Section 415 of the code.

(cc) Any procedure, discretionary act, interpretation, or construction by the retirement board must be done in a nondiscriminatory manner based on uniform principles consistently applied and must be consistent with this Act and with Section 401(a) of the code and its subsequent amendments.

(dd) The retirement board is authorized to administer oaths to any person providing testimony at any hearing or other proceeding of the retirement board. The retirement board may remove a retirement board member for malfeasance, after notice and a hearing, by a vote of six of its members.

Experience Study And Determining Actuarial Assumptions

Sec. 4A. (a) At least once every five years, the retirement board shall cause the retirement system's actuary to conduct an experience study to review the actuarial assumptions and methods adopted by the retirement board for the purposes of determining the actuarial liabilities and actuarially determined contribution rates of the system. The system shall notify the city at the beginning of an upcoming experience study by the system's actuary.

(b) In connection with the retirement system's experience study, the city may:

(1) conduct a separate experience study using an actuary chosen by the city;

(2) have the city's actuary review the experience study prepared by the system's actuary; or

(3) accept the experience study prepared by the system's actuary.

(c) If the city conducts a separate experience study using the city's actuary, the city shall complete the study not later than the 91st day after the date the retirement system notified the city of the system's intent to conduct an experience study.

(d) If the city elects to have the city's actuary review the retirement system's experience study, the city shall complete the review not later than the 31st day after the date the preliminary results of the experience study are presented to the retirement board.

(e) If the city chooses to have the city's own experience study performed or to have the city's actuary review the system's experience study, the system's actuary and the city's actuary shall determine what the hypothetical employer contribution rate would be using the proposed actuarial assumptions from the experience studies and data from the most recent actuarial valuation.

(f) If the difference between the hypothetical employer contribution rates determined by the retirement system's actuary and the city's actuary:

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

(2) is greater than two percent of pensionable payroll, the system's actuary and the city's actuary shall have 20 days to reconcile the difference in actuarial assumptions or methods causing the different hypothetical employer contribution rates, and if:

(A) as a result of the reconciliation efforts under this subdivision, the difference between the employer contribution rates determined by the system's actuary and the city's actuary is reduced to less than or equal to

two percentage points, no further action is needed and the retirement board shall use the experience study performed by the system's actuary in determining actuarial assumptions; or

(B) after the 20th business day, the system's actuary and the city's actuary are not able to reach a reconciliation that reduces the difference in the hypothetical employer contribution rates to an amount less than or equal to two percentage points, a third-party actuary shall be retained to opine on the differences in the assumptions made and actuarial methods used by the system's actuary and the city's actuary.

(g) The independent third-party actuary retained under this section must be chosen by the city from a list of three actuarial firms provided by the retirement system.

(h) If a third-party actuary is retained under this section, the third-party actuary's findings must be presented to the retirement board with the experience study conducted by the system's actuary and, if applicable, the city's actuary. If the retirement board adopts actuarial assumptions or methods contrary to the third-party actuary's findings:

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

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

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

Membership

Sec. 5. (a) Each regular full-time employee shall become an active-contributory member as a condition of employment and shall make the required deposits commencing with the first pay period in which the employee is compensated following the effective date of this Act. Unless on approved medical leave of absence or on leave to serve in the uniformed services, the employee shall make the deposits as long as the employee remains a regular full-time employee and shall remain a member of the system until the employee or the employee's beneficiary ceases to be entitled to any benefits from the retirement system. The membership for all new regular full-time employees shall commence on the date their employment commences.

(b) Membership in the retirement system consists of Groups A and B, each of which consists of the following groups:

(1) the active-contributory members group, which consists of all members, other than those on authorized leave of absence, who are making deposits;

(2) the active-noncontributory members group, which consists of all employees on approved medical leave of absence and all employees of an employer, other than inactive-contributory members, who have been active-contributory members but who are no longer so because they are not regular full-time employees;

(3) the inactive-contributory members group, which consists of all members who are on an authorized leave of absence and who continue to make deposits into the retirement system during their absence;

(4) the inactive-noncontributory members group, which consists of all members whose status as an employee has been terminated before retirement or disability retirement but who are still entitled to or who may become entitled to, or whose beneficiary may become entitled to, benefits from the retirement system; and

(5) the retired members group, which consists of all members who have retired and who are receiving or who are entitled to receive a retirement allowance.

(c) A member becomes an active-contributory member immediately on resuming employment as a regular full-time employee or on returning from an approved medical leave of absence, as applicable. A member who resumes regular full-time employment is assigned to the group for which the member is qualified under Subdivisions (23A) and (23B), Section 2 of this Act.

(d) It shall be the duty of the retirement board to make a final determination of the membership group to which each person who becomes a member of the retirement system properly belongs. It shall be the duty of the chief administrative officer of each employer to submit to the retirement board a statement showing the name, position, compensation, duties, date of birth, length of employment, and other information regarding each employee of the employer the retirement board may require.

<Text of 5(e) effective until January 1, 2024>

(e) Any person who has ceased to be a member and has received a distribution of the person's accumulated deposits may have the person's membership service in the original group in which the membership service was earned reinstated if the person is reemployed as a regular full-time employee and deposits into the system the accumulated deposits withdrawn by that person, together with an interest payment equal to the amount withdrawn multiplied by an interest factor. The interest factor is equal to the annually compounded interest rate assumed to have been earned by the fund beginning with the month and year in which the person withdrew the person's accumulated deposits and ending with the month and year in which the deposit under this subsection is made. The interest rate assumed to have been earned by the fund for any period is equal to the interest rate

credited for that period to the accumulated deposits of members, divided by 0.75.

<Text of 5(e) effective January 1, 2024>

(e) Any person who has ceased to be a member and has received a distribution of the person's accumulated deposits may have the person's membership service in the original group in which the membership service was earned reinstated if the person is reemployed as a regular full-time employee and deposits into the system the accumulated deposits withdrawn by that person, together with an interest payment equal to the amount withdrawn multiplied by an interest factor. The interest factor is equal to the annually compounded interest rate assumed to have been earned by the fund beginning with the month and year in which the person withdrew the person's accumulated deposits and ending with the month and year in which the deposit under this subsection is made. The interest rate assumed to have been earned by the fund for any period is equal to the actuarial assumed rate of return in effect on the date of purchase .

(f) From time to time the retirement board, subject to the approval of the system's actuary, may elect to permit the reinstatement of membership service forfeited in accordance with the terms of this section.

Creditable service

Sec. 6. (a) The retirement allowance of a member is based on the member's creditable service as of the member's actual retirement date.

(b) The retirement board shall determine by nondiscriminatory rules and regulations consistently applied, subject to the provisions of this Act, in case of absence, illness, or other temporary interruption in service as a regular full-time employee, the portion of each calendar year to be allowed as creditable service. No credit shall be allowed as creditable service for any period exceeding one month during which an employee was absent continuously without pay, except for an authorized leave of absence as provided in this Act. Subject to the provisions of this Act and in accordance with such administrative rules and regulations as the retirement board may from time to time adopt, the retirement board shall:

(1) verify the records for creditable service claims filed by the members of the retirement system; and

(2) establish time frames during which a member must act to ensure that the purchase of creditable service or the conversion of sick leave to creditable service coincides with the member's retirement.

(c)(1) Uniformed service creditable in the retirement system is any service required to be credited by the Uniformed Services Employment and Reemployment Rights Act of 1994 (38 U.S.C. Section 4301 et seq.), as amended, and certain federal duty service in the armed forces of the United States performed before the

beginning of employment with the employer, other than service as a student at a service academy, as a member of the reserves, or any continuous active military service lasting less than 90 days. A member may use uniformed service to establish creditable service subject to the conditions of Subdivisions (2)-(6) of this subsection.

(2) A member may establish uniformed creditable service for an authorized leave of absence from employment for military service under this subsection by making periodic payments or a lump-sum payment. If the member elects to make periodic payments, the member shall make, each pay period during the period that the member is on authorized leave, a deposit in an amount equal to the amount of the member's deposit for the last complete pay period that the member was paid by the employer as a regular full-time employee. If the member elects to make a lump-sum payment, the member and the employer shall, not later than the fifth anniversary of the date the member returns to employment with the employer, make separate lump-sum payments equal to the total amount of the contributions the member would have made if the member had made periodic contributions. A lump-sum payment may not exceed the amount required under the Uniformed Services Employment and Reemployment Rights Act of 1994 (38 U.S.C. Section 4301 et seq.), as amended, if the member makes the contributions within the time required by that Act. The employer's employer shall make contributions to the retirement fund as though the member has continued employment at the salary of the member for the last complete pay period before the absence for military service. The employer's contributions shall be made each pay period if the member is making periodic payments during the period. During an authorized leave of absence, the member accrues membership service for the pay periods in which the member makes a deposit. Membership service credit for a lump-sum payment accrues at the time of payment.

<Text of 6(c)(3) effective until January 1, 2024>

(3) A member may establish uniformed creditable service for active federal duty service in the armed forces of the United States, other than service as a student at a service academy, as a member of the reserves, or any continuous active military service lasting less than 90 days, performed before the first day of employment of the member's most recent membership in the retirement system or its predecessor system. To establish creditable service under this subdivision, the member must contribute a lump-sum payment equal to 25 percent of the estimated cost of the retirement benefits the member will be entitled to receive. The retirement board will determine the required contribution based on a procedure recommended by the actuary and approved by the retirement board.

<Text of 6(c)(3) effective January 1, 2024>

(3) A member may establish uniformed creditable service for active federal duty service in the armed forces of the United States, other than service as a student at a service academy, as a member of the reserves, or any continuous active military service lasting less than 90 days, performed before the first day of employment of the member's most recent membership in the retirement system or its predecessor system. To establish creditable service under this subdivision, the member must contribute at retirement a lump-sum payment equal to the full actuarial cost of the additional creditable service, as determined by the retirement board acting on the advice of the actuary. The retirement board will determine the required contribution based on a procedure recommended by the actuary and approved by the retirement board.

(4) A member is not eligible to establish uniformed service credit unless the member was released from active

military duty under conditions other than dishonorable.

(5) A member may not establish creditable service in the retirement system for uniformed service for more than the greater of the creditable service required under the Uniformed Services Employment and Reemployment Rights Act of 1994 (38 U.S.C. Section 4301 et seq.), as amended, or 48 months of creditable service in the retirement system for uniformed service under this subsection. A member is not precluded from purchasing qualified military service to which the member is entitled solely because the member, before beginning a leave of absence for qualified military service, purchased creditable service for military service performed before becoming employed by the employer.

(6) After the member makes the deposit required by this subsection, the retirement system shall grant the member one month of creditable service for each month of creditable uniformed service established under this subsection.

(d) At any time before the actual retirement date of a member, the employer of the member may purchase for the member additional creditable service that shall be credited to the member. The incremental cost of eligibility under this subsection shall be purchased by the employer at the full actuarial cost of the additional creditable service as determined by the retirement board acting on the advice of the actuary.

<Text of 6(e) effective until January 1, 2024>

(e) At any time before a member's actual retirement date, the member may purchase noncontributory creditable service equal in amount to the period the member:

(1) was on verifiable workers' compensation leave due to an injury sustained in the course and scope of employment by an employer;

(2) was on an authorized leave of absence from an employer; or

(3) performed service for an employer in a position the service for which is not otherwise creditable in the retirement system.

<Text of 6(e) effective January 1, 2024>

(e) At retirement , the member may purchase noncontributory creditable service equal in amount to the period the member:

(1) was on verifiable workers' compensation leave due to an injury sustained in the course and scope of employment by an employer;

(2) was on an authorized leave of absence from an employer; or

(3) performed service for an employer in a position the service for which is not otherwise creditable in the retirement system.

<Text of 6(e-1) effective until January 1, 2024>

(e-1) An active contributory member that is eligible for retirement may file a written application to convert to creditable service at retirement all or part of the member's sick leave accrued with the employer that is eligible for conversion. The application must be approved by the retirement board. The member may not convert sick leave for which the member is entitled to be paid by the employer. Sick leave hours may be converted in pay period increments for the purpose of increasing creditable service that is used in the calculation of benefits. Sick leave hours may not be used to reach retirement eligibility. Both the employer and the member must make the equivalent amount of retirement contributions that would have been made had the sick hours been exercised and used as sick leave hours.

<Text of 6(e-1) effective January 1, 2024>

(e-1) An active contributory member that is eligible for retirement may file a written application to convert to creditable service at retirement all or part of the member's sick leave accrued with the employer that is eligible for conversion. The application must be approved by the retirement board. The member may not convert sick leave for which the member is entitled to be paid by the employer. Sick leave hours may be converted in pay period increments for the purpose of increasing creditable service that is used in the calculation of benefits. Sick leave hours may not be used to reach retirement eligibility. The member must make the equivalent amount of retirement contributions that would have been made had the sick hours been exercised and used as sick leave hours. The employer's cost for sick leave conversions must be funded through the contribution rates.

<Text of 6(e-2) effective until January 1, 2024>

(e-2) Nonqualified permissive creditable service may be purchased only as provided by this subsection. A member may purchase nonqualified permissive creditable service:

(1) only to the extent permitted under both this subsection and Section 415(n) of the code;

(2) in an amount that:

(A) for each purchase, is not less than one month; and

(B) when all amounts purchased under this subsection are combined, is not more than 60 months; and

(3) only if the member has reinstated all prior membership service in:

(A) Groups A and B if the member was initially enrolled as a member of Group A, but ceased to be a member of Group A, by:

(i) first reinstating all prior membership service in Group A;

(ii) next reinstating all prior membership service in Group B; and

(iii) then purchasing the nonqualified permissive creditable service; or

(B) Group B, if the member was initially enrolled as a member of Group B, by:

(i) first reinstating all prior membership service in Group B; and

(ii) then purchasing the nonqualified permissive creditable service.

<Text of 6(e-2) effective January 1, 2024>

(e-2) Nonqualified permissive creditable service may be purchased only as provided by this subsection. At retirement, a member may purchase nonqualified permissive creditable service:

(1) only to the extent permitted under both this subsection and Section 415(n) of the code;

(2) in an amount that:

(A) for each purchase, is not less than one month; and

(B) when all amounts purchased under this subsection are combined, is not more than 60 months; and

(3) only if the member has reinstated all prior membership service in:

(A) Groups A and B if the member was initially enrolled as a member of Group A, but ceased to be a member of Group A, by:

(i) first reinstating all prior membership service in Group A;

(ii) next reinstating all prior membership service in Group B; and

(iii) then purchasing the nonqualified permissive creditable service; or

(B) Group B, if the member was initially enrolled as a member of Group B, by:

(i) first reinstating all prior membership service in Group B; and

(ii) then purchasing the nonqualified permissive creditable service.

(e-3) Nonqualified permissive creditable service purchased by members of Group B is not included in the creditable service required to qualify a member for normal or early retirement eligibility.

(f) The full actuarial cost of noncontributory creditable service purchased as provided by Subsections (e), (e-1), (e-2), and (e-3) of this section is payable by the member purchasing the credit.

(g) In this section, “noncontributory creditable service” means creditable service for which an employer

contribution is not made.

Service retirement and withdrawal benefits

Sec. 7. (a) Except as provided by Subsection (b) of this section, a member who retires on or after the member's normal retirement date for the group in which the member is enrolled, or a member of Group B eligible for early retirement who retires, and applies in writing for a retirement allowance shall receive the life annuity (modified cash refund) or the early retirement annuity to which the member is entitled. An annuity begins on the last day of the month after the month in which the member retired. Unless Section 8 of this Act applies, or the member is an early retirement eligible member of Group B, a member whose employment by the employer terminates before the member's normal retirement date is entitled to a distribution of the member's accumulated deposits in a single lump sum. On receiving that distribution, a member is not entitled to any other benefit under this Act. If a member has at least five years of creditable service and does not withdraw the member's accumulated deposits, the member is entitled to a life annuity (modified cash refund) beginning on the first day of the month after the month in which the member's normal retirement date occurs.

(a-1) If not already nonforfeitable, a member's retirement benefit becomes nonforfeitable at normal retirement age.

(b) A member who terminates employment with the employer and who has less than five years of creditable service is not entitled to a retirement allowance unless the member is eligible and participates in the proportionate retirement program under Chapter 803, Government Code.

(c) The amount of each retirement allowance and all other benefits payable under this statute shall be subject at all times to such adjustments as may be required to ensure actuarial soundness as may be approved by the actuary and adopted by the retirement board, except that annuities already accrued may not be reduced.

(d) Repealed by [Acts 2023, 88th Leg., ch. 287](#) (S.B. 1444), § 13.

(e) Repealed by [Acts 2023, 88th Leg., ch. 287](#) (S.B. 1444), § 13.

(f) Repealed by [Acts 2023, 88th Leg., ch. 287](#) (S.B. 1444), § 13.

(g) Repealed by [Acts 2023, 88th Leg., ch. 287](#) (S.B. 1444), § 13.

(h) Before a cost of living adjustment or additional payment to retirees, beneficiaries, or other payees may be

provided:

(1) the retirement system's actuary must certify in writing that, based on the sound application of actuarial assumptions and methods consistent with sound actuarial principles and standards, it is demonstrable that the fund has and likely will continue to have the ability to pay such an amount after all other obligations of the fund have been paid;

(2) the retirement board must approve the adjustment or additional payment;

(3) the governing body must approve the adjustment or additional payment; and

(4) this Act must be amended to provide for the adjustment or additional payment.

(i) Repealed by [Acts 2023, 88th Leg., ch. 287](#) (S.B. 1444), § 13.

(j) Repealed by [Acts 2023, 88th Leg., ch. 287](#) (S.B. 1444), § 13.

(k) Any member who qualifies for retirement by reason of creditable service attained with one or more retirement programs participating in the proportionate retirement program established under Chapter 803, Government Code, shall be eligible for proportionate retirement. A member who qualifies for proportionate retirement and retires shall begin receiving retirement benefits beginning on the last day of the month after the month in which the member retired.

(l) A member may file a written designation, which, if approved by the retirement board, shall entitle the member, on retirement, to receive the actuarial equivalent of the life annuity in the form of one of the following options:

(1) Option I. 100 Percent Joint and Survivor Annuity. This option is a reduced monthly annuity payable to the member but with the provision that on the member's death the annuity shall be continued throughout the life of and be paid to such person as the member shall designate before the member's actual retirement date.

(2) Option II. 50 Percent Joint and Survivor Annuity. This option is a reduced monthly annuity payable to the member but with the provision that on the member's death one-half of the annuity shall be continued throughout the life of and be paid to such person as the member shall designate before the member's actual retirement date.

(3) Option III. 66-2/3 Percent Joint and Survivor Annuity. This option is a reduced monthly annuity payable to the member but with the provision that on the member's death two-thirds of the annuity shall be continued throughout the life of and be paid to such person as the member shall designate before the member's actual retirement date.

(4) Option IV. Joint and 66-2/3 Percent Last Survivor Annuity. This option is a reduced monthly annuity payable to the member but with the provision that two-thirds of the annuity to which the member would be entitled shall be continued throughout the life of and be paid to the survivor after the death of either the member or such person as the member shall designate before the member's actual retirement date.

(5) Option V. 15-Year Certain and Life Annuity. This option is a reduced annuity payable to the member for life. In the event of the member's death before 180 monthly payments have been made, the remainder of the 180 payments shall be paid to the member's beneficiary or, if there is no beneficiary, to the member's estate.

(6) Option VI. Equivalent Benefit Plan. If a member requests in writing, any other form of benefit or benefits may be paid either to the member or to such person or persons as the member shall designate before the member's actual retirement date, provided that the benefit plan requested by the member is certified by the actuary for the system to be the actuarial equivalent of the life annuity with guaranteed refund of the retired member's accumulated deposits. If, on the death of the member and all other persons entitled to receive payments under an optional benefit, the member's accumulated deposits as of the member's actual retirement date exceed the sum of all payments made under that optional benefit, that excess shall be paid in one lump sum to the member's beneficiary. A member selecting this option may elect to receive (i) either a life annuity or one of the actuarially-equivalent annuities described by Subdivisions (1)-(5) and (ii) a lump-sum payment upon retirement. If a member requests a lump-sum payment, the annuity requested by the member shall be actuarially reduced as a result of the lump-sum payment. The lump-sum payment may not exceed an amount equal to the total amount of 60 monthly life annuity payments. Active contributory members that reach normal retirement age may upon retirement elect to participate in a backward deferred retirement option program ("backward DROP") that permits a minimum participation period of one month and a maximum participation period of 60 months. This deferred retirement option is subject to retirement board policies issued in compliance with the code. No interest will be paid on, or added to, any backward DROP payment.

(m) For purposes of Subsection (l) of this section, the designation of a beneficiary must be made in writing on a form and in the manner prescribed by the retirement board. If a member has chosen Option I, II, III, IV, or VI, the member's designation of a beneficiary may not be revoked after a member retires, and any attempted revocation of a designation for those options is void. Spousal consent shall not be required for a member to select Option I, II, III, or IV. If the member is married, spousal consent is required for the member to select an optional benefit other than Option I, II, III, or IV. At any time before retirement, a member may file with the retirement board a written statement designating one or more persons to be entitled to receive as beneficiary the reduced annuity payable under one of the optional benefits. If a married member designates as a beneficiary any person other than the member's spouse, the member's spouse must consent in writing to the beneficiary designation, and the beneficiary designation may not be changed without spousal consent, unless the consent of the spouse expressly permits designations by the member without the requirement of further consent by the spouse. The spouse's consent is irrevocable and must acknowledge the effect of the designation and be witnessed by a retirement board employee or notary public. Spousal consent is not required if it is established to the satisfaction of the retirement board that the required consent cannot be obtained because there is no spouse,

the spouse cannot be located, or other circumstances exist as prescribed by United States Treasury regulations. Notwithstanding other provisions of this subdivision, the option election or beneficiary designation made by a member and consented to by the member's spouse may be revoked by the member in writing without consent of the spouse at any time before retirement. The number of revocations is not limited. A former spouse's waiver or consent is not binding on a new spouse. An option selection becomes effective on the member's actual retirement date. The member retains the right to change the option selected or the beneficiary designated until the member's actual retirement date, subject to this subsection.

(n) After filing the written statement selecting one of the optional benefits, the member may continue in employment and retire any time after the member becomes eligible by filing a written application for retirement. If the member dies before retirement but after becoming eligible for retirement, the effective date of the member's retirement is the last day of the calendar month of death, and the benefit is computed on the optional benefit selected as if the member had retired on that date.

(o) The amount of the annuity payment in Options I, II, III, IV, V, and VI shall be determined without considering the minimum cumulative payment of the retired member's accumulated deposits since that refund feature will stay in effect as indicated herein.

(p) If a member who is eligible for retirement dies without having filed a written selection of one of the enumerated options and if the member leaves a surviving spouse, that spouse may select the optional benefit in the same manner as if the member had made the selection or may select a lump-sum payment equal to the deceased member's accumulated deposits plus an equivalent amount from Fund No. 2. If the member does not leave a surviving spouse, the member's designated beneficiary is entitled to elect either Option V, to become effective at the beginning of the calendar month after the month in which the death of the member occurs, or the sum of a lump-sum payment equal to the deceased member's accumulated deposits plus an equivalent amount from Fund No. 2. If the surviving spouse dies before the spouse receives retirement allowances equal to the amount of the member's accumulated deposits on the date of the member's death, the excess of the accumulated deposits over the retirement allowances paid shall be distributed in one lump sum to the member's estate.

(q) In the event of death of a member who is ineligible for retirement, the member's accumulated deposits and an equivalent amount from Fund No. 2 shall be paid in a lump sum to the member's beneficiary.

(r) If a designation of intent to participate in the proportionate retirement program under Chapter 803, Government Code, has not been filed with the retirement system and a prior demand for withdrawal of accumulated deposits has not been made within seven years after termination of employment by a member with less than five years' of creditable service, the member's accumulated deposits shall be returned to the member or the member's beneficiary. Except as provided by Subsection (s) of this section, if the system is unable to locate the member or the member's beneficiary, the member's accumulated deposits shall thereafter be forfeited and become a part of Fund No. 2.

(s) If the member or member's beneficiary later appears and requests in writing the payment of the member's accumulated deposits, the system shall:

- (1) reinstate the account of the member;
 - (2) credit to that account an amount equal to all of the accumulated deposits previously standing to the member's credit plus interest that would have been earned on those accumulated deposits if the funds had remained in Fund No. 1 between the date of forfeiture to Fund No. 2 and the date of reinstatement of the member's account;
 - (3) fund the account from the monies in Fund No. 2; and
 - (4) make all necessary payments to the member or member's beneficiary from the reinstated account.
- (t) On payment of the accumulated deposits under this subsection, plus any interest on those deposits to which the member may be entitled, to the member or member's beneficiary in accordance with this subsection, the terminated employee ceases to be a member of the system.
- (u) If the member's accumulated deposits are not withdrawn, notice of intent to participate in proportionate retirement is given, and eligibility to participate in proportionate retirement is established, the member's account shall be reinstated and credited but not refunded as provided by Subsection (s) of this section, and the member is entitled to receive a proportionate retirement allowance as provided by this Act.
- (v) If a demand for withdrawal of funds is made after the 10th anniversary of the date of termination of employment and system records do not affirmatively establish that the accumulated deposits remain on deposit in the fund, the retirement board shall consider system records and evidence presented by the member or beneficiary in determining if any payment is due. The member or beneficiary bears the burden of proof. A decision by the retirement board is final.
- (w) In the event of the death of a member receiving a retirement allowance, the sum of \$10,000 shall be payable in a lump sum to the member's beneficiary.
- (x) When monthly survivor benefits are deemed payable as a result of the death of a member before retirement, an additional sum of \$10,000 shall be payable as a death benefit to the member's designated beneficiary.
- (y) In the event of the death of the retired member then receiving a retirement allowance under any retirement option and the death of the beneficiary designated by the retired member, when either Option I, Option II, Option III, or Option IV is in effect, before retirement allowances have been received that are equal or greater than the retired member's accumulated deposits, the member's estate will receive the excess of the retired

member's accumulated deposits over the retirement allowances paid.

(z) If the person designated in writing by the member under Option I, Option II, or Option III, or, excluding a joint and last survivor option, any retirement option that includes a joint and survivor option, predeceases the retired member, the reduced annuity of a retired member who selected the optional lifetime retirement annuity shall be increased to the standard service retirement annuity that the retiree would have been entitled to receive if the retired member had not selected Option I, Option II, or Option III. The standard service retirement annuity shall be appropriately adjusted for early retirement and for the postretirement increases in retirement benefits. The increase in the annuity under this subsection is payable to the retired member for life and begins with the later of the monthly payment made to the retired member for the month following the month in which the person designated by the member dies or the month following the month in which the retired member gives the system notice of the designated person's death.

(aa) Notwithstanding any contrary provision of this Act, the distribution of a member's benefits, including benefits payable after the member's death, made on or after January 1, 1985, shall be made in accordance with Subsections (bb)-(gg) of this section and shall otherwise comply with Section 401(a)(9) of the code and related regulations, including Regulation Section 1.401(a)(9)-2.

(bb) A member's benefits shall be distributed to the member, or the distribution of those benefits shall begin, not later than April 1 of the calendar year after the calendar year in which occurs the later of the date on which the member attains age 70 ½ or the date on which the member's employment by the employer terminates.

(cc) A member's benefits shall be distributed over a period not exceeding the life of the member or the lives of the member and the member's beneficiary or over a period not exceeding the life expectancy of the member or the life expectancy of the member and the member's beneficiary.

(dd) If the distribution of a member's benefit has begun and the member dies before the member's entire benefit is distributed, the remaining portion of that benefit shall be distributed at least as rapidly as under the form of benefit selected as of the date of the member's death, adjusted as necessary under this subsection.

(ee) If a member dies before the distribution of the member's benefit has begun, the member's death benefit shall be distributed to the member's beneficiary within five years after the date of the member's death. This five-year rule does not apply to any portion of the deceased member's benefit that is payable to or for the benefit of the member's surviving spouse. A benefit payable to or for the benefit of the member's surviving spouse may be distributed over the life of the spouse or over a period not exceeding the life expectancy of the spouse, provided that payment of the benefit begins not later than the date on which the deceased member would have attained age 70 ½. If the surviving spouse dies before distributions to that spouse begin, the five-year rule applies as if the spouse had been the member.

(ff) The five-year rule does not apply to distributions payable to a beneficiary over the life or life expectancy of the beneficiary, provided that payment of the benefit begins not later than the first anniversary of the date of the

member's death.

(gg) In applying the requirements of this subsection, the life expectancy of the member and the member's beneficiary shall be redetermined annually in accordance with regulations under Section 401(a)(9) of the code and its subsequent amendments.

(hh) Forfeitures that may result from the termination of any right of a member may not be used to increase benefits to remaining members. This subsection shall not preclude an increase in benefits by amendment to this Act, including by amendment in accordance with Subsection (h) of this section, if applicable, that is made possible by forfeitures or for any other reason.

(ii) If a member dies while performing qualified military service, the beneficiaries of the member are entitled to any additional benefits, other than benefit accruals relating to the qualified military service, that would have been provided if the member had returned from the military leave of absence and then terminated employment on account of death.

Disability retirement

Sec. 8. (a) Only active-contributory members, inactive-contributory members, and members on approved medical leave of absence are eligible for consideration for disability retirement. A member may apply for disability retirement at any date prior to the member's normal retirement date, and the member remains in the member's membership category for the 90-day period following the date of termination for inability to perform all employment duties. Inactive-noncontributory members are not eligible for consideration for disability retirement and may not receive any benefits under this section.

(b) If a member who is eligible for consideration for disability retirement has become mentally or physically incapacitated for the performance of all employment duties as a direct result of injuries sustained in the performance of the member's employment duties subsequent to the member's effective date of membership in the retirement system, the member may apply for disability retirement. Such application, made by or on behalf of the injured member, shall show that the injury sustained:

(1) was by external and violent means;

(2) came as a direct and proximate result of the performance of the member's employment duties with the employer; and

(3) is likely to be permanent.

(c) On recommendation of the physician or physicians appointed or selected by the retirement board that the eligible member's incapacity is likely to be permanent and after determining on that basis, or on the basis of any additional evidence which the retirement board deems relevant, that the member meets the requirements of Subsection (b) of this section, the retirement board shall award such member a disability retirement allowance. The decision of the retirement board is final subject to the reexamination, discontinuance and revocation rules at Subsections (h) and (i) of this section.

(d) If a member who is eligible for consideration for disability retirement, and who has more than five years of creditable service, has become mentally or physically incapacitated for the performance of all employment duties, such member may apply for disability retirement. The application made on behalf of the disabled member shall show that the incapacity is likely to be permanent. On recommendation of the physician or physicians appointed or selected by the retirement board that the eligible member's incapacity is likely to be permanent and after determining on that basis, or on the basis of any additional evidence which the retirement board deems relevant, that the member meets the requirements of this subsection, the retirement board shall award such member a disability retirement allowance. The decision of the retirement board is final subject to the reexamination, discontinuance and revocation rules at Subsections (h) and (i) of this section.

(e) On award of a disability retirement allowance, the member shall receive a disability retirement allowance, beginning on the last day of the month after the month in which the member became disabled, which shall be computed in the same manner that a retirement allowance would be computed at the member's normal retirement date, based on compensation and creditable service at the date of disability retirement. The disabled member may choose to receive a life annuity (modified cash refund) or a benefit as described by Section 7(l) of this Act as Option I, Option II, Option III, or Option IV.

(f) A member receiving a disability retirement allowance shall periodically file a report with the retirement board concerning continued proof of disability. The retirement board shall adopt rules establishing the required supporting information to accompany the reports, the content of the reports, and deadlines for filing the reports. The report shall include:

(1) a current statement of the member's physical or mental condition stating the existence of continued disability, signed by the member's attending physician; and

(2) a statement of all employment activities pursued in the preceding year.

(g) A disabled member shall file periodic reports required by Subsection (f) of this section no later than the deadlines established by the retirement board. The retirement board may require that all periodic reports, including the member's most recent tax return, be filed in the same calendar month. The retirement board may verify all information submitted in the report.

(h) The pension director will be responsible for a yearly report to the retirement board listing those disabled

members who should be examined. The retirement board shall have the right to order examinations of any person on disability retirement each year until the member reaches the normal retirement date. If the member fails or refuses to submit to an examination by a physician or physicians appointed by the retirement board or if the member fails or refuses to submit a periodic report in accordance with Subsection (g) of this section concerning continued proof of disability, the disability retirement allowance shall be discontinued until the member has submitted to an examination requested by the retirement board and has submitted any delinquent report. Should such failure or refusal continue for a period of one year, the disability retirement allowance may be revoked by the retirement board. If a member's disability retirement allowance has been revoked for failure to file a periodic report or to submit to any requested examination, the retirement board may reinstate the member's disability retirement allowance on a prospective basis only on the member's full performance of and compliance with all requirements of this section and the retirement board's determination that the member's disability is continuing.

(i)(1) If an investigation of the disabled member's activities or a medical examination shows that the member is no longer physically or mentally incapacitated for the purposes of the performance of employment duties or if the member is found to be engaged in or is able to engage in substantial gainful occupation, as defined by Social Security disability income guidelines, for which the member is reasonably suited by education, training, or experience, the retirement board shall discontinue the disability retirement allowance.

(2) If the disability retirement allowance of a member who had less than five years of creditable service is discontinued under this subsection or Subsection (h) of this section and not reinstated, and the member is not reemployed by the employer, the member is entitled to any amount by which the sum of the member's accumulated deposits as of the date of disability retirement exceeds the sum of all disability retirement benefits paid to the member by the system.

(3) If the disability retirement allowance of a member is discontinued under this subsection or Subsection (h) of this section and not reinstated, and the member is not reemployed by the employer, the member may withdraw any amount by which the sum of the member's accumulated deposits as of the date of the disability retirement exceeds the sum of all disability retirement benefits paid to the member by the system. If a member has five or more years of creditable service and does not withdraw the excess, the member is entitled to a life annuity (modified cash refund) beginning on the first day of the month after the month in which the member's normal retirement date occurs.

(j) If a disabled member returns to active employment service with the employer, the disability retirement allowance shall cease. If the person is reemployed as a regular full-time employee, the person shall be reinstated as an active-contributory member of the system and shall comply with all requirements of this Act. If reinstated as an active-contributory member, membership service credits accumulated prior to disability shall be restored to the full amount standing to the member's credit as of the date the retirement board found the member eligible for disability retirement, and any prior service credit shall be restored in full. The member is not required to reimburse the fund for any disability retirement allowance amounts received by the member.

Limitations on benefits

Sec. 9. (a) Notwithstanding any other provisions of this Act, the annual benefit provided with respect to any member may not exceed the benefits allowed for a governmental defined benefit plan qualified under Section 401 of the code. The maximum benefits allowed under this section shall increase each year to the extent permitted by annual cost of living increase adjustments announced by the United States secretary of the treasury under Section 415(d) of the code and the increased benefit limits shall apply to members who have terminated employment, including members who have commenced to receive benefits, before the effective date of the adjustment.

(b) If the aggregate benefits otherwise payable to any member under this Act and any other defined benefit plan or plans maintained by the employer would otherwise exceed the limit provided by Section 415 of the code, the reductions in benefits shall be made in the benefits provided under this Act, to the extent necessary to enable each plan or plans to satisfy those limitations, unless the retirement board is informed by the administrator of the other plan that the reductions are required to be made in the other plan.

(c) A member who retires after reaching normal retirement age and continues or resumes employment with an employer in a position that is required to participate in another retirement system maintained by the employer continues to be eligible to receive the retirement allowance provided under this Act.

(d) The retirement board shall suspend the retirement allowance of a retired member who resumes employment with an employer within the period of time prescribed by the retirement board in the board's policy, or who resumes employment after retirement as a regular full-time employee of an employer. The retirement board shall reinstate the member's retirement allowance as provided under Subsection (f) of this section.

(e) The retirement board shall suspend the retirement allowance of a retired member who resumes employment with an employer in a position that is not required to participate in another retirement system maintained by an employer, and who is not a regular full-time employee of an employer, if the member works for, or is compensated by, an employer for more than 1,508 hours in any rolling 12-month period after the member resumes employment with the employer. The retirement board shall reinstate the member's retirement allowance as provided under Subsection (f) of this section.

(f) A member whose retirement allowance is suspended under Subsection (d) or (e) of this section may apply in writing for reinstatement of the retirement allowance when the member retires again. The retirement system shall calculate the reinstated retirement allowance based on the member's total creditable service, reduced actuarially to reflect the gross amount of total retirement allowance paid to the member prior to suspension of the retirement allowance.

(g) The retirement system and the employer shall adopt and amend procedures for the exchange of information in order to implement the provisions of this section.

(h) to (o) Repealed by Acts 1999, 76th Leg., ch. 834, § 14.

(p) Repealed by Acts 2011, 82nd Leg., ch. 1352, § 10(1).

Member Contributions

Sec. 10. (a) Subject to adjustment under this Act and except as provided by Subsection (a-2) of this section, each active-contributory member shall make deposits to the retirement system at a rate equal to:

(1) beginning with the first pay period of:

(A) the 2024 calendar year, nine percent of the member's base pay, exclusive of overtime, incentive, or terminal pay; and

(B) the 2025 calendar year, 10 percent of the member's base pay exclusive of overtime, incentive, or terminal pay; or

(2) the member contribution rate otherwise prescribed by this section .

(a-1) Deposits shall be made by payroll deduction each pay period. If a regular full-time employee works at least 75 percent of a normal 40-hour work week but less than the full 40 hours, the employee shall make deposits as though working a normal 40-hour work week even though the rate of contribution may exceed the member contribution prescribed by this section , and the employee's average final compensation shall be computed on the basis of the compensation, pay, or salary for a normal 40-hour work week. No deposits may be made nor membership service credit received for periods during which an employee's authorized normal work week is less than 75 percent of a normal 40-hour work week. A person who is eligible for inactive-contributory membership status and who chooses to be an inactive-contributory member shall make deposits to the retirement system each pay period in an amount that is equal to the amount of the member's deposit for the last complete pay period that the member was a regular full-time employee.

(a-2) The contribution rate of active-contributory members may be increased by a majority vote of all such members voting at an election to consider an increase in contributions to a rate above 10 percent or a higher rate than the rate that was in effect at the time of the election .

Employer Contributions

Sec. 10A. (a) Beginning with the first pay period of:

(1) calendar year 2024, and before the first pay period of calendar year 2025, the employer shall contribute an amount equal to the sum of:

(A) the employer contribution rate, as determined in the initial risk sharing valuation study as of December 31, 2022, multiplied by the pensionable payroll for the applicable pay period; and

(B) $\frac{1}{26}$ of the city's legacy contribution amount for the 2024 calendar year, as determined and adjusted in the initial risk sharing valuation study conducted under Section 10B of this Act; and

(2) calendar year 2025, and for each subsequent calendar year, the employer shall contribute an amount equal to the sum of:

(A) the employer's contribution rate for the applicable calendar year, as determined in a subsequent risk sharing valuation study conducted and adjusted under Section 10C of this Act, as applicable, multiplied by the pensionable payroll for the applicable pay period; and

(B) $\frac{1}{26}$ of the city's legacy contribution amount for the applicable calendar year, as determined and adjusted in the initial risk sharing valuation study conducted under Section 10B of this Act .

(b) If the employer elects to change the employer's payroll period to a period other than a biweekly payroll period, the fractional amounts of the employer's legacy contribution stated in Subsections (a)(1)(B) and (a)(2)(B) of this section must be adjusted such that the employer's calendar year contribution equals the contribution required under Subsection (a)(1) or (a)(2), as applicable.

Initial Risk Sharing Valuation Study

Sec. 10B. (a) The retirement system's actuary shall prepare an initial risk sharing valuation study as of December 31, 2022. The initial risk sharing valuation study must:

(1) except as otherwise provided by this section, be prepared in accordance with the requirements of Section 10C of this Act;

(2) be based on the actuarial assumptions that were used by the system's actuary in the valuation completed for the year ended December 31, 2022;

(3) project the corridor midpoint for the next 30 calendar years beginning with the calendar year that begins on

January 1, 2024;

(4) include a schedule of city legacy contribution amounts for 30 calendar years beginning with the calendar year that begins on January 1, 2024; and

(5) include an employer contribution:

(A) for the calendar years under Sections 10A(a)(1) and (2) of this Act that begin on January 1, 2024, and January 1, 2025, that must be adjusted to reflect the impact of the phase-in prescribed by Subsection (b) of this section; and

(B) for each calendar year under Section 10A(a)(2) of this Act that begins on January 1, 2026, through January 1, 2053, that must reflect a city legacy contribution amount that is three percent greater than the city legacy contribution amount for the preceding calendar year.

(b) The schedule of city legacy contribution amounts under Subsection (a)(4) of this section must be determined such that the total annual city legacy contribution amount for the first two calendar years results in a phase-in of the anticipated increase in the employer's contribution rate from the calendar year that begins on January 1, 2023, to the rate equal to the sum of the estimated contribution rate for the calendar year that begins on January 1, 2024, and the rate of pensionable payroll equal to the city legacy contribution amount for January 1, 2024, determined as if there was no phase-in of the increase to the city legacy contribution amount. The phase-in must reflect approximately one-half of the increase each year over the two-year phase-in period.

(c) The estimated employer contribution rate for the calendar year that begins on January 1, 2024, must be based on the projected pensionable payroll, as determined under the initial risk sharing valuation study required by this section, assuming a payroll growth rate adopted by the retirement board.

Subsequent Risk Sharing Valuation Studies

Sec. 10C. (a) For each calendar year beginning with January 1, 2024, the retirement system shall cause the system's actuary to prepare a risk sharing valuation study in accordance with this section and actuarial standards of practice. Each risk sharing valuation study must:

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

(2) calculate the unfunded actuarial accrued liability of the system as of the last day of the applicable calendar

year, including the liability layer, if any, associated with the most recently completed calendar year;

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

(4) determine the employer contribution rate and the member contribution rate for the following calendar year, taking into account any adjustments required under this section, as applicable; and

(5) except as provided by Subsection (d) of this section, be based on the assumptions and methods adopted by the retirement board, if applicable, and be consistent with actuarial standards of practice and the following principles:

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

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

(C) each liability loss layer is amortized at the remaining amortization period of the legacy liability but not less than 20 years from the first day of the calendar year beginning 12 months after the date of the risk sharing valuation study in which the liability loss layer is first recognized, except that the legacy liability must be amortized over a 30-year period beginning January 1, 2024;

(D) each liability gain layer is amortized over:

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

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

(E) liability layers are funded according to the level percent of payroll method;

(F) payroll for purposes of determining the corridor midpoint, employer contribution rate, and city legacy contribution amount must be projected using the annual payroll growth rate assumption adopted by the retirement board; and

(G) the employer contribution rate is calculated each calendar year without inclusion of the legacy liability.

(b) The city may contribute an amount in addition to the scheduled city legacy contribution amounts to reduce the number or amount of scheduled future city legacy contribution payments. If the city contributes an additional amount under this subsection, the retirement system's actuary shall create a new schedule of city legacy contribution amounts that reflects payment of the additional contribution.

(c) The city and the retirement board may agree on a written transition plan for resetting the corridor midpoint, member contribution rates, or employer contribution rates:

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

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

(d) The retirement board may, by rule, adopt actuarial principles other than those required under this section, provided the actuarial principles:

(1) are consistent with actuarial standards of practice;

(2) are approved by the retirement system's actuary; and

(3) do not operate to change the city legacy contribution amount.

Adjustment To Employer Contribution Rate If Estimated Employer Contribution Rate Lower Than Corridor Midpoint

Sec. 10D. (a) Subject to Subsection (b) of this section, for the calendar year beginning January 1, 2024, and for each subsequent calendar year, if the estimated employer contribution rate is lower than the corridor midpoint, the employer contribution rate for the applicable year is:

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

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

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

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

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

(2) the city legacy contribution amount may no longer be included in the employer contribution.

Adjustment To Employer Contribution Rate If Estimated Employer Contribution Rate Equal To Or Greater Than Corridor Midpoint

Sec. 10E. For the calendar year beginning January 1, 2024, and for each subsequent calendar year, if the estimated employer contribution rate is equal to or greater than the corridor midpoint and:

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

(2) greater than the maximum employer contribution rate for the corresponding calendar year, the employer contribution rate is the maximum employer contribution rate.

Adjustment To Member Contribution Rate If Estimated Employer Contribution Rate Greater Than Corridor Maximum

Sec. 10F. (a) Except as provided by Subsection (b) of this section, if the estimated employer contribution rate is ever greater than the corridor maximum, the member contribution rate will increase by an amount equal to the difference between the estimated employer contribution rate and the maximum employer contribution rate.

(b) The member contribution rate may not be increased by more than two percentage points under Subsection (a) of this section.

(c) If the estimated employer contribution rate is more than two percentage points above the maximum

employer contribution rate, the city and the retirement board shall enter into discussions to determine additional funding solutions.

Additional Employer Contributions; Other Provisions Governing Methods Of Financing

Sec. 10G. (a) If a regular full-time employee of the employer works at least 75 percent of a normal 40-hour work week but less than the full 40 hours, the employer shall make contributions for that employee as though that employee works a normal 40-hour work week even though the rate of contribution may exceed the member contribution rate required by Section 10 of this Act . The governing body of the city may authorize the city to make additional contributions to the system in whatever amount the governing body may determine. If the governing body authorizes additional contributions to the system by the city for city employees, the board of each other employer shall increase the contributions for such employer's respective employees by the same percentage. Employer contributions shall be made each pay period.

(b) In addition to the contributions required by Section 10A of this Act , the city shall contribute to the retirement fund each month two-thirds of such amounts as are required for the payment of prior service pensions that are payable during that month, and one-third of each prior service pension payable that month shall be made from Fund No. 2.

(c) Employer contributions shall be paid to the retirement system after appropriation by the respective governing body or board.

(d) Expenses for administration and operation of the retirement system that are approved by the retirement board shall be paid by the retirement board from funds of the retirement system. Such expenses shall include salaries of retirement board employees and fees for actuarial services, legal counsel services, physician services, accountant services, annual audits by independent certified public accountants, investment manager services, investment consultant services, preparation of annual reports, and staff assistance.

(e) Each employer shall pick up the contributions required to be made to the fund by its respective employees. Active contributory member deposits will be picked up by each employer by a reduction in each such employee's monetary compensation. All such employee contributions shall be treated as employer contributions in accordance with Section 414(h)(2) of the code for the purpose of determining tax treatment of the amounts under the code. Such contributions are not includable in the gross income of the employee until such time as they are distributed or made available to the employee. Each employee deposit picked up as provided by this subsection shall be credited to the individual accumulated deposits account of each such employee and shall be treated as compensation of the employee for all other purposes of this Act and for the purpose of determining contributions to social security. The provisions of this subsection shall remain in effect as long as the plan covering employees of the employers is a qualified retirement plan under Section 401(a) of the code and its related trust is tax exempt under Section 501(a) of the code.

(f) Under no circumstances and in no event may any of the contributions and income of the retirement system revert to the employer or otherwise be diverted to or used for any purpose other than the exclusive benefit of the

members, retirees and their beneficiaries. It shall be impossible for the diversion or use prohibited by the preceding sentence to occur, whether by operation or natural termination of the retirement system, by power of revocation or amendment, by the happening of a contingency, by collateral arrangement, or by any other means.

Investments of the retirement board

Sec. 11. (a) The retirement board shall be the trustee of the funds of the retirement system and shall have full power in its sole discretion to invest and reinvest, alter, and change the form of investment of the funds. The retirement board shall invest the funds in whatever instrument or investments the retirement board considers prudent. In making investments for the funds, the retirement board shall discharge its duties:

(1) for the exclusive purposes of:

(A) providing benefits to members and their beneficiaries; and

(B) defraying reasonable expenses of administering the funds;

(2) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

(3) by diversifying the investments of the funds to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

(4) in accordance with the laws, documents, and instruments governing the funds.

(b) A member of the retirement board is not liable for any losses incurred in the investment of the fund in accordance with this section.

(c) No member of the retirement board and no employee of the retirement board, except as herein provided, shall have any interest, directly or indirectly, in the funds or receive any pay or emolument for his or her services. No member of the retirement board or employee thereof shall, directly or indirectly, for himself or herself or as an agent, in any manner use the funds or deposits of the retirement system except to make such current and necessary payments as are authorized by the retirement board, nor shall any member or employee of the retirement board become an endorser or surety or in any manner an obligor for money loaned by or borrowed from the retirement system.

(d) Subject to the exceptions provided by this subsection, the funds or money mentioned in this Act are not assignable and are not subject to execution, levy, attachment, garnishment, the operation of bankruptcy or insolvency law, or any other process of law whatsoever. This subsection does not apply to a qualified domestic relations order. The retirement board shall establish written procedures to determine the qualified status of domestic relations orders and to administer distributions under those orders. To the extent necessary to authorize distributions pursuant to a qualified domestic relations order, a former spouse of a member will be treated as the spouse or surviving spouse of the member.

(e) Subject to the exceptions provided by this subsection, the right of a member to a pension, an annuity, a disability retirement allowance, or a retirement allowance, to the return of accumulated deposits, the pension, annuity, or retirement allowance itself, any optional benefit or death benefits, or any other right accrued or accruing to any person under the provisions of this Act is unassignable and is not subject to execution, levy, attachment, garnishment, the operation of bankruptcy or insolvency law, or any other process of law whatsoever. This subsection does not apply to a qualified domestic relations order.

(f) If the retirement board makes an election to have Subchapters A and C of Chapter 804,² Government Code, and their subsequent amendments, apply to the system, the death of an alternate payee, as defined by [Section 804.001, Government Code](#), and its subsequent amendments, or the death of a member's spouse terminates any interest of the alternate payee or spouse that would otherwise exist under this Act, except an interest accrued by that person as a member.

Miscellaneous

Sec. 12. (a) A person who with intent to deceive makes any statement or report required under this Act which is untrue or falsifies or knowingly permits to be falsified any record or records of the retirement system shall forfeit any office or rights held by the person under the system, and such deception, falsification, or acquiescence in falsification is deemed a Class B misdemeanor.

(b) If any change or error in the records of the retirement system is discovered or results in any member, surviving spouse, or beneficiary receiving from the retirement system more or less than the member, surviving spouse, or beneficiary would have been entitled to receive had the records been correct, the retirement board shall have the power to correct such error. Except as provided by [Section 802.1024, Government Code](#), the retirement system shall, as far as possible, adjust the payments in such a manner that the actuarial equivalent of the benefits to which the member, surviving spouse, or beneficiary was correctly entitled shall be paid.

(c) On the full or partial termination of the retirement and pensioning system, or on the complete discontinuance of contributions by all employers under this Act, the retirement allowance of each affected member who is employed by an employer on the date of termination is determined by reference to the member's average final compensation and creditable service determined as of the date of termination or partial termination of the system or the date of discontinuance of deposits as if the member had attained normal retirement age on that date, and such amount shall become nonforfeitable to the extent then funded. This subsection does not

accelerate the date on which the payment of that benefit would otherwise begin.

(d) Notwithstanding any other provision in this Act to the contrary, the municipality or its governing body may not deny or abridge a vested right of any member or a right or privilege of the retirement system, and the retirement system shall continue to be authorized by and administer this Act without regard to any action taken by the municipality or its governing body.

(d-1) Members of the retirement system that are enrolled in Group A shall have the rights and be entitled to the benefits provided under this Act for members of Group A. Members of the retirement system that are enrolled in Group B shall have the rights and be entitled to the benefits provided under this Act for members of Group B. A member may not be a member of both Group A and Group B.

(e) Notwithstanding any provision of this Act to the contrary that would otherwise limit a distributee's election, a distributee may elect, at the time and in the manner prescribed by the retirement board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. For purposes of this subsection:

(1) An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include:

(A) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made over the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary;

(B) any series of payments for a specified period of ten years or more;

(C) any distribution to the extent such distribution is required under Section 401(a)(9) of the code; or

(D) the portion of any distribution that is not includable in gross income unless the distributee directs that the eligible rollover distribution be transferred directly to a qualified trust that is part of a defined contribution plan that agrees to separately account for the portion that is includable in gross income and the portion that is not, or to an individual retirement account or individual annuity.

(2) An "eligible retirement plan" is an individual retirement account described in Section 408(a) of the code, an individual retirement annuity described in Section 408(b) of the code, an annuity plan described in Section 403(a) of the code, a qualified trust described in Section 401(a) of the code, an eligible deferred compensation plan described in Section 457(b) of the code which is maintained by an eligible employer described in Section 457(e)(1)(A) of the code, or an annuity contract described in Section 403(b) of the code, that accepts the

distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to a designated beneficiary who is not the surviving spouse, or the spouse or former spouse under a qualified domestic relations order, an eligible retirement plan is an individual retirement account or individual retirement annuity only.

(3) A "distributee" includes an employee or former employee. In addition, the employee's or former employee's surviving spouse or designated beneficiary and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the code, are distributees with regard to the interest of the spouse or the former spouse.

(4) A "direct rollover" is a payment by the retirement system to the eligible retirement plan specified by the distributee.

(f) Repealed by Acts 1997, 75th Leg., ch. 64, § 5.

Confidentiality

Sec. 13. (a) Information contained in records that are in the custody of the retirement board or the system concerning an individual member, retiree, annuitant, beneficiary, or alternate payee is confidential under this section and may not be disclosed in a form identifiable with a specific individual unless:

(1) the information is disclosed to:

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

(B) a spouse or former spouse of the individual if the pension director determines that the information is relevant to the spouse's or former spouse's interest in member accounts, benefits, or other amounts payable by the retirement system;

(C) a governmental official or employee if the pension director determines that disclosure of the information requested is reasonably necessary to the performance of the duties of the official or employee;

(D) the individual's employer as defined in this Act; or

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

(2) the information is disclosed pursuant to a subpoena and the pension director determines that the individual will have a reasonable opportunity to contest the subpoena.

(b) This section does not prevent the disclosure of the status or identity of an individual as a member, former member, retiree, deceased member or retiree, beneficiary, or alternate payee of the retirement system.

(c) The pension director may designate other employees of the retirement system to make the necessary determinations under Subsection (a) of this section.

(d) A determination and disclosure under Subsection (a) of this section may be made without notice to the individual member, retiree, annuitant, beneficiary, or alternate payee.

Credits

Acts 1991, 72nd Leg., ch. 451, eff. Aug. 26, 1991. Amended by Acts 1993, 73rd Leg., ch. 180, §§ 1 to 10, eff. July 1, 1993; Acts 1995, 74th Leg., ch. 743, § 1, eff. Oct. 1, 1995; Acts 1997, 75th Leg., ch. 64, §§ 1 to 5; Acts 1999, 76th Leg., ch. 834, §§ 1 to 12, 14, eff. Oct. 1, 1999; Acts 2001, 77th Leg., ch. 669, § 168, eff. Sept. 1, 2001; Acts 2003, 78th Leg., ch. 416, § 2, eff. June 20, 2003; Acts 2009, 81st Leg., ch. 1283, §§ 1, 2, eff. June 19, 2009; Acts 2011, 82nd Leg., ch. 1163 (H.B. 2702), § 194, eff. Sept. 1, 2011; Acts 2011, 82nd Leg., ch. 1352 (H.B. 3033), §§ 1 to 10, eff. June 17, 2011; Acts 2023, 88th Leg., ch. 287 (S.B. 1444), §§ 1 to 13, eff. Sept. 1, 2023; Acts 2023, 88th Leg., ch. 644 (H.B. 4559), § 291, eff. Sept. 1, 2023.

Notes of Decisions (2)

Footnotes

¹ V.T.C.A., Government Code § 802.201 et seq.

² V.T.C.A., Government Code §§ 804.001 et seq. and 804.101 et seq., respectively.

Vernon's Ann. Texas Civ. St. Art. 6243n, TX CIV ST Art. 6243n
Current through legislation effective July 1, 2023, of the 2023 Regular Session of the 88th Legislature. Some statute sections may be more current, but not necessarily complete through the whole Session. See credits for details.

