

By: _____ .B. No. _____

Substitute the following for __.B. No. _____:

By: _____ C.S. __.B. No. _____

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the retirement systems for and the provision of other
3 benefits to police and fire fighters in certain municipalities;
4 creating a criminal offense.

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

6 ARTICLE 1. CONTINGENT PROVISIONS:

7 EFFECTIVE SEPTEMBER 1, 2017

8 SECTION 1.01. Section 1.01, Article 6243a-1, Revised
9 Statutes, is amended to read as follows:

10 Sec. 1.01. AMENDMENT, RESTATEMENT, AND CONSOLIDATION. (a)
11 The purpose of this article is to restate and amend the provisions
12 of a former law governing the pension funds for police officers and
13 fire fighters in certain municipalities (Chapter 4, Acts of the
14 43rd Legislature, 1st Called Session, 1933, also known as Article
15 6243a) having previously been amended and restated to permit the
16 consolidation of the terms of certain pension plans created under
17 Sections 1, 11A, and 11B of that Act for the purpose of simply and
18 accurately reflecting the joint administration of the plans.

19 (b) ~~{The provisions of this article are entirely consistent~~
20 ~~with all terms and conditions relating to benefits and benefit~~
21 ~~entitlement previously contained in the plans.}~~ This article does
22 not [intend to] take away or reduce any accrued benefit contained in
23 the plans created under former Article 6243a or under this article
24 as it existed on or before August 31, 2017.

1 SECTION 1.02. Section 2.01, Article 6243a-1, Revised
2 Statutes, is amended to read as follows:

3 Sec. 2.01. DEFINITIONS. In this article:

4 (1) "415 compensation" means a member's wages, salary,
5 and other amounts received for personal services rendered in the
6 course of employment with the city during a limitation year and
7 permitted to be treated as compensation for purposes of Section
8 415(c) of the code, including differential wage payments described
9 in Section 414(u)(12) of the code. The term does not include
10 amounts picked up under Section 4.03(i) of this article.

11 (2) "Active service" means any period that a member
12 receives compensation as a police officer or fire fighter from
13 either department for services rendered.

14 (3) ~~[(2)]~~ "Actuarial equivalent" means a form of
15 benefit differing in time, duration, or manner of payment from a
16 standard benefit payable under this article but having the same
17 value when computed using the assumptions set forth in this
18 article.

19 ~~[(3) "Administrator" means the person designated by~~
20 ~~the board to supervise the affairs of the pension system.]~~

21 (4) "Alternate payee" has the meaning given the term
22 by Section ~~414(p)~~ [414] of the code or any successor provision.

23 (5) "Alternative investment" means an investment in an
24 asset other than a traditional asset. The term includes an
25 investment in private equity funds, private real estate
26 transactions, hedge funds, and infrastructure.

27 (6) ~~[(5)]~~ "Annual additions" means the sum of the

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1 following amounts credited to a member's account under any defined
2 contribution plan maintained by the city for the limitation year:

- 3 (A) city contributions;
- 4 (B) member contributions, other than rollover
5 contributions from a plan maintained by any employer other than the
6 city;

- 7 (C) forfeitures; and
- 8 (D) amounts allocated after March 31, 1984, to an
9 individual medical benefit account, as defined in Section 415(1)(2)
10 ~~[415(1)(2)]~~ of the code, that is part of a pension or annuity plan
11 maintained by the city.

12 ~~{The term does not include amounts described in Paragraph (D)~~
13 ~~of this subdivision for the purpose of computing the percentage~~
14 ~~limitation described in Section 415(e)(1)(B) of the code.}~~ For any
15 limitation year beginning before January 1, 1987, only that portion
16 of member contributions equal to the lesser of member contributions
17 in excess of six percent of 415 compensation or one-half of member
18 contributions to the combined pension plan or any qualified defined
19 contribution plan maintained by the city is treated as annual
20 additions.

21 ~~(7)~~ {(6)} "Annual benefit" means the aggregate
22 benefit attributable to city and member contributions payable
23 annually under the combined pension plan, or any plan maintained by
24 the city, exclusive of any benefit not required to be considered for
25 purposes of applying the limitations of Section 415 of the code to
26 the combined pension plan, payable in the form of a straight life
27 annuity beginning at age 62 with no ancillary benefits. Solely for

1 purposes of computing the limitations under the combined pension
2 plan, benefits actually payable to a pensioner are adjusted to the
3 actuarial equivalent of a straight life annuity pursuant to Section
4 415(b) [8.01] of the code [this article] even though no member may
5 actually receive a benefit in the form of a straight life annuity.

6 (8) [(7)] "Article 6243a" means Chapter 4, Acts of the
7 43rd Legislature, 1st Called Session, 1933 (former Article 6243a,
8 Vernon's Texas Civil Statutes), pertaining to a pension system for
9 police officers, fire fighters, and fire alarm operators in certain
10 cities.

11 (9) [(8)] "Assignment pay" means monthly pay, in
12 addition to salary, granted to a Group B member and authorized by
13 the city council for the performance of certain enumerated duty
14 assignments.

15 (10) [(9)] "Base pay" means the maximum monthly civil
16 service pay from time to time established by the city for a person
17 who holds the rank of "police officer" in the city's police
18 department or the rank of "fire and rescue officer" in the city's
19 fire department [~~a police officer or fire fighter~~], exclusive of
20 any other form of compensation. The term does not include
21 compensation paid by the city to a person for prior periods of
22 service or compensation that otherwise constitutes back pay unless
23 the compensation is eligible back pay. The board may adopt rules
24 and procedures necessary to include eligible back pay as base pay
25 for purposes of this definition, including rules regarding how
26 increases in benefits will be determined and administered.

27 (11) [(10)] "Base pension" means the amount of

1 retirement, death, or disability benefits as determined ~~{computed~~
2 ~~under this article}~~ at the earliest of the time a Group B member
3 and, solely for the purposes of Section 6.12 of this article, a
4 Group A member:

- 5 (A) begins participation in DROP;
- 6 (B) leaves or left active service;
- 7 (C) ~~{leaves active service,}~~ dies; {,} or
- 8 (D) becomes entitled to a disability pension
9 under the combined pension plan ~~{disabled}~~.

10 Solely for purposes of this definition, when a member becomes
11 entitled to a disability pension, the base pension shall be
12 determined as of the date on which the disability pension begins.

13 (12) ~~{(11)}~~ "Board" means the board of trustees
14 created under Section 3.01 of this article for the purpose of
15 administering the pension system.

16 (13) ~~{(12)}~~ "Child" means a ~~{an—unmarried}~~ person
17 ~~{under the age of 19}~~ whose ~~{natural or adoptive}~~ parent, as
18 recognized under the laws of this state, is a primary party.

19 (14) ~~{(13)}~~ "City" means each municipality having a
20 population of more than 1.18 million and located predominantly in a
21 county that has a total area of less than 1,000 square miles.

22 (15) "City attorney" means the chief legal officer of
23 a city.

24 (16) ~~{(14)}~~ "City council" means the governing body of
25 the city.

26 (17) "City manager" means the city manager of a city or
27 the city manager's designee and includes, to the extent of any

1 designation, an interim or acting city manager, chief financial
2 officer, budget director, or assistant city manager. If a city does
3 not have an individual serving in a position otherwise described by
4 this subdivision, "city manager" means the mayor of that city.

5 (18) [(15)] "City service incentive pay" means annual
6 incentive pay, adjusted by the city from time to time, in addition
7 to the salary of a member granted to the member under the authority
8 of the city charter and received by the member during active
9 service.

10 (19) [(16)] "Code" means the United States Internal
11 Revenue Code of 1986, as amended.

12 (20) [(17)] "Combined pension plan" means any pension
13 plan created pursuant to this article before September 1, 2017.

14 (21) [(18)] "Computation pay" shall be used in
15 determining the amount of the city's contribution under Section
16 4.02(d) of this article and a Group B member's contribution under
17 Section 4.03(d) of this article and in determining the base pension
18 ~~[of any benefits]~~ to be paid to a Group B member or the benefits to
19 be paid to the member's qualified survivors and means the sum of the
20 following:

21 (A) the biweekly ~~[monthly]~~ rate of pay of a
22 ~~[Group B]~~ member for the highest civil service rank the person
23 holds, from time to time, as a result of a competitive examination;
24 plus

25 (B) the ~~[monthly rate of pay of a Group B member~~
26 ~~as]~~ educational incentive pay of a member, computed on a biweekly
27 basis; plus

1 (C) the longevity ~~{monthly rate-of}~~ pay of a
2 ~~{Group-B}~~ member ~~{as-longevity-pay}~~, as authorized by the
3 legislature, computed on a biweekly basis; plus
4 (D) the city service incentive pay, computed on a
5 biweekly ~~{monthly}~~ basis, a ~~{Group B}~~ member.
6 of

6 The term includes only amounts actually paid in salary or
7 payments made instead of salary to the member and member
8 contributions picked up by the city, and does not include any
9 imputed pay. Furthermore, any ~~{Any}~~ compensation received by a
10 ~~{Group B}~~ member, other than that noted in Paragraphs (A)-(D) of
11 this subdivision (for example, compensation for overtime work,
12 certification pay, and the ~~{monthly rate-of}~~ pay a member would
13 receive from the city in the form of assignment pay), will not be
14 considered in determining the computation pay of a ~~{Group B}~~
15 member. Any lump-sum payments for compensatory time, unused sick
16 leave, unused vacation time, or city service incentive pay payable
17 after a ~~{Group B}~~ member leaves active service, dies ~~{death}~~,
18 becomes disabled ~~{disability~~ or resigns ~~{resignation}~~, or after
19 I,

19 any other type of termination may not be considered in determining
20 the computation pay of any ~~{Group B}~~ member. Computation pay for a
21 ~~{Group B}~~ member for any given period ~~{month}~~ is determined on the
22 biweekly ~~{monthly}~~ rates of pay the ~~{Group B}~~ member for the
23 due

23 entire period ~~{month}~~. The term does not include compensation paid
24 by the city to a person for prior periods of service or compensation

25 that otherwise constitutes back pay unless the compensation is
26 eligible back pay. The board may adopt rules and procedures
27 necessary to include eligible back pay as computation pay for

1 purposes of this definition, including rules regarding how
2 increases in benefits will be determined and administered. {If a
3 Group B member works less than the member's assigned schedule for
4 any given month, the computation pay for the Group B member shall be
5 prorated for the portion of the month that the Group B member
6 worked.

7 [(19) — "Educational incentive pay" means incentive pay
8 designed to reward completion of certain hours of college credit,
9 adjusted by the city from time to time, that is paid to a member in
10 addition to the member's salary.]

11 (22) [(20)] "Department" means either the police
12 department of the city, the fire department of the city, or both the
13 police and fire departments of the city together.

14 (23) [(21)] "Dependent parent" means a natural parent
15 or parent who adopted a primary party and who immediately before the
16 death of a primary party received over half of the parent's
17 financial support from the primary party.

18 (24) [(22)] "Disability retirement" means any period
19 that a pensioner receives periodic disability compensation or a
20 disability pension.

21 (25) "DROP" means the deferred retirement option plan
22 established in accordance with Section 6.14 of this article.

23 (26) "Educational incentive pay" means incentive pay
24 designed to reward completion of certain hours of college credit,
25 adjusted by the city from time to time, that is paid to a member in
26 addition to the member's salary.

27 (27) "Eligible back pay," except as otherwise provided

1 by this definition, means additional compensation paid by the city
2 to a member or pensioner:

3 (A) that constitutes back pay to the member's or
4 pensioner's prior period of service and is otherwise considered
5 taxable wages paid by the city to the member or pensioner for
6 federal income tax purposes; and

7 (B) for which the pension system receives:

8 (i) an amount equal to the aggregate member
9 and city contributions that the pension system would have collected
10 with respect to the compensation for all time periods relating to
11 the back pay compensation; and

12 (ii) interest, calculated using the pension
13 system's actuarial rate of return assumptions in effect for the
14 periods relating to the back pay, compounded annually, on the
15 contribution amounts for the period from the date that the
16 contributions would have been received if the back pay compensation
17 had been paid during the relevant periods of prior service through
18 the date the amount relating to the contributions for back pay is
19 actually received by the pension system.

20 The term does not include any additional compensation paid by
21 the city to a member or pensioner wholly or partly or directly or
22 indirectly as the result of litigation instituted to recover back
23 pay.

24 The pension system is not obligated to collect the additional
25 contributions or interest described in Paragraph (B) of this
26 subdivision from the member, pensioner, or city. The pension system
27 may not recognize back pay as eligible back pay until the

1 contributions and interest described in Paragraph (B) of this
2 subdivision have been received.

3 (28) "Executive director" means the person designated
4 by the board to supervise the operation of the pension system.

5 (29) [(23)—"415-compensation" means a member's wages,
6 salary, and other amounts received for personal services rendered
7 in the course of employment with the city during a limitation year,
8 but does not include:

9 [(A)—contributions made by the city to a plan of
10 deferred compensation, or a simplified employee pension plan, to
11 the extent such contributions are excludable from the member's
12 gross income;

13 [(B)—any distributions from a plan of deferred
14 compensation, or a simplified employee pension plan, to the extent
15 the distributions are excludable from the member's gross income;

16 [(C)—other amounts that received special tax
17 benefits, such as premiums for group term life insurance, to the
18 extent that the premiums are not includable in the gross income of
19 the member, or contributions made by the city, including
20 contributions toward the purchase of an annuity described by
21 Section 403(b) of the code, whether or not contributed pursuant to a
22 salary reduction agreement and whether or not the amounts are
23 actually excludable from the gross income of the member; and

24 [(D)—for any limitation year beginning after
25 December 31, 1988, compensation in excess of \$200,000, adjusted in
26 a manner permitted under Section 415(d) of the code.

27 [(24)] "Fund" means all funds and property held to

1 provide benefits to ~~{for the benefit of}~~ all persons who are or who
2 may become entitled to any benefits under any plan within the
3 pension system, together with all income, profits, or other
4 increments.

5 (30) ~~{(25)}~~ "Group A member" means any police officer
6 or fire fighter included in Group A membership under ~~{described by}~~
7 Section 5.01(a)(1) of this article.

8 (31) ~~{(26)}~~ "Group B member" means any police officer
9 or fire fighter included in Group B membership under ~~{described by}~~
10 Section 5.01(a)(2) of this article.

11 (32) ~~{(27)}~~ "Health director" means any qualified
12 physician designated from time to time by the board.

13 (33) ~~{(28)}~~ "Limitation year" means the plan year of
14 the combined pension plan and any defined benefit plan or defined
15 contribution plan of the city in which a member participates.

16 (34) ~~{(29)}~~ "Longevity pay" means pay in addition to
17 the salary of a member granted under Section 141.032, Local
18 Government Code, for each year of active service completed by a
19 member in either department.

20 (35) ~~{(30)}~~ "Member" means both Group A and Group B
21 members.

22 (36) ~~{(31)}~~ "Member's account" means an account
23 established and maintained for a member with respect to the
24 member's total interest in one or more defined contribution plans
25 under this article or maintained by the city resulting in annual
26 additions.

27 (37) ~~{(32)}~~ "Nominations committee" means the nominations

1 committee established under Section 3.011 of this article.

2 (38)_{(32)} "Old plan" means any pension plan created
3 pursuant to Section 1 of Article 6243a.

4 (39)_{(33)} "Pensioner," "Group A pensioner," or
5 "Group B pensioner" means a former member of the pension system who
6 is on either a service or disability retirement.

7 (40)_{(34)} "Pension service" means the time, in
8 years, and prorated for fractional years, that a member has
9 contributed to the fund under the terms of the combined pension plan
10 or any plan within the pension system, reduced to reflect refunds
11 that have been received and not fully repaid.

12 (41)_{(35)} "Pension system" means the fund and any
13 plans created pursuant to this article or Article 6243a and that are
14 intended to be qualified under Section 401(a) of the code.

15 (42)_{(36)} "Plan A" means any plan created pursuant
16 to Section 11A of Article 6243a.

17 (43)_{(37)} "Plan B" means any plan created pursuant
18 to Section 11B of Article 6243a.

19 (44)_{(38)} "Police officer" or "fire fighter" means,
20 as appropriate, a police officer, fire fighter, fire and rescue
21 officer, fire alarm operator, fire inspector, apprentice police
22 officer, apprentice fire fighter, or similar employee of either
23 department as defined in the classifications of the human resources
24 {personnel} department of the city.

25 (45)_{(39)} "Primary party," "Group B primary party,"
26 or "Group A primary party" means a ~~member~~, ~~former member~~, or
27 pensioner.

1 (46)_{(40)} "Qualified actuary" means either:

2 (A) an individual who is a Fellow of the Society
3 of Actuaries, a Fellow of the Conference of Consulting Actuaries
4 ~~[in Public Practice]~~, or a member of the American Academy of
5 Actuaries; or

6 (B) a firm that employs one or more persons who
7 are Fellows of the Society of Actuaries, Fellows of the Conference
8 of Consulting Actuaries ~~[in Public Practice]~~, or members of the
9 American Academy of Actuaries and are providing services to the
10 pension system.

11 (47)_{(41)} "Qualified domestic relations order" has
12 the meaning provided by Section 414(p)_{414} of the code.

13 (48)_{(42)} "Qualified survivor" means a person who is
14 eligible to receive death_{survivor} benefits after the death of a
15 primary party and includes only:

16 (A) a surviving spouse, if the spouse was
17 continuously married to the primary party from ~~[both at]~~ the date
18 when the primary party either voluntarily or involuntarily left
19 active service as a member through ~~[and at]~~ the date of the primary
20 party's death;

21 (B) all surviving, ~~unmarried~~_{, legitimate, and
22 ~~legally adopted~~} children who are either under 19 years of age or
23 have a disability, as determined by the board under Section
24 6.06(o-2) of this article, and who were:

25 (i) born or adopted before the primary
26 party ~~[as a member]~~ either voluntarily or involuntarily left active

27 service_or

1 (ii) ~~[who were]~~ born after the primary party

2 ~~[a member]~~ left active service if the mother was pregnant with the
3 child before the primary party ~~[member]~~ left active service; and

4 (C) a surviving dependent parent of a primary
5 party if the primary party is not survived by a spouse or child
6 eligible for benefits.

7 (49) ~~[(43)]~~ "Service retirement" means any period
8 that a pensioner receives a retirement pension but does not include
9 any period of disability retirement.

10 (50) ~~[(44)]~~ "Spouse" means the person to whom ~~[husband~~
11 ~~or wife of]~~ a primary party is legally married ~~[recognized]~~ under
12 the laws of this state or any other state.

13 (51) "Traditional asset" includes stocks, bonds, and
14 cash ~~[(45) "Total wages and salaries" means all pay received by a~~
15 ~~member of any plan within the pension system from the city,~~
16 ~~excluding any lump-sum payments for unused sick time or unused~~
17 ~~vacation time accrued by any member and payable as the result of the~~
18 ~~member's death, disability, resignation, or any other reason for~~
19 ~~leaving active service].~~

20 (52) ~~[(46)]~~ "Trustee" means a member of the board.

21 SECTION 1.03. Sections 2.02(a) and (b), Article 6243a-1,
22 Revised Statutes, are amended to read as follows:

23 (a) If the amount of any benefit or contribution is to be
24 determined on the basis of actuarial assumptions that are not
25 otherwise specifically set forth for that purpose in this article,
26 the actuarial assumptions to be used are those earnings and
27 mortality assumptions being used on the date of the determination

1 by the pension system's qualified actuary and approved by the
2 board.

3 (b) The actuarial assumptions being used at any particular
4 time shall be attached by the executive director [administrator] as
5 an addendum to this article and treated for all purposes as a part
6 of any plan created by this article. The executive director shall
7 promptly update any addendum to conform to any changed actuarial
8 assumptions approved by the board.

9 SECTION 1.04. Part 2, Article 6243a-1, Revised Statutes, is
10 amended by adding Sections 2.025 and 2.03 to read as follows:

11 Sec. 2.025. INDEPENDENT ACTUARIAL ANALYSIS AND LEGISLATIVE
12 RECOMMENDATIONS. (a) Before July 1, 2024, the State Pension Review
13 Board shall select an independent actuary who the board shall hire
14 to perform an actuarial analysis of the most recently completed
15 actuarial valuation of the pension system. The independent actuary
16 shall submit the analysis to the State Pension Review Board and the
17 board not later than October 1, 2024. The analysis must include the
18 independent actuary's:

19 (1) conclusion regarding whether the pension system
20 meets State Pension Review Board pension funding guidelines

21 actuarially sound, as defined by rule by the State Pension Review

22 Board; and

23 (2) recommendations regarding changes to benefits or
24 to member or city contribution rates.

25 (b) Subject to Subsection (d) of this section, and not later
26 than November 1, 2024, the board may shall

27 by rule adopt a plan designed to meet the funding or amortization
period requirements of Texas Government Code, Chapter 802,
Subchapter C and that takes into consideration the independent
actuary's recommendations in Subsection (a)(2) of this section. The
board shall provide a copy of the analysis prepared under Subsection

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(a) of this section and a summary of rules adopted by the board under this subsection to the State Pension Review Board. ~~the independent actuary's recommendations under~~

28 Subsection (a)(2) of this section.

3023 (c) Not later than December 1, 2024, the State Pension Review Board shall submit a report to the legislature regarding actions taken under this section. The report required under this section must include a copy of the analysis prepared under Subsection (a) of this section and a summary of rules adopted by the board under Subsection (b) of this section.

6 (d) Notwithstanding any other provision of this article, a rule adopted by the board under Subsection (b) of this section that conflicts with a provision of this article remains in effect ~~until August 31, 2025, unless a law is enacted by the 89th Legislature~~

10 that amends authorizes the content of the rule or the board amends the content of the rule so long as the pension system remains in compliance with the funding or amortization period requirements of Texas Government Code, Chapter 802, Subchapter C. If a law is enacted that

11 authorizes the content of the rule, the rule continues in effect until amended in accordance with this article.

1310 (e) This section expires September 1, 2025.

1411 Sec. 2.03. REFERENCES TO CERTAIN LAW. A reference to a statute made in this article includes a reference to any regulation, rule, order, or notice made by a governmental entity with the authority under law to adopt the regulation, rule, order, or notice, and on which the governmental entity intends persons to rely, as appropriate.

2017 SECTION 1.05. Section 3.01, Article 6243a-1, Revised Statutes, is amended by amending Subsections (a), (b), (d), (e), (f), (h), (i), (j), (n), and (o) and adding Subsections (b-1), (b-2), (b-3), (b-4), (j-1), (j-2), (j-3), (j-4), (j-5), (j-6), (j-7), (j-8), (j-9), (j-10), (o-1), (p), (q), (r), and (s) to read as follows:

26 (a) The pension system shall be administered by the board. The board shall execute its fiduciary duty to hold and administer

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1 the assets of the fund for the exclusive benefit of members and
2 their beneficiaries under Section 802.203, Government Code,
3 Section 67(f), Article XVI, Texas Constitution, and any other
4 applicable law, in a manner that ensures the sustainability of the
5 pension system for purposes of providing current and future
6 benefits to members and their beneficiaries.

7 (b) Subject to Subsections (b-1) and (b-2) of this section,
8 the [The] board consists of 11 [seven] trustees who shall be
9 selected and shall serve as follows:

10 (1) six trustees appointed by the mayor in consultation
with the Dallas city council;

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11 (2) three trustees appointed by the nominations
12 committee;

13 (3) subject to Subsection (b-3) of this section, one
14 trustee who is a current or former police officer of the city
15 nominated and elected by members of the pension system under rules
16 adopted by the board; and

17 (4) subject to Subsection (b-3) of this section, one
18 trustee who is a current or former fire fighter of the city
19 nominated and elected by members of the pension system under rules
20 adopted by the board.

21 (b-1) To be appointed or elected a trustee under this
22 section, a person:

23 (1) must have demonstrated financial, accounting,
24 business, investment, budgeting, real estate, or actuarial
25 expertise; and

26 (2) may not be an elected official of the city.

27 (b-2) To be appointed a trustee under Subsection (b)(1) or

1 (2) of this section a person may not be an active member or
2 pensioner.

3 (b-3) If the board determines that it is not possible to
4 nominate or elect a trustee under Subsection (b)(3) or (4) of this
5 section who meets the requirements of Subsection (b-1) of this
6 section, the board shall notify the nominations committee and the
7 nominations committee shall appoint a trustee who meets the
8 requirements of Subsection (b-1) of this section to represent the
9 interests of police officers or fire fighters, as appropriate, of
10 the city on the board. An appointment under this subsection may be
11 made without regard to whether the trustee is qualified under
12 Subsection (b)(3) or (4), as applicable, of this section.

13 (b-4) A trustee is not required to reside in a particular
14 city or county of this state. {The city council shall name from
15 among its members three council members who shall serve as trustees
16 of the board. The council member trustees shall be named as soon as
17 possible after the first Monday in May of each odd-numbered year and
18 shall serve for the term of office to which they were elected as
19 council members. If there is a vacancy in any of the council member
20 trustees' seats on the board, the city council shall name another
21 council member to serve out the remainder of the unexpired term.

22 {(2) The police and fire department members of the
23 pension plans within the pension system shall separately, by
24 department and not by plan, elect from among their respective
25 memberships two active police officer and two active fire fighter
26 members. On their election, each of the trustees under this
27 subdivision shall execute a written affirmation of the person's

1 ~~undertaking to faithfully perform duties to the pension system.~~
2 ~~The police and fire department trustees shall serve terms of four~~
3 ~~years each, the terms being staggered so that one term, but not both~~
4 ~~from the same department, shall expire on June 1 of each~~
5 ~~odd-numbered year. If a vacancy occurs among the police and fire~~
6 ~~department trustees, the vacancy shall be filled in accordance with~~
7 ~~the provisions of Subsection (d) of this section. The police and~~
8 ~~fire department trustees will continue to serve beyond the~~
9 ~~expiration of their terms, if their successors have not been~~
10 ~~elected and affirmed in writing their undertaking to faithfully~~
11 ~~perform their duties to the pension system, until their successors~~
12 ~~are elected and have affirmed in writing their undertaking to~~
13 ~~faithfully perform their duties to the pension system.]~~

14 (d) A [If a] vacancy on the board in a trustee position under
15 Subsection (b)(1) or (2) of this section shall be filled in the same
16 manner as the original appointment. The board by rule shall
17 determine the manner by which a vacancy in a trustee position under
18 Subsection (b)(3) or (4) of this section is filled ~~[occurs among the~~
19 ~~police or fire department alternate trustees, for reasons other~~
20 ~~than the failure to elect a successor alternate trustee or the~~
21 ~~occurrence of a vacancy among the regular trustees of either~~
22 ~~department, the board shall appoint a new alternate trustee~~
23 ~~representing the department from which the vacancy occurs to serve~~
24 ~~as the alternate trustee for the remainder of the alternate~~
25 ~~trustee's term]. [A candidate is not eligible for election to an~~
26 ~~alternate trustee position and to a regular trustee position during~~
27 ~~the same election.]~~

1 (e) The mayor shall determine whether all trustees
2 appointed under Subsection (b)(1) of this section hold office for
3 staggered two-year terms or staggered three-year terms. The
4 nominations committee shall determine whether all trustees
5 appointed or elected under Subsection (b)(2), (3), or (4) of this
6 section hold office for staggered two-year terms or staggered
7 three-year terms. An appointed trustee may not serve for more than
8 six consecutive years on the board. ~~[If a vacancy occurs among the~~
9 ~~police or fire department regular trustees, the alternate trustee~~
10 ~~representing the department from which the vacancy occurs shall~~
11 ~~serve as the regular trustee for the remainder of the unexpired~~
12 ~~regular trustee's term].~~ ~~[Thereafter, the board shall appoint a~~
13 ~~new alternate trustee from the same department to serve for a period~~
14 ~~ending on the earlier of the expiration of the regular trustee's~~
15 ~~term or the original alternate trustee's term. If the original~~
16 ~~alternate trustee's term has not expired after serving in place of~~
17 ~~the regular trustee, then that person shall serve out the remainder~~
18 ~~of the unexpired term. After a new regular trustee has been~~
19 ~~elected, the original alternate trustee shall return to serve as an~~
20 ~~alternate trustee until the regular trustee's term has expired.~~
21 ~~However, if the original alternate trustee, while an alternate~~
22 ~~trustee, is elected to a full term as a regular trustee before the~~
23 ~~expiration of the term as an alternate trustee, the term of the new~~
24 ~~alternate trustee extends until the expiration of the original~~
25 ~~alternate trustee's term.]~~

26 (f) The nomination and election of the trustees under
27 Subsection (b)(3) or (4) of this section ~~[representing the police~~

Commented [MK2]: The rules and procedures governing the election of the two police and fire trustees must be adopted and governed by the nominations committee (not the board) for all future elections, not just the first election. Please make conforming changes in other sections.

1 ~~and fire departments]~~ shall be held under the supervision of the
2 ~~Boardnominations committee,~~ and the ~~boardnominations committee~~
3 shall adopt such rules ~~[and regulations]~~
4 governing the election procedure as it considers appropriate, as
5 long as the rules ~~[and regulations]~~ are consistent with generally
6 accepted principles of secret ballot and majority rule. The rules
7 ~~[and regulations]~~ adopted by the ~~board-nominations committee~~
8 shall be recorded in the
9 minutes of the ~~board-nominations committee~~ and made available
10 to the members of any
11 pension plan within the pension system.

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9 (h) The executive director [administrator], or in the
10 executive director's [administrator's] absence a member of the
11 administrative staff designated by the board, shall serve as the
12 secretary of the board.

13 (i) The board shall serve without separate compensation
14 from the fund, but a trustee is entitled to reimbursement for travel
15 expenses and, if applicable, [with entitlement] to any appropriate
16 compensation from the city as if the trustee [board members] were
17 performing the trustee's [their] regular functions for the police
18 or fire department or for the city. The board shall meet not less
19 than once each month and may meet at any time on the call of its
20 chairman.

21 (j) The board has full power to make rules ~~[and regulations]~~
22 pertaining to the conduct of its meetings and to the operation of
23 the pension system as long as its rules are not, subject to
24 Subsections (j-1) and (j-2) of this section, inconsistent with the
25 terms of this article, any pension plan within the pension system,
26 or the laws of this state or the United States to the extent

27 applicable. A board meeting may be held by telephone conference

1 call or by videoconference call in accordance with Sections 551.125
2 and 551.127, Government Code, except that Section 551.125(b),
3 Government Code, does not apply.

4 (j-1) Subject to Subsection (o)(2) of this section, the
5 board may adopt a rule that conflicts with this article:

6 (1) to ensure compliance with the code, including
7 Section 415 of the code, and other applicable federal law;

8 (2) subject to Subsections (j-5) through (j-8) of this
9 section, to amortize the unfunded actuarial accrued liability of
10 the pension system within a period that does not exceed 35 years, if
11 the board determines the rule is appropriate based on the
12 evaluations required under Subsection (j-5) of this section; or

13 (3) subject to Subsections (j-6) and (j-7) of this
14 section and notwithstanding any other law, to increase the benefits
15 provided under this article in any manner the board determines
16 appropriate if the increase will not cause the amortization period
17 of the unfunded actuarial accrued liability of the pension system
18 to exceed 25 years, after taking into account the impact of the
19 increase.

20 (j-2) Except as provided by Subsection (j-1) of this section
21 or Section 4.02(b) of this article, a provision of any plan provided
22 by the pension system may only be amended if approved by the board.
23 An amendment described by this subsection:

24 (1) may not cause the amortization period of the
25 unfunded actuarial accrued liability of the pension system to
26 exceed 35 years, after taking into account the impact of the
27 amendment, as determined by the board and reviewed by the State

1 Pension Review Board; and

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

3 (j-3) The board may correct any defect, supply any omission,
4 and reconcile any inconsistency that may appear in this article in a
5 manner and to the extent that the board believes would:

6 (1) be expedient for the administration of the pension
7 system;

8 (2) be for the greatest benefit of all members,
9 pensioners, and qualified survivors; and

10 (3) not adversely affect the benefits of a member,
11 pensioner, or qualified survivor.

12 (j-4) The board has full discretion and authority to
13 construe and interpret the combined pension plan and to do all acts
14 necessary to carry out the purpose of the combined pension plan. A
15 decision of the board is final and binding on all affected parties.

16 (j-5) Not later than January 1, 2018, the board shall
17 conduct an evaluation of:

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

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

1 (j-6) The board may not adopt a rule under Subsection
2 (j-1)(2) or (3) of this section unless the rule has first been
3 reviewed by the State Pension Review Board and the State Pension
4 Review Board finds that implementation of a rule under:

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

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

10 (j-7) The board shall provide the State Pension Review Board
11 with a copy of a proposed rule for purposes of Subsection (j-6) of
12 this section at least 90 days before the date the board intends to
13 implement the rule.

14 (j-8) The board may not adopt a rule under Subsection
15 (j-1)(2) of this section based on an evaluation under Subsection
16 (j-5)(2) of this section if the board determines implementation of
17 the rule would cause the amortization period of the unfunded
18 actuarial accrued liability of the combined pension plan or any
19 plan established under this article by the pension system to exceed
20 35 years, after taking into account implementation of the rule.

21 (j-9) At least twice each year, the board shall have a
22 meeting to receive public input regarding the pension system and to
23 inform the public about the health and performance of the pension
24 system. The State Pension Review Board is entitled to all documents
25 and other information provided to the public or that are the basis
26 for information provided to the public, as determined by the State
27 Pension Review Board, for purposes of this subsection and shall

1 independently review the information to ensure its validity.

2 (j-10) An employee or other agent acting on behalf of the

3 pension system or the city must certify that the commits an
4 offense if the person knowingly provides

5 false information provided to the State Pension Review
6 Board under

7 Subsection (j-9) of this section contains accurate data and
8 realistic assumptions. An offense under this subsection

9 is a Class B misdemeanor.

10 _____ (n) Six [Four] trustees of the board constitute a quorum at
11 any [called] meeting[, except that a trustee from the police
12 department and a trustee from the fire department must be present to
13 conduct business].

14 _____ (o) No action may be taken by the board except at a meeting.
15 Except as otherwise specifically provided by this article or other
16 law:

17 (1) [, and] no action shall be taken during a board
18 meeting without the approval of a majority of the trustees of the
19 board; and

20 (2) no action otherwise authorized by this article or
21 other law may be taken that establishes an alternative benefit
22 plan, reduces the city contribution rate, increases the member
23 contribution rate, or reduces benefits, including accrued
24 benefits, without the approval of at least two-thirds of the
25 trustees of the
26 board [present].

27 (o-1) Only actions of the board taken or approved of during
28 a meeting are binding on the board, and no other written or oral
29 statement or representation made by any person is binding on the

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26 board or the pension system.

27 (p) The board may file suit on behalf of the pension system

1 in a court of competent jurisdiction regardless of the court's
2 location. The board has sole authority to litigate matters on
3 behalf of the pension system. Notwithstanding Chapter 15, Civil
4 Practice and Remedies Code, or any other law, an action against the
5 pension system or the board shall be brought in a court of competent
6 jurisdiction located in the city or county in which the pension
7 system is located.

8 (q) The board may purchase from one or more insurers one or
9 more insurance policies that provide for the reimbursement of a
10 trustee or employee of the pension system for liability imposed as
11 damages caused by, and for costs and expenses incurred by the
12 individual in defense of, an alleged act, error, or omission
13 committed by the individual in the individual's capacity as a
14 fiduciary or employee of the pension system. The board may not
15 purchase an insurance policy that provides for the reimbursement of
16 a trustee or employee of the pension system due to the trustee's or
17 employee's dishonesty, fraudulent breach of trust, lack of good
18 faith, intentional fraud or deception, or intentional failure to
19 act prudently.

20 (r) The board shall adopt a code or codes of ethics
21 consistent with Section 825.212, Government Code. In adopting or
22 amending a code or codes of ethics, the board may consider comments
23 on the policy from the city attorney of the city. The board shall:

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

26 (2) file a copy of the code or codes of ethics adopted
27 or amended in accordance with this subsection with the State

1 Pension Review Board; and
2 (3) provide a copy of the code or codes of ethics
3 adopted or amended in accordance with this subsection to the city
4 attorney.

5 (s) The board shall develop an Internet website designed to
6 give active members and pensioners access to the information
7 concerning the pension system and the individual's participation in
8 the pension system required by Section 802.106, Government Code, as
9 well as information concerning the financial health of the pension
10 system.

11 SECTION 1.06. Part 3, Article 6243a-1, Revised Statutes, is
12 amended by adding Sections 3.011, 3.012, and 3.013 to read as
13 follows:

14 Sec. 3.011. NOMINATIONS COMMITTEE. (a) Subject to
15 Subsection (b) of this section, the nominations committee consists
16 of:

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

19 (2) the president, chair, or other executive head of
20 the following organizations or their successor organizations, or
21 that person's designee:

22 (A) the Dallas Black Firefighters Association;

23 (B) the Black Police Association of Greater
24 Dallas;

25 (C) the National Latino Law Enforcement
26 Organization;

27 (D) the Dallas Fraternal Order Police Lodge 588;

Commented [MK3]: Nominations committee should be limited to the named organizations in the bill – not a number of organizations.

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1 (E) the Dallas Police Association;
2 (F) the Dallas Fire Fighters Association,
3 International Association of Fire Fighters Local No. 58;
4 (G) the Dallas Hispanic Firefighters
5 Association, Inc.;
6 (H) the Dallas Police Retired Officers
7 Association;
8 (I) the Dallas Retired Firefighters Association;
9 (J) the Dallas Retired Black Firefighters
10 Retirees Association
11 of Dallas; and
12 (K) the Dallas Hispanic Retired Fire Fighters
13 Association.
14 (b) If an organization described by Subsection (a)(2) of
15 this section elects not to participate on
16 the nominations
17 committee, is prohibited from participating on the nominations
18 committee under Subsection (g) of this section, or ceases to exist,
19 the nominations committee members appointed under that subsection
20 consist only of representatives of the remaining organizations, if
21 any.
22 (c) The executive director shall serve as presiding officer
23 of the nominations committee.
24 (d) The nominations committee shall meet at the call of the
25 presiding officer.
26 (e) The nominations committee shall appoint trustees to the
27 board in accordance with Sections 3.01(b)(2) and (b-3) of this
28 article.
29 (f) A person serving on the nominations committee under

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1 Subsection (a)(2) of this section serves without compensation and
2 may not be reimbursed for travel or other expenses incurred while
3 conducting the business of the nominations committee. The
4 executive director may not receive additional compensation for
5 service on the nominations committee.

6 (g) An organization described by Subsection (a)(2) of this
7 section may not participate on the nominations committee unless the
8 organization is in good standing with the secretary of state, if
9 applicable.

10 (h) Chapter 2110, Government Code, does not apply to the
11 nominations committee.

12 (i) The nominations committee may establish policies and
13 procedures governing its operations.

14 Sec. 3.012. REMOVAL OF TRUSTEES. (a) In accordance with
15 procedures adopted by board rule, a trustee:

16 (1) appointed under Section 3.01(b)(1) of this article
17 may be removed by the mayor for cause; and

18 (2) appointed or elected under Section 3.01(b)(2),
19 (3), or (4) of this article may be removed by the nominations
20 committee for cause.

21 (b) It is a cause for removal of a trustee from the board
22 that the trustee:

23 (1) does not have at the time of taking office the
24 qualifications required by Section 3.01(b) or (b-1)(1) of this
25 article, subject to Subsection (b-3) of that section;

26 (2) does not maintain during service on the board the
27 qualifications required by Section 3.01(b) or (b-1)(1) of this

1 article, subject to Subsection (b-3) of that section;
2 (3) is ineligible for membership under Section
3 3.01(b-1)(2) or (b-2) of this article; or

4 (4) is absent from more than 40 percent of the meetings
5 that the trustee is eligible to attend during a calendar year
6 without an excuse approved by a majority vote of the board.

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

10 (d) If the executive director has knowledge that a potential
11 cause for removal exists, the executive director shall notify the
12 chairman of the board of the potential cause. The chairman shall
13 then notify the appointing or nominating official or body, as
14 appropriate, that a potential cause for removal exists. If the
15 potential cause for removal involves the chairman, the executive
16 director shall notify the vice chairman or next highest ranking
17 officer of the board, who shall then notify the appointing or
18 nominating official or body, as appropriate, that a potential cause
19 for removal exists.

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

24 (b) The training program must provide the person with
25 information regarding:

26 (1) the law governing the pension system's operations;

27 (2) the programs, functions, rules, and budget of the

1 pension system;

2 (3) the scope of and limitations on the rulemaking
3 authority of the board;

4 (4) the results of the most recent formal audit of the
5 pension system;

6 (5) the requirements of:

7 (A) laws relating to open meetings, public
8 information, administrative procedure, and disclosing conflicts of
9 interest; and

10 (B) other laws applicable to a trustee in
11 performing the trustee's duties, including the board's fiduciary
12 duties described under Section 3.01(a) of this article;

13 (6) the code or codes of ethics adopted under Section
14 3.01(r) of this article and any applicable ethics policies adopted
15 by the Texas Ethics Commission; and

16 (7) financial training regarding the risks of
17 investing in alternative investments.

18 (c) The executive director shall create a training manual
19 that includes the information required by Subsection (b) of this
20 section. The executive director shall distribute a copy of the
21 training manual annually to each trustee. On receipt of the
22 training manual, each trustee shall sign and submit to the
23 executive director a statement acknowledging receipt of the
24 training manual.

25 SECTION 1.07. Section 3.02, Article 6243a-1, Revised
26 Statutes, is amended to read as follows:

27 Sec. 3.02. PROFESSIONAL CONSULTANTS. In addition to the

1 authority of the board to employ the services of certain
2 consultants set forth in this article, the board has the authority
3 to employ the services of any professional consultant recommended
4 by the executive director, including investment advisors and
5 investment managers, whenever the services of the consultants
6 [consultant] are considered necessary or desirable and in the best
7 interests of the pension system, as determined by the board in
8 consultation with the executive director. A professional
9 consultant shall receive such compensation as may be determined by
10 the board in accordance with Section 4.01 of this article.

11 SECTION 1.08. Part 3, Article 6243a-1, Revised Statutes, is
12 amended by adding Section 3.025 to read as follows:

13 Sec. 3.025. CHIEF INVESTMENT OFFICER. The executive
14 director may hire a chief investment officer, subject to
15 confirmation by the board, to assist the pension system regarding
16 the investment of assets of the fund. Compensation for a chief
17 investment officer hired under this section shall be made in
18 accordance with Section 4.01 of this article.

19 SECTION 1.09. Section 3.03, Article 6243a-1, Revised
20 Statutes, is amended by amending Subsections (b) and (c) and adding
21 Subsection (b-1) to read as follows:

22 (b) Subject to Subsection (b-1) of this section, the [The]
23 city attorney or an assistant city attorney may [shall] attend
24 board [all meetings [of the board] and may advise the board on any
25]

26 matter on which the pension system [board] requests a legal opinion
27 from the city attorney.

28 (b-1) The city attorney or an assistant city attorney is not

1 required to provide an opinion under Subsection (b) of this section
2 unless the opinion is requested by the city council on behalf of the
3 pension system. The city attorney or assistant city attorney may
4 decline to provide the opinion if the subject matter of the request
5 is too dependent on disputed facts to permit a generalized opinion,
6 as determined by the city attorney or assistant city attorney.

7 (c) The board may retain other attorneys to serve as legal
8 advisors to ~~{represent}~~ the board ~~{or to give advice}~~. The
9 executive director may hire a chief legal officer, subject to
10 confirmation by the board, or other attorneys if necessary to carry
11 out the business of the pension system. Compensation for a chief
12 legal officer or other attorneys hired under this subsection shall
13 be made in accordance with Section 4.01 of this article.

14 SECTION 1.10. Section 3.04, Article 6243a-1, Revised
15 Statutes, is amended to read as follows:

16 Sec. 3.04. **APPOINTMENT OF EXECUTIVE DIRECTOR**
17 ~~{ADMINISTRATOR}~~. (a) The board has the authority to appoint an
18 executive director ~~{administrator}~~ to assist ~~{carry out the~~
19 ~~business of}~~ the board with administering the pension system and
20 ensure that records are kept ~~{to keep a record}~~ of the proceedings
21 of the board. Subject to Subsection (a-1) of this section, a person
22 appointed executive director under this section:

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

25 (2) may not be a current or former trustee ~~{The~~
26 ~~administrator, in carrying out the business of the board within the~~
27 ~~scope of the administrator's responsibility, may not be considered~~

Commented [MK4]:

1 a fiduciary with respect to the pension system].

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

12 (b) Subject to Subsections (b-1) and (b-3) of this section
13 {the approval of the board}, the executive director {administrator}
14 may select any number of persons the executive director determines
15 appropriate to assist the executive director in carrying out the
16 executive director's duties under this section. Subject to Section
17 4.01 of this article, the titles and salaries of persons selected to
18 assist the executive director shall be determined by the executive
19 director.

20 (b-1) The executive director may not select a person to
21 assist the executive director who is an active, former, or retired
22 police officer or fire fighter of the city {administrator}.

23 (b-2) The executive director shall establish the
24 organizational structure of pension system employees to optimize
25 administration of the pension system.

26 (b-3) A former or retired employee of the city may not
27 before the ~~third~~ second anniversary of the first day of the month
following

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1 the date the person terminated employment with the city serve the
2 pension system in any capacity other than as a trustee. Except as
3 specifically provided by this article or other law, an employee of
4 the city may not serve the pension system in any capacity other than
5 as a trustee.

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6 (c) The executive director {Both the administrator} and
7 those persons selected to assist the executive director
8 {administrator} may be considered employees of the city. Unless
9 otherwise delegated to the executive director {administrator}, the
10 board shall have the ultimate authority to retain, discipline, or
11 terminate the engagement of the executive director.

12 (d) The executive director owes a fiduciary duty to the
13 pension system and shall ensure the sustainability of the pension
14 system for the purpose of providing current and future benefits to
15 members of the pension system and their beneficiaries {any persons
16 selected under this subsection}.

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Commented [MKS]: Please clarify that the ED owes a fiduciary
duty to the system in exercising discretion only. Please clarify that if
the ED is acting at the direction of the Board rather than exercising
their own discretion they are not acting as a fiduciary.

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17 SECTION 1.11. Sections 4.01(a), (c), and (d), Article
18 6243a-1, Revised Statutes, are amended to read as follows:

19 (a) The board shall pay for all costs of administration out
20 of the income from the fund when in the judgment of the board the
21 costs are necessary, including the cost of:

22 (1) salaries and benefits for the executive director
23 [of the administrator,
24 assistant administrator,] and
25 administrative staff;

26 (2) [,] office expenses;

27 (3) expenses associated with securing[,] adequate
28 office space and associated utilities;

1 (4) compensation for ~~[and]~~ professional
2 consultants, professional investment managers, or other persons
3 providing professional services; and

4 (5) any other expenses approved by the board ~~[, out of~~
5 ~~income from the fund when it is actuarially determined that the~~
6 ~~payments will not have an adverse effect on the payment of benefits~~
7 ~~from any of the plans within the pension system and when in the~~
8 ~~judgment of the board the costs are necessary].~~ ~~[The city shall~~
9 ~~provide for costs of administration if the board determines that~~
10 ~~payment of the costs by the fund will have an adverse effect on the~~
11 ~~payment of benefits from any plan within the pension system.]~~

12 (c) No expenditure for the costs of administration,
13 including the [for] payment of any fee for professional consultants,
14 professional investment management services, or any other person
15 providing professional services, may be made from the fund without
16 the approval of the board.

17 (d) After the board has developed an annual budget for the
18 pension system, the budget shall be presented to the city manager
19 ~~[city's budget office]~~ for comment. The city manager ~~[city's budget~~
20 ~~office]~~ may request the board to reconsider the appropriation for
21 any expenditure at a board meeting, but the board shall make the
22 final determination concerning any appropriation.

23 SECTION 1.12. Sections 4.02(b), (d), and (e), Article
24 6243a-1, Revised Statutes, are amended to read as follows:

25 (b) Funds contributed by the city as its share of the amount
26 required to finance the payment of benefits under the pension
27 system may be used for no other purpose. The city is not

1 responsible for the payment of any administrative or professional
2 service fees of the pension system. Any change to the [The]
3 contributions required to be made to the pension system by the city
4 [shall be annually appropriated by the city council and
5 periodically paid on the basis of a percentage of the total wages
6 and salaries of the members of the police and fire departments who
7 are members of each of the plans within the pension system. The
8 amount of this percentage and any change in it] may [be determined]
9 only be made:

- 10 (1) by the legislature; [or]
11 (2) by a majority vote of the voters of the city; or
12 (3) in accordance with a written agreement entered
13 into between the pension system, by a two-thirds vote of all
14 trustees of the board, and the city, provided that a change made in
15 accordance with this subdivision may not increase the period
16 required to amortize the unfunded actuarial accrued liability of
17 the fund.

18 (d) Subject to Section 4.025 of this article, the city shall
19 make contributions to the pension system biweekly in an amount
20 equal to the sum of:

- 21 (1) the greater of:
22 (A) 34.5 percent of the aggregate computation pay
23 paid to members during the period for which the contribution is
24 made; or

25 (B) except as provided by Section 4.021(b)(1) of
26 this article, the applicable amount set forth below:

- 27 (i) \$5,173,000 for the biweekly pay periods

1 beginning with the first biweekly pay period that begins after
2 September 1, 2017, and ends on the last day of the first biweekly
3 pay period that ends after December 31, 2017;

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

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

10 (iv) ~~\$5,724,000~~²⁰³ for the 26 biweekly
11 pay
12 periods immediately following the last biweekly pay period
13 described by Subparagraph (iii) of this paragraph;

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

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

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

23 (viii) \$6,024,000 for the 26 biweekly pay
24 periods immediately following the last biweekly pay period
25 described by Subparagraph (vii) of this paragraph through the
26 biweekly pay period that ends after December 31, 2024; and

27 (ix) \$0 for each subsequent biweekly pay
28 period beginning with the first biweekly pay period following the

1 last biweekly pay period described by Subparagraph (viii) of this
2 paragraph; and
3 (2) except as provided by Subsection (e) of this
4 section or Section 4.021(b)(2) of this article, an amount equal to
5 1/26th of \$1311 million. [The percentage of required contributions

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6 from the city shall be in accordance with the following schedule and
7 any increase or decrease in city contributions shall occur
8 automatically on any increases or decreases in the members'
9 contribution percentage:

<u>[City Contributions</u>	<u>Member Contributions</u>
28-1/2%	9%
27-1/2%	8-1/2%
26%	8%
24-1/2%	7-1/2%
23%	7%
21-1/2%	6-1/2%]

17 (e) The city is required to pay the contribution amount
18 described by Subsection (d)(2) of this section only through the
19 last biweekly pay period that ends after December 31, 2024 [may
20 ~~elect to contribute more than that required in the schedule~~
21 ~~provided by Subsection (d) of this section, except that the city's~~
22 ~~contribution percentage may not exceed 28 1/2 percent unless~~
23 ~~approved as provided by Subsection (b) of this section. Further, in~~
24 ~~no event may the city's contribution be less than 21-1/2 percent~~
25 ~~unless approved as provided by Subsection (b)].~~

26 SECTION 1.13. Part 4, Article 6243a-1, Revised Statutes, is
27 amended by adding Sections ~~4.021 and~~ 4.025 to read as follows:

~~1 Sec. 4.021. ALTERNATIVE CONTRIBUTION ON PASSAGE AND~~
~~2 IMPLEMENTATION OF CERTAIN LEGISLATION. (a) This section~~
~~3 applies~~
~~4 only if:~~
~~5 (1) S.B. 2 or similar~~
~~6 legislation of the 85th~~
~~7 Legislature, Regular Session, 2017, that has the effect of~~
~~8 lowering~~
~~9 the rollback tax rate of the city as calculated under~~
~~10 Chapter 26,~~
~~11 Tax Code, is enacted and becomes law; and~~
~~12 (2) for the applicable tax year, the city:~~
~~13 (A) adopts an ad valorem tax~~
~~14 rate for the~~
~~15 purposes of funding the city's~~
~~16 contribution under Section~~
~~17 4.02(d)(1) of this article that:~~
~~18 (i) exceeds the city's rollback tax rate as~~
~~19 calculated under Chapter 26, Tax Code; but~~
~~20 (ii) does not exceed the city's rollback tax~~
~~21 rate as that rate would have been calculated under that~~
~~22 chapter as~~
~~23 it existed immediately before the effective date of the~~
~~24 legislation~~
~~25 described by Subdivision (1) of this subsection; and~~
~~26 (B) is required to hold an election for either of~~
~~27 the following purposes:~~

Commented [MK6]: Remove all SB2 "alternative contribution on passage and implementation of certain legislation" and please make additional conforming changes to other parts of the bill.

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~~_____~~
20 ~~(i) _____ to determine whether to reduce the tax~~
~~_____~~
21 ~~rate adopted for the applicable tax year to the rollback~~
~~tax rate~~
~~_____~~
22 ~~calculated as provided by Chapter 26, Tax Code; or~~
~~_____~~
23 ~~(ii) _____ to determine whether to approve the~~
~~_____~~
24 ~~tax rate adopted for the applicable tax year.~~
~~_____~~
25 ~~(b) _____ For purposes of Section 4.02 of this~~
~~article, if a~~
~~_____~~
26 ~~majority of the votes cast at an election described by~~
~~Subsection~~
~~_____~~
27 ~~(a)(2)(B)(i) of this section favor reducing the tax rate~~
~~adopted~~

1 ~~for the applicable tax year to the rollback tax rate~~
2 ~~calculated as~~
3 ~~provided by Chapter 26, Tax Code, or a majority of the votes~~
4 ~~cast at~~
5 ~~an election described by Subsection (a)(2)(B)(ii) of this~~
6 ~~section~~
7 ~~do not favor the approval of the tax rate adopted for the~~
8 ~~applicable~~
9 ~~tax year, as applicable:~~
10 ~~(1) the amounts prescribed by Section 4.02(d)(1)(B)~~
11 ~~of~~
12 ~~this article do not apply, and the applicable amounts~~
13 ~~under that~~
14 ~~paragraph for the 26 biweekly pay periods that begin after~~
15 ~~the date~~
16 ~~the official election result is determined are instead as set~~
17 ~~forth~~
18 ~~below:~~
19 ~~(A) \$4,936,000 for each biweekly pay period that~~
20 ~~begins in the 2017 calendar year;~~
21 ~~(B) \$4,830,000 for each biweekly pay period that~~
22 ~~begins in the 2018 calendar year;~~
23 ~~(C) \$5,082,000 for each biweekly pay period that~~
24 ~~begins in the 2019 calendar year;~~
25 ~~(D) \$5,255,000 for each biweekly pay period that~~

~~18 begins in the 2020 calendar year;~~
~~19 (E) \$5,414,000 for each biweekly pay period that~~
~~20 begins in the 2021 calendar year;~~
~~21 (F) \$5,600,000 for each biweekly pay period that~~
~~22 begins in the 2022 calendar year;~~
~~23 (G) \$5,812,000 for each biweekly pay period that~~
~~24 begins in the 2023 calendar year;~~
~~25 (H) \$6,024,000 for each biweekly pay period that~~
~~26 begins in the 2024 calendar year; and~~
~~27 (I) \$0 for each subsequent biweekly pay period~~

~~1 beginning with the biweekly pay period that begins in the
2025~~
~~2 calendar year; and~~
~~3 (2) the amount prescribed by Section 4.02(d)(2)
of~~
~~4 this article is, except as provided by Section 4.02(e)
of this~~
~~5 article, \$5 million instead of \$11 million.~~
~~6 (c) After making contributions for 26 biweekly pay periods~~
~~7 using the amounts prescribed by Subsection (b) of this
section, the~~
~~8 city shall make contributions using the amounts
prescribed by~~
~~9 Section 4.02(d) of this article unless Subsection (b)
of this~~
~~10 section again applies.~~

111 Sec. 4.025. CITY OR MEMBER CONTRIBUTIONS IF NO UNFUNDED
122 ACTUARIAL LIABILITIES. Notwithstanding Section 4.02 or 4.03 of
133 this article, if the pension system has no unfunded actuarial
144 liability according to the most recent actuarial valuation, the
155 annual normal costs must be equally divided between the city and the
166 members unless equally dividing the costs would increase the member
177 contribution rates beyond the rates prescribed by Section 4.03 of
188 this article. The board shall adjust the city contribution rates
199 under Section 4.02 of this article and the member contribution
2010 rates under Section 4.03 of this article accordingly, and certify
2111 the adjusted rates. After the completion of a subsequent actuarial

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~~2212valuation showing unfunded actuarial liabilities, the contribution~~
~~2313rates applicable under Sections 4.02 and 4.03 of this article~~
~~2414apply.~~

2515 _____SECTION 1.14. Section 4.03, Article 6243a-1, Revised
2616Statutes, is amended by amending Subsections (a), (b), (c), (d),
2717and (g) and adding Subsections (a-1), (d-1), (d-2), and (i) to read

1 as follows:

2 (a) Subject to Subsection (a-1) of this section and except
3 as provided by Section 4.025 of this article, each {Each] Group A
4 member of the combined pension plan shall have 13.5 {6.5] percent of
5 base pay deducted from the member's wages on a biweekly basis {each
6 ~~month~~], and the contributions shall be promptly remitted to the
7 fund by the city.

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

17 (b) Each member shall {continue to} contribute to the fund
18 under the applicable terms of this article {section] until the
19 member leaves active service with either department. If a member
20 leaves active service with a department, {or until the beginning of
21 ~~the member's 33rd year of pension service, at which time~~] the member
22 shall cease making contributions.

23 (c) Each Group B member shall authorize the city to deduct
24 from the member's salary a percentage of the member's computation
25 pay. The authorization shall be in writing and filed with the
26 executive director {administrator].

27 (d) Subject to Subsection (d-1) of this section and except

1 as provided by Section 4.025 of this article, for pay periods
2 starting on or after September 1, 2017, each [Each] Group B member
3 shall have 13.5 [8.5] percent of the member's computation pay
4 deducted from the member's wages on a biweekly basis [each month,]
5 and the contributions shall be promptly remitted to the fund by the
6 city.

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

16 (d-2) For purposes of Subsection (d) of this section,
17 "computation pay" includes computation pay paid to a Group B member
18 during any period the member is receiving workers' compensation.

19 (g) The percentage of base pay contributed by Group A
20 members or computation pay contributed by Group B members may not be
21 altered except by an adjustment under Section 4.025 [amendment
22 pursuant to the terms of Section 4.02] of this article.

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

27 SECTION 1.15. Section 4.04, Article 6243a-1, Revised

1 Statutes, is amended by amending Subsections (a), (c), (d), (e),
2 (f), (g), (h), (j), and (k) and adding Subsections (f-1) and (h-1)
3 to read as follows:

4 (a) Except as provided by Subsection (d) or (e) of this
5 section, a {A} Group B member who, either voluntarily or
6 involuntarily, leaves active service is entitled to a refund from
7 the fund of the total amount of the member's Plan B and Group B
8 contributions, without interest, that were paid beginning with the
9 effective date of the member's Group B membership or membership in
10 Plan B. A refund under this subsection results in a total
11 cancellation of pension service credit and the member and any
12 person who would otherwise take by, through, or under the member is
13 not entitled to any benefits from the pension system {an
14 ~~appropriate reduction of pension service~~}.

15 (c) A {former} Group B member who desires {desiring} a
16 refund of the Plan B or Group B contributions under Subsection (a)
17 of this section {the person made to the fund} must make written
18 application for the refund with the executive director
19 {administrator}. In no case may any refund be made to a {any
20 ~~former~~} Group B member before the expiration of 30 days after the
21 date the person leaves active service.

22 (d) Subject to Subsection (k) of this section, if a Group B
23 member with less than five years of pension service either
24 voluntarily or involuntarily leaves active service and fails to
25 make written application for a refund of contributions within three
26 years after the date of the notice described by Subsection (j) of
27 this section {is} made by the board, the person forfeits the right

1 to withdraw any portion of the contribution, and the total amount of
2 Plan B and Group B contributions the person made will remain in the
3 fund. If the Group B member described by this subsection dies after
4 leaving active service, the ~~{person's heirs or, if there are no~~
5 ~~heirs, the}~~ deceased member's designee ~~{estate}~~ may apply for the
6 refund of the person's contributions, resulting in an appropriate
7 loss of pension service if the application is filed with the
8 executive director ~~{administrator}~~ within three years after the
9 date of the notice described by Subsection (j) of section ~~{is}~~
this

10 made by the board. Subject to Subsection (k) of this section, if a
11 Group B member's designee ~~{heirs or estate}~~ fails to apply for a
12 refund of the Group B member's contributions within the three-year
13 period described by this subsection, the designee forfeits ~~{heirs~~
14 ~~and the estate forfeit}~~ any right to the contributions, and the
15 total amount of the Plan B and Group B contributions made by the
16 Group B member will remain in the fund.

17 (e) Subject to Subsection (k) of this section, if a Group B
18 member with five or more years of pension service either
19 voluntarily or involuntarily leaves active service and fails to
20 make written application for a refund of the person's Plan B and
21 Group B contributions within three years after the date of the
22 notice described by Subsection (j) of this section ~~{is}~~ made by the
23 board, the person forfeits the right to withdraw any portion of the
24 contributions, and the total amount of the contributions will
25 remain in the fund. A Group B member described by this subsection
26 may, however, apply for a Group B retirement pension ~~{benefits}~~

27 under Section 6.02 of this article or, if the Group B member dies

1 before the member is eligible to apply for a Group B retirement
2 pension, the member's qualified survivors ~~{benefits, the person's~~
3 ~~heirs or, if there are no heirs, the deceased member's estate}~~ may
4 apply for Group B death benefits under Sections 6.06, 6.061, 6.062,
5 and 6.063 of this article. If the Group B member dies before the
6 member is eligible to apply for a Group B retirement pension and the
7 member has no qualified survivors, the Group B member's designee
8 ~~{in accordance with the provisions of this article, or the heirs or~~
9 ~~the estate}~~ may apply for a refund of the Group B member's Plan B and
10 Group B contributions, resulting in a total cancellation ~~{an~~
11 ~~appropriate loss}~~ of pension service. Subject to Subsection (k) of
12 this section, if a Group B member's designee ~~{heirs or estate}~~ fails
13 to apply for a refund of the Group B and Plan B member's
14 contributions within the three-year period described by this
15 subsection, the designee forfeits ~~{heirs and the estate forfeit}~~
16 any right to the contributions, and the total amount of the Plan B
17 and Group B contributions made by the Group B member will remain in
18 the fund.

19 (f) Subject to Subsections (g) and (h) of this section, {If}
20 a Group B member, other than a Group B member who elects or has
21 elected to receive a Group A benefit or a benefit determined under
22 the old plan or Plan A, who ~~{with five or more years of pension~~
23 ~~service}~~ either voluntarily or involuntarily leaves active service
24 with five or more years of pension service ~~{, the person}~~ is
25 entitled to:

26 (1) subject to Subsection (f-1) of this section, have

27 the total amount of the person's Plan B and Group B contributions to

1 the fund refunded in accordance with Subsection (a) of this
2 section, which results in a loss of all of the person's accrued
3 pension service; or

4 (2) if the Group B member first entered active service
5 before January 1, 1999, elect to take a refund of less than the
6 total amount of the person's Plan B and Group B contributions while
7 leaving a sufficient amount to retain pension service amounting to
8 five or more years.

9 (f-1) A Group B member who elects to receive a refund under
10 Subsection (f)(1) of this section and any person who would
11 otherwise take by, through, or under the member is not entitled to
12 any benefits from the pension system.

13 (g) If a Group B member elects a refund of a portion of the
14 person's contributions under Subsection (f)(2) of this section, the
15 amount of the refund shall equal the total amount of the person's
16 Plan B and Group B annual contributions, without interest, for each
17 full year of pension service canceled {cancelled}, computed based
18 on the earliest contributions made.

19 (h) A {former} Group B member who first entered active
20 service on or after January 1, 1999, is entitled to have the total
21 amount of the person's Group B contributions refunded under
22 Subsection (a) of this section in accordance with Subsection (f)(1)
23 of this section, but may not receive a refund of less than the total
24 amount in accordance with Subsection (f)(2) of this section.

25 (h-1) A Group B member who leaves active service and later
26 returns to active service is permitted to repay to the fund any
27 previously withdrawn employee contributions and receive pension

1 service in accordance with Section 5.07(d) of this article as a
2 Group B member to the extent that {if,} before again leaving active
3 service, the Group B member repays {completely} to the fund the
4 previously withdrawn contributions with interest, calculated at
5 the interest rate from time to time used in the pension system's
6 actuarial rate of return assumptions, compounded annually, on the
7 previously withdrawn contributions {for the period from the date
8 the contributions were withdrawn until the date the principal and
9 accrued interest are repaid in full}.

10 (j) On the 58th {50th} anniversary of the birth of a Group B
11 member described by Subsection (d) or (e) of this section, or on the
12 board's receipt of notice of the death of the Group B member, the
13 board shall, by registered or certified mail, return receipt
14 requested, attempt to notify the Group B member or designee {the
15 member's heirs or estate}, as applicable, of the status of the
16 person's {their} entitlement to a refund of contributions from the
17 fund.

18 (k) A Group B member or designee described by Subsection (d)
19 or (e) of this section {or the heirs or estate of the Group B member}
20 shall have the person's {their} right, title, interest, or claim to
21 a refund of the Group B member's contributions reinstated only on
22 the board's grant of their written request for a reinstatement and
23 refund. The board's decision shall be based on a uniform and
24 nondiscriminatory basis {policy that it shall, from time to time,
25 adopt}.

26 SECTION 1.16. Section 4.06(c), Article 6243a-1, Revised
27 Statutes, is amended to read as follows:

1 (c) The authority of the board to make a custody account or
2 master trust agreement is supplementary to its authority to make an
3 investment management contract. Allocation of assets to a custody
4 account or master trust shall be coordinated by the executive
5 director ~~[administrator]~~, as authorized by the board, and the bank
6 designated as custodian or master trustee for the assets.

7 SECTION 1.17. Section 4.07, Article 6243a-1, Revised
8 Statutes, is amended by amending Subsections (a), (d), and (g) and
9 adding Subsection (h) to read as follows:

10 (a) Subject to Section 4.071 of this article, if ~~[If]~~ the
11 board determines that there is in the fund a surplus exceeding a
12 reasonably safe amount to take care of current demands on the
13 pension system, the board may invest or direct the investment of the
14 surplus for the sole benefit of the pension system.

15 (d) The board also has the authority to contract for
16 professional investment management services. Any contract that the
17 board makes with an investment manager shall set forth the board's
18 investment policies guidelines ~~{of the board for the use of~~
and

19 ~~standard rating services and shall include specific criteria for~~
20 ~~determining the quality of investments}~~. A professional investment
21 management service shall receive such compensation as may be
22 determined by the board in accordance with Section 4.01 of this
23 article.

24 (g) ~~A~~ ~~[No investment manager, other than a]~~ bank or trust
25 company that has custody and trustee powers and a contract with the
26 board to provide assistance in making investments[,] shall be the

27 custodian or master trustee of any of the securities or other assets

1 of the fund. Pursuant to Section 4.06 of this article, the board
2 may designate a bank to serve as custodian or master trustee, or
3 subcustodian or submaster trustee, to perform the customary duty of
4 safekeeping as well as duties incident to the execution of
5 transactions. As the demands of the pension system require, the
6 board shall withdraw from the custodian or master trustee money
7 previously considered surplus in excess of current cash and
8 proceeds from the sale of investments. The money may without
9 distinction be used for the payment of benefits pursuant to each of
10 the plans within the pension system and for other uses authorized by
11 this article and approved by the board.

12 (h) The board through policy shall establish an investment
13 advisory committee composed of trustees and outside investment
14 professionals to review investment related matters as prescribed by
15 the board and make recommendations to the board. A majority of the
16 members of the committee established under this subsection must be
17 outside investment professionals.

18 SECTION 1.18. Part 4, Article 6243a-1, Revised Statutes, is
19 amended by adding Section 4.071 to read as follows:

20 Sec. 4.071. BOARD APPROVAL OF CERTAIN ALTERNATIVE
21 INVESTMENTS. (a) The executive director, an investment manager, a
22 provider of professional investment management services or
23 professional advisory services, or any other person delegated
24 authority to invest or reinvest pension system assets under this
25 article may not invest pension system assets in a single
26 alternative investment unless the board votes to approve the
27 investment by a two-thirds vote of all the trustees.

1 **(b) The board may adopt rules necessary to implement this**
2 **section.**

3 SECTION 1.19. Section 4.08, Article 6243a-1, Revised
4 Statutes, is amended by adding Subsection (c) to read as follows:

5 **(c) On written request by the city, the executive director**
6 **shall make available to the city's actuary or auditor the**
7 **information and documents provided to or used by the pension**
8 **system's actuary or auditor in conducting an actuarial valuation**
9 **under this article or preparing any other document prepared under**
10 **this article.**

11 SECTION 1.20. Section 4.09, Article 6243a-1, Revised
12 Statutes, is amended to read as follows:

13 Sec. 4.09. REWARDS, DONATIONS, AND CONTRIBUTIONS. Any
14 reward, donation, or contribution given to any member as payment or
15 gratuity for service performed in the line of duty shall be turned
16 over to the chief of the member's department, who shall, in turn,
17 forward the reward, donation, or contribution to the **executive**
18 **director** ~~[administrator]~~ of the pension system for deposit in the
19 fund.

20 SECTION 1.21. Section 5.01, Article 6243a-1, Revised
21 Statutes, is amended to read as follows:

22 Sec. 5.01. MEMBERSHIP IN COMBINED PENSION PLAN. (a) **Except**
23 **as provided by Subsection (a-1) of this section, the** [The]
24 membership of the combined pension plan is composed of the
25 following persons:

26 (1) Group A members:

27 (A) police officers or fire fighters who are on

1 active service and who as of February 28, 1973, had filed a written
2 statement with the pension system of their desire to participate in
3 either the old plan or Plan A;

4 (B) police officers and fire fighters who are on
5 active service and [,] who were employed and receiving compensation
6 from the city as a police officer or a fire fighter before March 1,
7 1973, and who made contributions to either the old plan or Plan A
8 attributable to any period of employment before March 1, 1973; and

9 (C) except as provided by Subsection (b) of this
10 section, persons who elect to become Group A members under that
11 subsection; and

12 (2) Group B members:

13 (A) police officers and fire fighters who are on
14 active service and who [,] were formerly members of either the old
15 plan or Plan A[.] and who, as of April 30, 1973, had filed a written
16 statement with the pension system of their desire to participate in
17 Plan B;

18 (B) police officers and fire fighters who are on
19 active service and who on or after March 1, 1973, and before January
20 1, 1993, became members of Plan B;

21 (C) as a condition of employment, any police
22 officer [office] or fire fighter who is initially employed as a
23 police officer or a fire fighter by the city on or after January 1,
24 1993;

25 (D) as a condition of return to active service
26 and except as provided by Subsection (b) of this section, former
27 members of the old plan or Plan A who left active service before

1 March 1, 1973;

2 (E) as a condition of return to active service

3 and except as provided by Subsection (c) of this section, former
4 Group B members who are no longer on active service, whether or not
5 the persons were ever a member of the old plan, Plan A, or the
6 combined pension plan;

7 (F) Group A members who are on active service and
8 meet the requirements and make an election under Subsection (d) of
9 this section; and

10 (G) persons who are on active service and make an
11 election under Subsection (e) of this section.

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

17 (b) A person who has received an old plan, Plan A, or
18 combined pension plan retirement or disability pension on or after
19 March 1, 1973, may, if the person returns to active service, elect
20 to participate as a Group A or Group B member by filing a written
21 application for membership with the executive director
22 ~~{administrator}~~ not later than 60 days after the date of return to
23 active service. ~~{As a condition of either Group A or Group B~~
24 ~~membership, the board may require the person to undergo a physical~~
25 ~~examination and be certified by the health director as being~~
26 ~~capable of performing the duties to which the person will be~~
27 ~~assigned.}] If the person described by this subsection does not~~

Commented [MK7]: Please add language to state that the city can adopt an ordinance to create an alternative benefit plan only if the funding or amortization period is in compliance with the requirements of Texas Government Code, Chapter 802, Subchapter C as determined by the pension system's actuary and as reviewed by the State Pension Review Board.

Commented [JM8R7]: The language should also contemplate that compliance is tested after giving effect to the new ordinance plan, not before.

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1 elect to become a Group A or Group B member, the person shall on
2 leaving active service receive a retirement pension in an amount
3 that is unadjusted for the period of return to active service if the
4 person meets all of the requirements of Group A membership.

5 (c) A Group B pensioner who was never a member of the old
6 plan, Plan A, or the combined pension plan before January 1, 1993,
7 may, if the person returns to active service, elect to become a
8 Group B member by filing a written application for membership with
9 the executive director ~~{administrator}~~ not later than 60 days after
10 the date of return to active service. ~~{As a condition of Group B~~
11 ~~membership, the board may require the pensioner to undergo a~~
12 ~~physical examination and be certified by the health director as~~
13 ~~being capable of performing the duties to which the person will be~~
14 ~~assigned.}~~ If the person described by this subsection does not
15 elect to again become a Group B member, on leaving active service,
16 if the person meets all applicable requirements of this article,
17 the person shall receive benefits in an amount equal to the amount
18 the person was receiving as of the day before the day the person
19 returned to active service, and the person's base pension shall be
20 the same as the base pension originally computed before the return
21 to active service.

22 (d) A person who is on active service and is a Group A member
23 may, before the person participates in DROP, irrevocably elect to
24 become a Group B member by filing a written application with the
25 executive director ~~{administrator}~~. On and after the filing of the
26 application, the Group A member shall make contributions to the
27 fund at the rate applicable to Group B members. However, the

1 contributions do not, by themselves, establish [constitute] Group B
2 membership. Group B membership is contingent on the satisfaction
3 of the following conditions:

4 (1) the [The] person must, before the person elects to
5 participate in DROP, pay an amount to the fund equal to the
6 difference between the contributions the person would have made to
7 the fund had the person been a Group B member for the entire period
8 the person could otherwise have been a Group B member before making
9 application for membership and the contributions the person
10 actually made during that period, plus interest calculated in
11 accordance with procedures adopted by the board from time to time;
12 and [.]

13 (2) the [The] payments described by this subsection
14 must be completed before the earlier of the date on which the person
15 begins participation in DROP or leaves active service in accordance
16 with procedures adopted by the board from time to time.

17 (d-1) If the fund does not receive payment under Subsection
18 (d)(1) of this section by the [that] date prescribed by Subsection
19 (d)(2) of this section, all payments made under Subsection (d)(1)
20 of this section [of ~~this type~~], as well as those contribution
21 amounts paid by the person after the person's application for Group
22 B membership that are in excess of the Group A member contribution
23 rate, shall be returned without accrued interest to the person, or
24 in the event of the person's death to the person's designee
25 [~~surviving spouse, children, or estate~~], as applicable.

26 (e) A person who is on active service and has never been a
27 member of any plan within the pension system may elect to become a

1 Group B member on a prospective basis by filing a written
2 application for membership with the executive director
3 ~~{administrator}~~.

4 SECTION 1.22. Sections 5.02(a), (d), (e), (h), and (i),
5 Article 6243a-1, Revised Statutes, are amended to read as follows:

6 (a) The effective date of Group B membership for a person
7 who becomes a Group B member under ~~{persons described by}~~ Section
8 5.01(a)(2)(A) or (B) of this article is the date the Group B member
9 first became a member of Plan B ~~{January 1, 1993}~~.

10 (d) The effective date of Group B membership for a person
11 ~~{former Group B member}~~ who again becomes a Group B member and is
12 described by Section 5.01(a)(2)(E) of this article is the person's
13 original effective date of Group B membership, adjusted for any
14 period for which ~~{that}~~ the person was not on service ~~or~~ ~~{~~
active

15 ~~if the person}~~ has ~~{not}~~ withdrawn some, but not all, contributions
16 to the fund pursuant to Section 4.04 of this article. If, however,
17 the person withdraws ~~{former Group B member has withdrawn}~~ all
18 contributions to the fund in accordance with Section 4.04 of this
19 article, and the person does not replace the previously withdrawn
20 contributions together with interest as provided by Section
21 4.04(h-1) ~~{4.04(h)}~~ of this article, the effective date of the
22 person's membership is the date of return to active service.

23 (e) The effective date of membership for a person who
24 becomes a Group B member pursuant to Section 5.01(b) of this article
25 is the date on which written application for the membership is filed
26 with the executive director ~~{administrator}~~. The effective date of

27 membership for a person who becomes a Group A member pursuant to

1 Section 5.01(b) of this article is the person's original effective
2 date of membership in the old plan, Plan A, or the combined pension
3 plan, whichever is applicable.

4 (h) A person described by Subsection (a), (c), (d), (e),
5 (f), or (g) of this section shall be given full pension service for
6 the time the person was a contributing member of the old plan, Plan
7 A, the combined pension plan, and Plan B, and the pension service
8 shall be counted as if it had been earned while a Group B member.
9 Neither the length of time persons described by Subsection (a),
10 (c), (d), (e), (f), or (g) of this section received a retirement or
11 disability pension, whether under the old plan, Plan A, the
12 combined pension plan or Plan B, nor the amount of any benefits paid
13 to the person shall have any effect on the pension service earned by
14 the person. No pension service may be earned while on service
15 retirement or disability retirement, or when the person was not on
16 active service. Except as provided by Sections ~~5.08~~ [5.02] and 5.09
17 of this article, a person described by Subsection (a), (c), (d),
18 (e), (f), or (g) of this section may not be allowed to contribute to
19 the fund in order to receive pension service for the time the person
20 was not on active service, regardless of whether the person was
21 actually receiving a pension.

22 (i) The effective date of Group B membership for a person
23 who becomes a Group B member pursuant to Section 5.01(e) of this
24 article is the date on which written application for Group B
25 membership is filed with the executive director [administrator].

26 SECTION 1.23. Section 5.03, Article 6243a-1, Revised
27 Statutes, is amended by amending Subsections (c) and (d) and adding

1 Subsection (c-1) to read as follows:

2 (c) A Group B member who is on active service and ~~for former~~
3 ~~Group B member who also~~] was a former contributing member of either
4 the old plan or Plan A may elect, when applying for either a
5 retirement or disability pension if applicable, to terminate
6 membership and receive a Group A retirement or disability pension
7 under the applicable provisions of this article, if the Group B
8 member's application for retirement or disability pension is
9 granted by the board.

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

16 (d) If a Group B member ~~for former Group B member~~] described
17 by Subsection (c) or (c-1) of this section has elected and been
18 granted a Group A retirement or disability pension under the
19 applicable provisions of this article, the person is entitled to a
20 reimbursement from the fund. The reimbursement shall be equal to
21 that portion of the person's contributions to the fund, without
22 interest, from the person's effective date of Group B membership
23 until the time the person left active service[,] that is in excess
24 of the total amount the person would have contributed as a Group A
25 member or as a member of the old plan or Plan A for the same period.
26 A Group B member ~~for former Group B member~~] desiring a refund of
27 excess contributions must make written application for the refund

1 with the executive director [administrator] within three years
2 after the date the person's Group A retirement or disability
3 pension, whichever is applicable, begins, otherwise, the person
4 will [or] lose all right, title, interest, or claim to the refund
5 until such time as the board grants the refund in response to the
6 person's written request. The refund shall be made as soon as
7 practicable after written application is filed with the executive
8 director [administrator].

9 SECTION 1.24. Section 5.04, Article 6243a-1, Revised
10 Statutes, is amended to read as follows:

11 Sec. 5.04. GROUP B MEMBERSHIP MAY BE DECLARED INACTIVE. (a)
12 Except as provided by Subsection (d)(1) of this section, if [If] a
13 Group B member with less than five years of pension service either
14 voluntarily or involuntarily leaves active service, the person's
15 Group B membership remains active as long as the person has not
16 withdrawn the person's contributions pursuant to Section 4.04 of
17 this article.

18 (b) Except as provided by Subsection (d)(2) of this section,
19 if [If] a Group B member with five or more years of pension service
20 either voluntarily or involuntarily leaves active service, the
21 person's Group B membership remains active as long as the person has
22 not withdrawn the person's entire contributions pursuant to Section
23 4.04 of this article.

24 (c) Except as provided by Subsection (d)(3) of this section,
25 if [If] the board receives valid information that a Group B primary
26 party has died, [~~leaving one or more heirs,~~] the board shall, by
27 registered or certified mail, return receipt requested, attempt to

1 notify;

2 (1) the qualified survivors [heirs] of the primary
3 party of the procedures for applying and qualifying for death
4 [survivor] benefits under Section 6.06, 6.061, 6.062, or 6.063 of
5 this article; or

6 (2) if the primary party does not have any qualified
7 survivors, the primary party's designee of the procedures for
8 applying for [or] a refund of the [Group B] primary party's
9 contributions, if applicable, in accordance with Section 4.04 of
10 this article.

11 (d)(1) Subject to the provisions of Subdivision (5)(A) of
12 this subsection, the membership of a Group B member described by
13 Subsection (a) of this section shall be declared inactive and all of
14 the person's accrued pension service voided if the person does not
15 return to active service within three years after the date of
16 [receiving] the notice described by Subdivision (4) of this
17 subsection.

18 (2) Subject to the provisions of Subdivision (5)(B) of
19 this subsection, the membership of a Group B member described by
20 Subsection (b) of this section shall be declared inactive and all of
21 the person's accrued pension service voided if the person does not
22 file an application for a Group B retirement pension with the board
23 within three years after the date of [receiving] the notice
24 described by Subdivision (4) of this subsection.

25 (3) Subject to the provisions of Subdivision (5)(C) of
26 this subsection, if a primary party described by Subsection (c) of
27 this section:

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

9 (B) has qualified survivors, the qualified
10 survivors have no right, title, interest, or claim to [heirs or the
11 estate, whichever is applicable, fails to file an application for]
12 the primary party's death benefits if the qualified survivor does
13 not file an application for the benefits [or contributions] within
14 three years after the date of ~~[receiving]~~ the notice described in
15 Subsection (c) [by Subdivision (4)] this section [subsection].
of

16 (4) On the 58th [50th] anniversary of the birth of a
17 Group B member described by Subsection (a) or (b) of this section
18 ~~[or on the board's receipt of notice of the death of a primary party~~
19 ~~described by Subsection (c) of this section]~~, the board shall, by
20 registered or certified mail, return receipt requested, attempt to
21 notify:

22 (A) the ~~[Group B] member [or the heirs or estate~~
23 ~~of a primary party, whichever is applicable,]~~ of the status of the
24 member's [their] entitlement to benefits or contributions from the
25 fund; or

26 (B) if the board receives valid information that

27 the member has died, the qualified survivors of the deceased person

1 or, if none exists, the designee of the deceased person.

2 (5)(A) A Group B member described by Subdivision (1)
3 of this subsection shall have the person's Group B membership and
4 pension service reinstated on the person's return to active
5 service.

6 (B) A Group B member described by Subdivision (2)
7 of this subsection shall have the person's Group B membership and
8 pension service reinstated on the person's return to active service
9 or on the grant of the person's written request to the board of the
10 person's desire to apply for a Group B ~~{service}~~ retirement pension
11 under Section 6.02 of this article {benefit}.

12 (C) A primary party's qualified survivors or
13 designee, as appropriate, {The heirs or estate of a primary party}
14 described by Subdivision (3) of this subsection shall have their
15 right, title, interest, or claim to the primary party's refund of
16 the party's contributions reinstated on the board's grant of their
17 written request ~~{for the reinstatement and refund}~~. ~~{The board's~~
18 ~~decision shall be based on a uniform and nondiscriminatory policy~~
19 ~~that it shall, from time to time, adopt.}~~

20 SECTION 1.25. Section 5.05, Article 6243a-1, Revised
21 Statutes, is amended to read as follows:

22 Sec. 5.05. PENSIONSERVICE. (a) Subject to Subsection (d)
23 of this section and except as provided by Subsection (e) of this
24 section, a [A] member shall receive pension service for the time,
25 computed in years and fractional years for months and days,
26 completed as a member of the combined pension plan, the old plan,
27 Plan A, or Plan B.

1 (b) A member who elects to pay contributions for time spent
2 on military leave, authorized non-uniformed leave of absence, or
3 for an apprenticeship or probationary period, or for any other
4 reason provided for by this article may [not] receive [any] pension
5 service for [any part of] the time for which the member is
6 contributing only to the extent provided under Section 5.07(d),
7 5.08, or 5.09 of this article [~~until the entire amount due the fund~~
8 ~~for the entire period involved has been paid as if the service were~~
9 ~~performed as a member~~].

10 (c) If a member, either voluntarily or involuntarily,
11 leaves active service and later returns to active service, the
12 person shall receive full pension service for the period of the
13 person's original membership, if the person did not withdraw the
14 person's contributions pursuant to Section 4.04 of this article.
15 If, however, the member had withdrawn the person's contributions
16 and did [does] not replace the previously withdrawn contributions
17 [with interest] as required by Section 4.04 of this article, the
18 member [person] forfeits any pension service attributable to any
19 period of time for which the respective contributions were not
20 repaid [~~accrued while a member before the date of the person's~~
21 ~~return to active service~~].

22 (d) If a member is assigned, for any period, to a
23 job-sharing program or any similar work schedule that is considered
24 by the member's department to be less than a full-time work
25 schedule, the member's pension service is determined by multiplying
26 the pension service that could have been earned for full-time work
27 during the period by a fraction, the numerator of which is the

1 number of hours the member actually worked during the period and the
2 denominator of which is the number of hours the member would have
3 worked during the period if the member had been working a full-time
4 work schedule. This proration may not affect the computation of
5 pension service for a member during any period the member is on
6 leave:

7 (1) because of an illness or injury; or
8 (2) receiving periodic payments of workers'
9 compensation.

10 (e) Notwithstanding any other provision in this section, a
11 member may not receive pension service attributable to nonqualified
12 service to the extent the pension service would result in either
13 more than five years of permissive service attributable to
14 nonqualified service being taken into account, or any permissive
15 service being taken into account before the member has completed at
16 least five years of active service. In this subsection,
17 "permissive service" and "nonqualified service" have the meanings
18 described by Section 415(n)(3) of the code.

19 SECTION 1.26. Sections 5.06, 5.07, 5.08, and 5.09, Article
20 6243a-1, Revised Statutes, are amended to read as follows:

21 Sec. 5.06. VESTED RIGHTS OF GROUP B MEMBERS. (a) If a Group
22 B member accrues five years of pension service, whether the pension
23 service is accrued while a Group B member or while a member of the
24 old plan, Plan B, Plan A, the combined pension plan, or a
25 combination of the plans, the Group B member has vested rights and
26 is eligible to apply for a retirement pension in accordance with
27 Section 6.02 of this article.

1 (b) If a Group B member has vested rights as determined
2 under Subsection (a) of this section, and the Group B member either
3 voluntarily or involuntarily leaves active service before becoming
4 eligible to receive any benefits under Section 6.02 of this
5 article, the person shall be provided with a letter approved by the
6 board and signed by the executive director {administrator] that,
7 barring unrepaid refunds, clerical error, miscalculation, or other
8 error, is incontestable and shall state:

9 (1) the total amount of pension service the Group B
10 member had accrued until the date the person left active service;

11 (2) the total amount of contributions the Group B
12 member made under the terms of Plan B and the combined pension plan;
13 and

14 (3) the monthly retirement pension due the Group B
15 member at age 58 {50}.

16 Sec. 5.07. PURCHASE OF PENSION SERVICE BY GROUP B MEMBERS.

17 (a) A Group B member who is on active service and has previously
18 elected not to become a contributing member of the old plan or {and]
19 Plan A may purchase pension service from the fund for that period
20 during which the member performed active service with either
21 department until the effective date of the member's Group B
22 membership. No pension service may be given to the Group B member
23 except to the extent that {until payment is made for the {entire
]

24 ~~period described by this subsection, and no]~~ pension service in
25 accordance with Subsection (d) of this section {may be purchased
26 ~~for any period that is of greater or lesser length]}.~~

27 (b) Payment for the purchase of pension service under

1 Subsection (a) of this section shall be equal to the amount of
2 contributions the Group B member would have made to the old plan and
3 Plan A had the member been a contributing member of either of the
4 plans during the period for which the pension service is being
5 purchased ~~{described by Subsection (a) of this section}~~, plus
6 interest calculated in accordance with procedures adopted by the
7 board from time to time.

8 (c) Subject to Subsection (d) of this section, a [A] Group B
9 member who is on active service may repay the fund all or a portion
10 of the employee contributions withdrawn by an alternate payee
11 pursuant to the terms of a qualified domestic relations order ~~{and~~
12 ~~receive pension service as a Group B member attributable to the~~
13 ~~contributions, if the Group B member repays completely to the fund~~
14 ~~the withdrawn contributions}~~ with interest, calculated at the
15 interest rate from time to time used in the pension system's
16 actuarial rate of return assumptions, compounded annually, on the
17 contributions for the period from the date the contributions were
18 withdrawn until the date the principal and accrued interest are
19 repaid, and receive pension service as a Group B member, in
20 accordance with Subsection (d) of this section, for the period for
21 which the contributions and interest were paid ~~{in full}~~.

22 (d) ~~{No pension service may be given to a Group B member~~
23 ~~under Subsection (b) or (c) of this section until the entire amount~~
24 ~~described by Subsection (b) or (c) has been paid to the fund.}~~ If
25 payment of the entire amount of pension service a member is entitled
26 to under Subsection (a) or (c) of this section or under Section
27 4.04(h-1) of this article is not completed by the earlier of the

1 date the Group B member begins participation in DROP or the date the
2 member [is not completed by the date the Group B member] leaves
3 active service, pension service will be provided only for the
4 number of full years of pension service that the contributions and
5 interest paid under those provisions will purchase, computed based
6 on the most recent years for which the member was entitled to
7 purchase pension service. Except for pension service that is
8 picked up by the city under the authority of Section 414(h)(2) of
9 the code, a fractional year of pension service may be purchased only
10 if less than a full year of pension service is available for
11 purchase.

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

18 (f) Notwithstanding any other provision of this section,
19 any amounts that have been picked up and paid by the city may not be
20 paid to a member or designee, and the member shall be given credit
21 for all years, and fractions of years, of pension service that can
22 be purchased with the picked-up contributions. [all partial payments
23 shall be returned to the Group B member or, if the Group B member has
24 died, to the member's heirs or estate, whichever is applicable].

25 Sec. 5.08. MEMBERS IN UNIFORMED [ARMED] SERVICES. (a) In
26 this section, "service in the uniformed services" has the meaning
27 assigned by the federal Uniformed Services Employment and

1 Reemployment Rights Act of 1994 (38 U.S.C. Section 4301 et seq.), as
2 amended.

3 (a-1) A member who is reemployed by the city after an
4 absence due to service in the uniformed services shall receive
5 contributions, benefits, and pension service that are no less
6 favorable than those required by Section 414(u) of the code in
7 accordance with the procedure described by Subsection (c) of this
8 section [~~may receive pension service for time spent away from~~
9 ~~either department while on active duty in any of the military~~
10 ~~services of the United States, including service in any state or~~
11 ~~National Guard or any reserve component of any military service in~~
12 ~~accordance with the military leave provided by this section].~~

13 (b) To the extent a provision of this section that was in
14 effect before November 25, 1996, would provide a member who was on
15 active service with the pension system before November 25, 1996,
16 with greater rights, the prior provision of this section applies
17 [~~Any member inducted into the armed forces as a draftee must reapply~~
18 ~~for reinstatement with the member's prior department within 90 days~~
19 ~~after the date of honorable discharge or separation from military~~
20 ~~service.—On such reinstatement, the member may elect to repay the~~
21 ~~member's contributions at any time under the procedure described by~~
22 ~~Subsection (h) of this section].~~

23 (c) Payment for credit for pension service under this
24 section [~~Any member enlisting in the armed forces, other than as a~~
25 ~~reservist, whose military service between June 24, 1948, and August~~
26 ~~1, 1961, did not exceed four years, or whose military service began~~
27 ~~after August 1, 1961, and did not exceed five years if the fifth~~

1 year is at the request and convenience of the federal government,
2 and who was honorably discharged or separated from service is
3 guaranteed, under the provisions of coverage described by this
4 subsection, the right to restore pension service under the
5 procedure described by Subsection (h) of this section. The four-
6 and five-year leaves permitted by this subsection apply to all of a
7 member's employment with the city. An enlistment plus any number of
8 reenlistments may not exceed the four or five-year limitations
9 stated above.

10 {(d)—Any member ordered to an initial period of active duty
11 for training in a reserve component of not less than 12 consecutive
12 weeks is entitled to restore pension service for the period absent
13 from the member's department, if the member returns to the member's
14 department within 31 days after the date of honorable discharge or
15 separation from duty in the reserve unit.

16 {(e)—Any member serving in a reserve component, voluntarily
17 or involuntarily, may remain on military leave for four years,
18 which may be extended for periods when the President of the United
19 States calls the reserve unit into active duty. The service
20 extension for members joining a reserve unit voluntarily is
21 available only when the additional service is at the request and for
22 the convenience of the federal government. Any member returning to
23 the member's department under this provision must report back to
24 work within the time specified to the member by the department,
25 giving due regard for travel time and hospitalization, if required.
26 Any inquiry into the validity of orders extending terms of
27 reservist active duty for training will be referred to the

1 Department of Labor's Office of Veterans' Employment and Training.

2 ~~{(f)—Any member on military leave for short periods of~~
3 ~~authorized training, such as two-week encampments, are treated as~~
4 ~~on leave with pay for up to 15 working days in any one calendar year,~~
5 ~~during which time pension service automatically accrues. Leave in~~
6 ~~excess of 15 days will be treated as described by Subsection (e) of~~
7 ~~this section.~~

8 ~~{(g)—With the exception of those circumstances described by~~
9 ~~Subsection (f) of this section, the city is not required to match~~
10 ~~contributions made by members under the terms of this section.~~

11 ~~{(h)—Repayment}~~ shall be made in accordance with Section
12 5.07 of this article and a ~~{the procedure set forth in any}~~ uniform
13 and nondiscriminatory ~~{military—leave and payment}~~ procedure
14 adopted by the board ~~{and in effect from time to time}~~.

15 Sec. 5.09. NON-UNIFORMED ~~{NONMILITARY}~~ LEAVE OF ABSENCE.

16 (a) An "authorized non-uniformed leave of absence" means any leave
17 of absence that meets one of the following requirements
18 ~~{conditions}~~:

19 (1) the leave of absence was unpaid and granted by the
20 member's department in accordance with the federal Family and
21 Medical Leave Act of 1993 (29 U.S.C. Section 2601 et seq.); or

22 ~~(2) the leave of absence was unpaid and was~~ ~~{must be}~~
23 an official leave authorized and certified by the chief of the
24 member's ~~{either}~~ department as being beneficial to; and

25 ~~{(2) the leave of absence must be for the purpose of~~
26 ~~benefitting}~~ the department.

27 (b) Subject to the requirements of this section and any

1 ~~procedures adopted by the board, a [A] member may receive pension~~
2 ~~service for time spent away from the member's [either] department~~
3 ~~on an authorized non-uniformed [nonmilitary] leave of absence. To~~
4 ~~receive pension service under this section [for a nonmilitary leave~~
5 ~~of absence, the following conditions must be met:~~

6 ~~[(1) before the date the member's leave of absence is to~~
7 ~~begin], the member must file with the executive director~~
8 ~~[administrator] a written application to pay to the fund both:~~

9 ~~(1) the member contributions the member would have~~
10 ~~made to the fund had the member remained on active service and had~~
11 ~~there been no change in the member's position or hours of work~~
12 ~~during the period of the authorized non-uniformed leave of absence;~~
13 ~~and~~

14 ~~(2) the contributions the city would have made to the~~
15 ~~fund on the member's behalf [any contributions that will accrue~~
16 ~~during the member's leave as set forth in Subdivisions (2) and (3)~~
17 ~~of this subsection;~~

18 ~~[(2) the member must agree to pay into the fund the~~
19 ~~amount the member would have contributed had the member remained on~~
20 ~~active service, the amount to be based on the computation pay the~~
21 ~~member would have normally received had there been no change in the~~
22 ~~member's position during the period of leave;~~

23 ~~[(3) the member must agree to pay into the fund an~~
24 ~~amount equal to the amount the city would have contributed computed~~
25 ~~on the basis of total wages and salary the member would normally~~
26 ~~have received] had the member remained on active service and had~~
27 ~~there been no change in the member's position or hours of work~~

1 during the period of the authorized non-uniformed leave of absence.

2 (b-1) Contributions made under Subsection (b)(2) of this
3 section may not be refunded to the member.

4 (b-2) The written application described by Subsection (b)
5 of this section must be filed before the member's authorized
6 non-uniformed leave of absence begins, unless the pension system
7 determines that it would not be reasonable to expect the member to
8 file the application before the authorized non-uniformed leave of
9 absence begins, in which case the application must be filed as soon
10 as circumstances permit, as determined by the pension system.
11 ~~[leave, the payment to represent the total amount that would have~~
12 ~~been contributed by the city on the member's behalf had the member~~
13 ~~remained on active service and paid in addition to the amount the~~
14 ~~member must contribute as set forth in Subdivision (2) of this~~
15 ~~subsection;]~~

16 (b-3) To receive pension service under this section, the
17 following additional conditions must also be met:

18 (1) [(4)] if the member's contribution rate, the
19 city's contribution rate, or both the member's and city's
20 contribution rates change before the end of the member's authorized
21 non-uniformed leave of absence ~~[changes as provided by Section 4.02~~
22 ~~of this article], the percentage [of total wages and salary]~~
23 ~~required to be paid by the member also changes, so that the amount~~
24 ~~paid by the member in accordance with this section always equals the~~
25 ~~amount that would have been contributed by the member, and by the~~
26 ~~city on the member's behalf had the member remained on active~~
27 ~~service], and in no event is the city required to pay into the fund~~

1 any contributions that would have been made on behalf of a member
2 had the member remained on active service during the period of an
3 authorized leave of absence];

4 (2)_{(5)} payment of contributions as set forth in
5 Subsection (b) of this section {Subdivisions (3) and (4) of this
6 subsection] shall begin coincident with the beginning of the
7 applicable authorized non-uniformed leave of absence and shall be
8 made monthly to the executive director {administrator] for deposit
9 in the fund, unless the board authorizes the deferment of the
10 payments, in which case the payments must include interest
11 calculated in accordance with Subsection (b-4) of this section
12 {until the member has returned to active service];

13 (3) no pension service will be granted to the member
14 until the member returns to active service, and if the member does
15 not return to active service, the contributions paid, including any
16 interest paid, will be returned to the member except as provided by
17 Subsection (c) of this section;

18 (4) if the board authorizes the deferment of the
19 payments under Subdivision (2) of this subsection, the payment must
20 {may] be made either by authorizing the deduction of pro rata
21 portions of the total amount due from the member's salary over a
22 one-year period, or by cash payment made to the executive director
23 {administrator] within one year after the date of the member's
24 return to active service, except that the board may approve a longer
25 period for making the payment if it finds that the one-year limit
26 would work a financial hardship on the member;

27 (5)_{(6)} the member must return to active service

1 within 90 days after the date the member's authorized non-uniformed
2 leave of absence expires, or if the member's authorized
3 non-uniformed leave of absence does not have a fixed expiration
4 date, within a reasonable time to be determined by the board, or the
5 member forfeits the right to pay for the leave time; and

6 ~~(6) (7)~~ no member may ever be allowed to pay leave of
7 absence contributions under this section for any time in excess of
8 the time actually spent on an authorized non-uniformed leave of
9 absence.

10 ~~(b-4)~~ For purposes of Subsection (b-3)(2) of this section,
11 interest is calculated from the date the member's payment was first
12 due, at the interest rate from time to time used in the pension
13 system's actuarial rate of return assumptions, compounded annually
14 until the date the principal and accrued interest are repaid in
15 full.

16 (c)(1) If a member of the combined pension plan is disabled
17 or dies while on an authorized non-uniformed leave of absence, the
18 member or the member's designee is ~~theirs are~~ entitled to ~~either~~
19]

19 a refund of contributions pursuant to Section 4.04 of this article
20 or the member or the member's qualified survivors are entitled to
21 benefits under the provisions of this article, to the extent
22 applicable.

23 (2) A member who is disabled or dies while on an
24 authorized non-uniformed leave of absence pursuant to this section
25 may receive no pension service for any portion of the period of the
26 leave~~z~~;] except that if the member had, before the member's
27 disability or death, paid for contributions while on an authorized

1 non-uniformed leave of absence in _____ with ~~{Subsection (a)}~~
2 accordance

3 ~~{of}~~ this section, the member shall receive pension service for the
4 leave time actually paid for at the time of the member's disability
5 or death. ~~The [, but the]~~ member may receive no pension service for
6 any portion of the period of leave for which contributions were
7 ~~{have}~~ not ~~{been}~~ paid to the executive director ~~{administrator}~~
8 for deposit in the fund.

9 SECTION 1.27. Section 6.01, Article 6243a-1, Revised
10 Statutes, is amended by amending Subsections (a), (b), (d), (e),
11 (f), (g), and (h) and adding Subsections (a-1) and (a-2) to read as
12 follows:

13 (a) A Group A member ~~{or former Group A member}~~ must have 20
14 years of pension service to be eligible for a Group A retirement
15 pension under this section. A member's benefit election
16 ~~{application}~~ under this section, once approved ~~{made}~~, is
17 irrevocable.

18 (a-1) If a Group A pensioner returns to active service as a
19 police officer or fire fighter with the city, the person's Group A
20 retirement pension ceases until ~~{the time}~~ that ~~{the}~~ person again
21 leaves active service with the city.

22 (a-2) If a Group A pensioner resumes employment with the
23 city in a capacity other than as a police officer or fire fighter,
24 the pensioner's Group A retirement pension continues during the
25 period of employment, except the pensioner may not accrue
26 additional credit for pension service during this period.
Additional credit for pension service does not accrue during any

27 period in which a Group A pensioner becomes employed by the city

1 unless the additional credit is attributable to active service as a
2 police officer or fire fighter with the city.

3 (b) At age 50 a Group A member ~~{or former Group A member}~~ is
4 eligible to begin drawing a monthly Group A retirement pension. A
5 monthly Group A retirement pension equals 50 percent of the base pay
6 per month, plus 50 percent of any longevity pay the Group A member
7 was receiving at the time the member left active service. Although
8 the number of years used in the computation of longevity pay remains
9 fixed at the earlier of the time Group A member ~~{or former Group A~~
a

10 ~~member}~~ leaves active service or begins participation in DROP, the
11 monthly rate of longevity pay used in this computation is subject to
12 change in the event of an amendment to the state law governing
13 longevity pay. The monthly Group A retirement pension benefits of
14 Group A pensioners shall be adjusted from time to time in a like
15 manner.

16 (d) The element of annual retirement pension computed under
17 Subsection (c)(1) of this section is subject to the following
18 limitations:

19 (1) it shall be prorated for the year in which the
20 pensioner begins receiving a retirement pension;

21 (2) it shall be payable only to those Group A
22 pensioners who, as ~~{a}~~ Group A members ~~{member}~~ on active service,

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

26 (3) it shall be paid to Group A pensioners as long as

27 the city continues to pay city service incentive pay to Group A

1 members on active service.

2 (4) Notwithstanding Subsections (b) and (c) of this
3 section, a Group A member with a minimum of 20 years of pension
4 service may apply for an actuarially reduced retirement pension to
5 begin no earlier than when the member attains age 45 but before the
6 member attains age 50. The Group A member ~~{or a former Group A~~
7 ~~member}~~ who has made an application may receive a retirement
8 pension calculated under Subsections (b) and (c) of this section
9 reduced by two-thirds of one percent per month for each whole
10 calendar month the benefit is payable before the month in which the
11 Group A member ~~{or former Group A member}~~ attains age 50.

12 (e) At age 55 a Group A member ~~{or former Group A member}~~ is
13 eligible to begin drawing a monthly retirement pension computed as
14 follows:

15 (1)(A) at the rate of three percent of base pay for
16 each year, prorated for fractional years, of pension service, with
17 a maximum of 32 years of pension service, or 96 percent of base pay;
18 or

19 (B) if the Group A member ~~{or former Group A~~
20 ~~member}~~ had 34 or more years of pension service as of April 30,
21 1990, then the member's retirement pension is calculated at the
22 rate calculated under the terms of the combined pension plan in
23 effect on April 30, 1990, if the resulting amount would be greater
24 than the amount calculated under Paragraph (A) of this subdivision;
25 plus

26 (2) one-half of the longevity pay the Group A member
27 ~~{or former Group A member}~~ was receiving at the time the person left

1 active service; plus

2 (3) 1/24th, without subsequent adjustment, of the
3 annualized amount of the city service incentive pay the Group A
4 member ~~{or former Group A member}~~ received at the time the person
5 left active service.

6 (f) ~~{Notwithstanding Subsection (e) of this section, Group
7 A pensioners payments under Subsection (e)(3) of this section are
8 contingent on the city's continuing payment of city service
9 incentive pay to Group A members on active service.}~~ For purposes
10 of Subsection (e) of this section, base pay and longevity pay are
11 the amounts in effect on the earlier of the date the member begins
12 participation in DROP or the date benefits are to begin, without
13 subsequent adjustment.

14 (g) Notwithstanding Subsection (e) of this section, a Group
15 A member ~~{or former Group A member}~~ with 20 or more years of pension
16 service may apply for an actuarially reduced Group A retirement
17 pension beginning on or after the date the Group A member ~~{or former
18 Group A member}~~ attains age 50 but before the person attains age 55.
19 The Group A member ~~{or former Group A member}~~ may receive a
20 retirement pension calculated under Subsection (e) of this section
21 reduced by two-thirds of one percent per month for each whole
22 calendar month the benefit is payable before the month in which the
23 Group A member ~~{or former Group A member}~~ attains age 55.

24 (h) Entitlement to the Group A retirement pension described
25 by this section is subject to the following conditions:

26 (1) a written application must be filed with the
27 executive director ~~{administrator}~~;

1 (2) the grant of a Group A retirement pension by the
2 board must be made at a meeting of the board held during the month
3 the {Group A} retirement pension is to become effective, or as soon
4 after that as administratively possible; and

5 (3) the Group A member must no longer be on active
6 service.

7 SECTION 1.28. Section 6.02, Article 6243a-1, Revised
8 Statutes, is amended to read as follows:

9 Sec. 6.02. GROUP B RETIREMENT PENSION. (a) If a {A} Group B
10 member {for former Group B member who} has accrued five or more years
11 of pension service, is no longer on active service with the
12 department, has not withdrawn the member's contributions, and
13 otherwise meets the age and pension service requirements under the
14 applicable provision of this section, the member may apply {may
15 make application} for a Group B retirement pension under this
16 section. A member's benefit election application under a provision
17 of this section, once approved, is irrevocable.

18 (a-1) If a Group B pensioner returns to active service as a
19 police officer or fire fighter with the city, the person's {on
20 reaching 50 years of age, or for an actuarially reduced} Group B
21 retirement pension ceases until that person again leaves active
22 service with the city.

23 (a-2) If a Group B pensioner resumes employment with the
24 city in a capacity other than as a police officer or fire fighter,
25 the pensioner's Group B retirement pension continues during the
26 period of employment except the pensioner may not accrue additional
27 credit for pension service during this period. Additional credit

1 for pension service does not accrue during any period in which a
2 Group B pensioner becomes employed by the city unless the
3 additional credit is attributable to active service as a police
4 officer or fire fighter with the city [on reaching 45 years of age].

5 (b) A ~~{former}~~ Group B member who began active service
6 before March 1, 2011, and who has attained at least 50 years of age,
7 or who began active service on or after March 1, 2011, and has
8 attained at least 58 years of age, and who otherwise meets the
9 requirements of Subsection (a) of this section may elect to receive
10 a Group B retirement pension that shall be calculated as follows:

11 (1) for a member who began active service before March
12 1, 2011, the member's retirement pension shall be the sum of:

13 (A) the number of years of pension service before
14 September 1, 2017, prorated for fractional years, times three
15 percent of the average computation pay determined over the 36
16 consecutive months of pension service in which the Group B member
17 received the highest computation pay; plus

18 (B) the number of years of pension service on or
19 after September 1, 2017, prorated for fractional years, times the
20 applicable percentage prescribed by Subsection (b-1) of this
21 section of the average computation pay determined over the 60
22 consecutive months of pension service in which the Group B member
23 received the highest computation pay; or

24 (2) for a member who began active service on or after
25 March 1, 2011, the member's retirement pension shall be the number
26 of years of pension service, prorated for fractional years, times
27 2.5 percent of the average computation pay determined over the 60

1 consecutive months of pension service in which the member received
2 the highest computation pay.

3 (b-1) For purposes of Subsection (b)(1)(B) of this section,
4 the applicable percentage is based on the age of the Group B member
5 when the member's retirement pension begins as set forth below:

<u>Age of Member When Retirement Pension Begins</u>	<u>Percent</u>
7 <u>58 and older</u>	<u>2.5%</u>
8 <u>57</u>	<u>2.4%</u>
9 <u>56</u>	<u>2.3%</u>
10 <u>55</u>	<u>2.2%</u>
11 <u>54</u>	<u>2.1%</u>
12 <u>53 and younger</u>	<u>2.0%</u>

13 (b-2) Days during which the member earned no pension service
14 due to a termination of active service or otherwise must be
15 disregarded in determining the 36 or 60 consecutive months of
16 highest computation pay under Subsection (b)(1) or (2) of this
17 section, as appropriate. The pension benefit calculated under
18 Subsection (b) of this section may not exceed the greater of:

19 (1) 90 percent of the member's average computation pay
20 determined under the applicable subsection; or

21 (2) the vested and accrued benefit of a member as
22 determined on August 31, 2017. [for Group B pensioner who withdrew

23 any of the person's Plan B or Group B contributions and who on again
24 becoming a Group B member does not replace such previously
25 withdrawn contributions with interest thereon as provided by
26 Section 4.04 of this article must earn at least five years of
27 pension service after the time the person returns to active service

1 ~~to be eligible for a Group B retirement pension.]~~

2 (c) Except as provided by Subsection (c-2) of this section,
3 ~~{Entitlement to}~~ a Group B member who has either attained at least
4 45 years of age on September 1, 2017, or who attains at least 53
5 years of age after September 1, 2017, and who otherwise meets the
6 requirements of Subsection (a) of this section may elect to receive
7 an actuarially reduced Group B retirement pension calculated in
8 accordance with Subsection (c-1) of this section:

9 (1) not earlier than the member's 45th or 53rd
10 birthday, as applicable; and

11 (2) not later than the member's 50th or 58th birthday,
12 as applicable.

13 (c-1) Except as provided by Subsection (c-2) of this section
14 and subject to Section 6.021 of this article, a Group B member who
15 applies for an actuarially reduced Group B retirement pension under
16 Subsection (c) of this section shall receive a pension calculated
17 under Subsection (b) of this section, reduced by two-thirds of one
18 percent per month, for each whole calendar month the benefit is
19 payable before the month in which the member attains:

20 (1) for members who attained at least 45 years of age
21 on September 1, 2017, 50 years of age; or

22 (2) for members not described by Subdivision (1) of
23 this subsection who attain at least 53 years of age after September
24 1, 2017, 58 years of age.

25 (c-2) If, for purposes of Subsection (c-1) of this section,
26 a Group B member's pension benefit calculated under Subsection (b)
27 of this section is equal to 90 percent of the member's average

1 computation pay, the member is entitled to a Group B retirement
2 pension under Subsection (c) of this section at 45 or 53 years of
3 age, as applicable, that is not actuarially reduced as provided
4 under Subsection (c-1) of this section {retirement pension as
5 described by Subsection (a) or (b) of this section is subject to the
6 following conditions:

7 ~~[(1) written application must be filed with the~~
8 ~~administrator;~~

9 ~~[(2) the grant of the Group B retirement pension by the~~
10 ~~board must be made at a meeting of the board held during the month~~
11 ~~the Group B retirement pension is to become effective, or as soon~~
12 ~~after that as possible; and~~

13 ~~[(3) the Group B member may no longer be on active~~
14 ~~service].~~

15 (d) Except as provided by Subsection (d-2) of this section,
16 a [A] Group B member who has accrued 20 or more years of pension
17 service and has been on active service at any time on or after
18 January 1, 1999, may elect to apply for a Group B retirement pension
19 beginning at any time after the Group B member leaves active
20 service, regardless of age. A Group B member may elect a Group B
21 retirement pension under this subsection as follows:

22 (1) if the member accrued 20 or more years of pension
23 service on or before September 1, 2017, the member may elect a
24 pension under this subsection that is computed in the same manner as
25 the Group B retirement pension under Subsection (b)(1) of this
26 section except that the percentage set forth below must be used
27 instead of the three percent multiplier prescribed by Subsection

1 (b)(1)(A) of this section:

<u>Age of Member When Retirement Pension Begins</u>	<u>Percent</u>
3 <u>48 and 49</u>	<u>2.75%</u>
4 <u>47</u>	<u>2.5%</u>
5 <u>46</u>	<u>2.25%</u>
6 <u>45 and younger</u>	<u>2%; and</u>

7 (2) except as provided by Subsection (d-2) of this
8 section and subject to Section 6.021 of this article, if the member
9 accrued 20 or more years of pension service after September 1, 2017,
10 the member may elect a pension under this subsection computed in the
11 same manner as the Group B retirement pension under Subsection
12 (b)(2) of this section except that the percentage set forth below
13 must be used instead of the 2.5 percent multiplier prescribed by
14 Subsection (b)(2) of this section:

<u>Age of Member When Retirement Pension Begins</u>	<u>Percent</u>
16 <u>57</u>	<u>2.4%</u>
17 <u>56</u>	<u>2.3%</u>
18 <u>55</u>	<u>2.2%</u>
19 <u>54</u>	<u>2.1%</u>
20 <u>53 and younger</u>	<u>2.0%</u>

21 (d-1) A member who elects a pension under Subsection (d) of
22 this section is not entitled to:

23 (1) minimum benefits under either Section 6.10A or
24 6.11 of this article; or

25 (2) benefits under Subsection (g) of this section.

26 (d-2) If, for purposes of Subsection (d) of this section, a
27 Group B member's pension benefit calculated under Subsection (b) of

1 this section is equal to 90 percent of the member's average
2 computation pay, the member is entitled to a Group B retirement
3 pension under Subsection (d) of this section that is not reduced as
4 provided under Subsection (d)(1) or (2) of this section {retirement
5 ~~pension shall be computed at the rate of three percent of the~~
6 ~~average computation pay determined over the 60 consecutive months~~
7 ~~in which the Group B member received the highest computation pay,~~
8 ~~multiplied by the number of years, prorated for fractional years,~~
9 ~~of pension service to a maximum of 32 years of pension service or 96~~
10 ~~percent of the computation pay as determined under this~~
11 ~~subsection].~~

12 (e) A {However, a} Group B member or former Group B member
13 with 34 or more years of pension service as of April 30, 1990, is
14 entitled to {shall} receive the greater of a Group B retirement
15 pension calculated under the terms of Plan B as in effect on that
16 date or a Group B retirement pension calculated pursuant to
17 Subsection (b) {(d)} of this section.

18 ~~{(f)—A Group B member, or any former Group B member who was a~~
19 ~~Group B member as of any date after April 30, 1990, may apply for an~~
20 ~~actuarially reduced Group B retirement pension beginning no earlier~~
21 ~~than the person's 45th birthday but before the person's 50th~~
22 ~~birthday. A Group B member or former Group B member who applies for~~
23 ~~an actuarially reduced Group B retirement pension beginning on or~~
24 ~~after the person's 45th birthday shall receive a pension calculated~~
25 ~~under Subsection (d) of this section, reduced by two-thirds of one~~
26 ~~percent per month for each whole calendar month the pension would be~~
27 ~~payable before the month in which the Group B member or former Group~~

Commented [MK9]: Add subsection d-3 to say: For purposes of Subsections (c-2) and (d-2) of this section, a Group B members pension benefit will be calculated under Subsection (b) of this section without the application of any reduction under Subsection (b-1) of this section.

1 ~~B member attains age 50.]~~

2 (g) In no event may any Group B member ~~[or former Group B~~
3 ~~member]~~ who was at any time a Group A member or a contributing
4 member of the old plan or Plan A, and who satisfied the applicable
5 age and length-of-service requirements of the applicable plan at
6 the time the person left active service, receive a retirement
7 pension in an amount less than the amount the person would be
8 entitled to receive as a Group A member.

9 (h) Notwithstanding any other provision of this section, a
10 ~~[A former]~~ Group B member who was not a Group B member on or after
11 January 1, 1993 ~~[May 1, 1990]~~, shall receive a retirement pension
12 calculated under the applicable provisions of Plan B ~~[this plan]~~ as
13 that plan existed [in effect] on the date the member terminated
14 ~~[person left]~~ active service.

15 (i) Entitlement to a Group B retirement pension under
16 Subsection (b), (c), (d), or (e) of this section is subject to the
17 following conditions:

18 (1) a written application must be filed with the
19 executive director;

20 (2) the grant of the Group B retirement pension by the
21 board must be made at a meeting of the board held during the month
22 the retirement pension is to become effective, or as soon after as
23 administratively possible; and

24 (3) the Group B member may no longer be on active
25 service ~~[A former Group B member who was not a Group B member after~~

26 ~~April 30, 1990, may request an actuarially reduced retirement~~
27 ~~pension beginning no earlier than the person's 45th birthday but~~

1 ~~before the person's 50th birthday]. [A former Group B member~~
2 ~~described by this subsection shall receive a retirement pension~~
3 ~~under the applicable provisions of Plan B as in effect on the date~~
4 ~~the person left active service, reduced by two thirds of one~~
5 ~~percent per month for each whole calendar month the pension would be~~
6 ~~payable before the month in which the former Group B member attains~~
7 ~~age 50.]~~

8 SECTION 1.29. Part 6, Article 6243a-1, Revised Statutes, is
9 amended by adding Sections 6.021 and 6.022 to read as follows:

10 Sec. 6.021. AUTHORITY TO ADOPT ALTERNATIVE MULTIPLIERS FOR
11 COMPUTATION OF CERTAIN GROUP B BENEFITS. (a) For purposes of
12 Section 6.02(c-1) or (d)(2) of this article, the board by rule may
13 adopt alternative multipliers, including an alternative table
14 prescribing actuarially appropriate multipliers. In adopting
15 rules under this subsection, the board shall designate the date on
16 which the alternative multiplier shall take effect.

17 (b) Copies of any alternative multipliers adopted under
18 this section must be maintained at the principal office of the
19 pension system and published on the pension system's publicly
20 available Internet website.

21 Sec. 6.022. AUTHORITY TO REDUCE RETIREMENT AGE.
22 Notwithstanding any other law, the board may reduce the age at which
23 a Group B member is eligible to begin receiving a retirement
24 pension, including an actuarially reduced retirement pension,
25 under Section 6.02 of this article if the board determines that the
26 reduction will not cause the amortization period of the unfunded
27 actuarial accrued liability of the pension system to exceed 25

1 years, after taking into account the impact of the reduction. A
2 board action under this section may not take effect until the State
3 Pension Review Board reviews the board's determination described by
4 this section.

5 SECTION 1.30. Section 6.03, Article 6243a-1, Revised
6 Statutes, is amended by amending Subsections (a), (d), (f), and (g)
7 and adding Subsections (k) and (l) to read as follows:

8 (a) If a member who is on active service, other than a member
9 participating in DROP, becomes disabled to the extent that the
10 member cannot perform the member's duties with the member's
11 department, the member may apply for a disability pension, subject
12 to [~~in accordance with~~] any uniform and nondiscriminatory
13 disability application procedure and recall and review procedure
14 adopted by the board and in effect from time to time.

15 (d) No disability pension may be paid to a member for any
16 disability if the disability was a result of an intentionally
17 self-inflicted injury or a chronic illness resulting from an
18 addiction by the member through a protracted course of [~~noncoerced~~]
19 indulgence in alcohol, narcotics, or other substance abuse that was
20 not coerced.

21 (f) No disability pension may be paid if the chief of the
22 member's department is able to provide the member with duties that
23 are within the member's physical or mental capabilities, [~~as long~~
24 ~~as the board agrees that the duties are within the member's~~
25 ~~capabilities,~~] even though the duties are different from the duties
26 the member performed before the disability.

27 (g) Written application for a disability pension must be

1 filed with the executive director not later than the 180th day after
2 the date the member leaves active service [administrator]. The
3 application must be accompanied by a recommendation from the health
4 director. This recommendation shall contain a statement indicating
5 whether the member became disabled while the member was on duty or
6 off duty and whether the disability was service-connected or was
7 not service-connected [nonservice-connected].

8 (k) For purposes of Sections 6.04 and 6.05 of this article
9 and this section:

10 (1) longevity pay and incentive pay are the amounts in
11 effect on the date the benefits are to begin, without subsequent
12 adjustment; and

13 (2) except as provided by Section 6.05(b-1) of this
14 article, base pay is the amount in effect on the date benefits are
15 to begin, without subsequent adjustment.

16 (l) Notwithstanding any other law, Subchapter B, Chapter
17 607, Government Code, applies to all members without regard to the
18 employing department or job assignment.

19 SECTION 1.31. Part 6, Article 6243a-1, Revised Statutes, is
20 amended by adding Section 6.035 to read as follows:

21 Sec. 6.035. DISABILITY BENEFITS FOR CERTAIN PERSONS IN
22 UNIFORMED SERVICES. (a) In this section, "uniformed services" has
23 the meaning assigned by the federal Uniformed Services Employment
24 and Reemployment Rights Act of 1994 (38 U.S.C. Section 4301 et
25 seq.).

26 (b) This section applies to a person who was released from
27 the uniformed services after December 17, 2001, under conditions

1 that would have made the person eligible for benefits under Section
2 414(u) of the code if the person could have returned to active
3 service.

4 (c) If a person subject to this section was unable to return
5 to active service by reason of disability incurred while on a leave
6 of absence due to service in the uniformed services, that person is
7 entitled to a regular disability pension in accordance with Section
8 6.03 of this article, calculated in accordance with Section 6.04 of
9 this article.

10 (d) Notwithstanding Section 6.03(g) of this article, a
11 written application for a disability pension must be filed not
12 later than the 180th day after the date of the person's release from
13 the uniformed services.

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

18 SECTION 1.32. Section 6.04, Article 6243a-1, Revised
19 Statutes, is amended to read as follows:

20 Sec. 6.04. CALCULATION OF REGULAR [GROUP—A] DISABILITY
21 BENEFITS [PENSION]. (a) Subject to Subsection (g) of this section,
22 if [If] a Group A member's application for a Group A disability
23 pension has been approved by the board pursuant to Section 6.03 of
24 this article, including any procedures adopted under that section,
25 the Group A member may elect to receive a Group A disability pension
26 calculated:

27 (1) in the same manner as the benefit under Sections

1 6.01(b) and (c) of this article; or

2 (2) under Subsection (c) ~~[(b)]~~ of this section.

3 (b) An election under Subsection (a) of this section, once
4 approved by the board ~~[made]~~, is irrevocable.

5 ~~[(b) When a Group A member elects to accept a Group A
6 disability pension under this section, it shall be calculated as
7 provided by Subsections (c), (d), and (e) of this section.]~~

8 (c) Subject to Subsection (g) of this section, ~~[If]~~ a Group
9 A ~~[member's disability results during the performance of duties
10 with either department, the]~~ member who elects to have benefits
11 determined under this subsection is entitled to a monthly
12 disability pension calculated as follows:

13 (1) at a rate of three percent of base pay for each
14 year, prorated for fractional years, of pension service, with a
15 ~~[minimum of 20 years of pension service being deemed credited and a]~~
16 maximum of 32 years of pension service being credited, or 96 percent
17 of base pay ~~[or]~~, except that if the Group A member had 34 or more
18 years of pension service as of April 30, 1990 ~~[May 1, 1990]~~, the
19 member is entitled to ~~[shall]~~ receive the greater of a disability
20 pension calculated under the terms of the combined pension plan in
21 effect on that date or as calculated under this subdivision; plus

22 (2) one-half of the longevity pay the Group A member
23 was receiving at the time the member left active service; plus

24 (3) subject to Subsection (d) of this section,
25 1/24th ~~[, without subsequent adjustment,]~~ of the annualized amount
26 of city service incentive pay the Group A member received at the
27 time the member left active service.

1 (c-1) The disability pension calculated under Subsection
2 (c) of this section may not exceed the greater of:

3 (1) 90 percent of the member's average base pay
4 determined under the applicable subsection; or

5 (2) the vested and accrued disability pension of the
6 member as determined on August 31, 2017.

7 (d) Payments of the amounts described by ~~{Notwithstanding~~
8 ~~Subsection (e) of this section, the amount of a disability~~
9 ~~retirement benefit of a Group A pensioner who is on disability~~
10 ~~retirement under]~~ Subsection (c)(3) of this section are ~~{is]~~
11 contingent on the city 's continuing payment of city service
12 incentive pay to Group A members on active service. {For purposes
13 of this subsection, base pay and longevity pay are the amounts in
14 effect on the date the benefits are to begin, without subsequent
15 adjustment.}

16 (e) If a Group B [A] member's application for a Group B
17 disability pension has been approved by the board under Section
18 6.03 of this article, including any procedures adopted under that
19 section, the Group B member may elect to receive a Group B
20 disability pension calculated in the manner described by Subsection
21 (f) or (f-1) of this section, subject to Subsection (g) of this
22 section ~~{disability does not result during the performance of the~~
23 ~~member's duties with either department, the member is entitled to a~~
24 ~~monthly disability pension calculated:~~

25 ~~{(1)—at a rate of three percent of base pay for each~~
26 ~~year, prorated for fractional years, of pension service, with a~~
27 ~~maximum of 32 years of pension service, or 96 percent of base pay,~~

1 ~~except that if the Group A member had 34 or more years of pension~~
2 ~~service as of April 30, 1990, the member shall receive the greater~~
3 ~~of a disability pension calculated under the combined pension plan~~
4 ~~in effect on that date or as calculated under this subdivision; plus~~
5 ~~[(2)—one half of the longevity pay the Group A member~~
6 ~~was receiving at the time the member left active service; plus~~
7 ~~[(3)—1/24th of the annualized amount of city service~~
8 ~~incentive pay the Group A member received at the time the member~~
9 ~~left active service, without regard to any subsequent adjustment].~~

10 (f) Subject to Subsections (f-1), (f-3), and (g) of this
11 section, the disability pension of a Group B member shall be
12 calculated as follows:

13 (1) for a member who began active service before March
14 1, 2011, the member's disability pension shall be the sum of:

15 (A) the member's number of years of pension
16 service earned before September 1, 2017, prorated for fractional
17 years, times three percent of the average computation pay
18 determined over the 36 consecutive months of pension service in
19 which the member received the highest computation pay; plus

20 (B) the number of years of pension service,
21 including pension service credit imputed under Section 6.05(c) of
22 this article, earned on or after September 1, 2017, prorated for
23 fractional years, times the applicable percentage prescribed by
24 Section 6.02(b-1) of this article of the average computation pay
25 determined over the 60 consecutive months of pension service in
26 which the member received the highest computation pay; or

27 (2) for a member who began active service on or after

1 March 1, 2011, the member's disability pension shall be the number
2 of years of pension service, including pension service credit
3 imputed under Section 6.05(c) of this article, prorated for
4 fractional years, times 2.5 percent of the average computation pay
5 determined over the 60 consecutive months of pension service in
6 which the member received the highest computation pay.

7 (f-1) Notwithstanding Subsection (f) of this section, for a
8 Group B member who had 34 or more years of pension service as of
9 April 30, 1990, the member is entitled to receive the greater of a
10 disability pension calculated under the terms of Plan B in effect on
11 April 30, 1990, or calculated under Subsection (f) of this section.

12 (f-2) For purposes of Subsections (f) and (f-1) of this
13 section:

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

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

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

27 (f-3) The disability pension calculated under Subsection

1 (f) or (f-1) of this section may not exceed the greater of:

2 (1) 90 percent of the member's average computation pay
3 determined under the applicable subsection; or

4 (2) the vested and accrued disability pension of the
5 member as determined on August 31, 2017 ~~{Payments of the amounts~~
6 ~~described by Subsection (e)(3) of this section are contingent on~~
7 ~~the city's continuing payment of city service incentive pay to~~
8 ~~Group A members on active service]}.~~

9 (g) The disability pension calculated in accordance with
10 this section, including both a Group A benefit described by
11 Subsection (a) of this section and a Group B benefit described by
12 Subsection (f) of this section, shall be reduced dollar-for-dollar
13 by any monthly disability compensation benefit received under
14 Section 6.05 of this article. If the monthly disability
15 compensation benefit provided to a member under Section 6.05 of
16 this article equals or exceeds any benefit the member is entitled to
17 under this section or Section 6.01(b) or (c) of this article, the
18 member may not receive the benefit under this section ~~{For purposes~~
19 ~~of Subsection (e)(3) of this section, base pay and longevity pay are~~
20 ~~the amounts in effect on the date the benefits are to begin, without~~
21 ~~subsequent adjustment]}.~~

22 SECTION 1.33. The heading to Section 6.05, Article 6243a-1,
23 Revised Statutes, is amended to read as follows:

24 Sec. 6.05. COMPENSATION BENEFITS FOR SERVICE-CONNECTED
25 {CALCULATION OF GROUP B} DISABILITY {BENEFITS}.

26 SECTION 1.34. Section 6.05, Article 6243a-1, Revised
27 Statutes, is amended by amending Subsections (a), (b), and (c) and

1 adding Subsection (b-1) to read as follows:

2 (a) If a member leaves active service at any time due to
3 disability and the board determines that the member with the
4 disability became unable to perform the member's duties with the
5 member's department due to an injury or sickness incurred in the
6 performance of the member's duties, the member is entitled to
7 periodic disability compensation benefits in accordance with this
8 section [~~Group B member's application for a Group B disability~~
9 ~~pension has been approved by the board pursuant to Section 6.03 of~~
10 ~~this article, including any procedures adopted under that section,~~
11 ~~the Group B member may, depending on the circumstances, elect to~~
12 ~~receive a Group B disability pension calculated in the manner~~
13 ~~described by Subsection (b) or (c) of this section].~~

14 (b) Subject to Subsection (b-1), [If] a Group A [B] member
15 whose disability, as determined by the board, was caused by an
16 injury or sickness incurred in the performance of the member's duty
17 shall receive a monthly benefit equal to 60 percent of the member's
18 base pay. For purposes of this subsection, "base pay" is the amount
19 in effect on the date compensation benefits under this section are
20 to begin, without subsequent adjustment.

21 **(b-1)** Instead of receiving a periodic disability
22 compensation benefit under Subsection (b) of this section, a Group
23 A member who is entitled to periodic disability compensation
24 benefits under this section may elect, before the benefits begin,
25 to receive those benefits as a monthly benefit equal to 50 percent
26 of the member's base pay adjusted from time to time to reflect
27 changes in base pay that occur after the member began receiving a

1 ~~monthly compensation benefit under this section~~ [becomes disabled
2 during the performance of the member's duties with either
3 department, the member is entitled to a monthly disability pension
4 calculated at a rate of three percent of the average computation pay
5 determined over the 60 consecutive months in which the Group B
6 member received the member's highest computation pay multiplied by
7 the number of years, prorated for fractional years, of the member's
8 pension service with a minimum of 20 years of pension service being
9 deemed credited, or 60 percent of average computation pay
10 determined over the 60 consecutive months in which the Group B
11 member received the member's highest computation pay, except that
12 if the Group B member has less than five years of pension service,
13 the Group B member's average computation pay will be computed based
14 on the member's entire pension service. If a Group B member had 34
15 or more years of pension service as of April 30, 1990, the Group B
16 member is entitled to receive the greater of a Group B disability
17 pension calculated under the terms of Plan B in effect on that date
18 or calculated pursuant to this subsection].

19 (c) ~~A~~ [The Group B disability pension for any] Group B
20 member whose disability, as determined by the board, was caused by
21 an injury or sickness incurred in the performance of the member's
22 duty shall receive a monthly benefit equal to the disability
23 pension under Sections 6.04(f), (f-1), (f-2), and (f-3) of this
24 article except that if the member:

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

1 and

2 (2) has less than 36 or 60 consecutive months, as

3 applicable, of employment with the department, the member's average

4 computation pay will be computed based on all the member's

5 computation pay, and days during which the member earned no pension

6 service due to a termination of active service or otherwise must be

7 disregarded in determining either the 36 or 60 consecutive months

8 of highest computation pay [does not result during the performance

9 of the member's duties with either department shall be computed at a

10 rate of three percent of the average computation pay determined

11 over the 60 consecutive months in which the Group B member received

12 the member's highest computation pay multiplied by the number of

13 years, prorated for fractional years, of the member's pension

14 service, except that any partial year of pension service for the

15 first 20 years of pension service shall be counted as a full year of

16 pension service. If the Group B member has less than five years of

17 pension service, the Group B member's average computation pay will

18 be computed based on the member's entire pension service, and if a

19 Group B member had 34 or more years of pension service as of April

20 30, 1990, the Group B member is entitled to receive the greater of a

21 disability pension calculated under the terms of Plan B in effect on

22 that date or calculated pursuant to this subsection].

23 SECTION 1.35. Section 6.05(d), Article 6243a-1, Revised

24 Statutes, is redesignated as Section 6.055, Article 6243a-1,

25 Revised Statutes, and amended to read as follows:

26 Sec. 6.055. REDUCTION IN DISABILITY OR COMPENSATION

27 BENEFITS FOR CERTAIN PERSONS. (a) In this section, "earned income"

1 means income earned by a Group B pensioner in the form of wages,
2 salaries, commissions, fees, tips, unemployment benefits, and
3 other amounts received by virtue of employment or self-employment
4 but paid before any deduction for taxes or insurance. In addition,
5 earned income also includes those amounts contributed on a
6 before-tax basis to any retirement plan or employee health and
7 welfare benefit plan.

8 ~~(b)~~ [(d)] The board shall require any Group B pensioner who
9 became a member of Plan B or the combined pension plan on or after
10 May 1, 1990, and who is receiving a Group B disability pension under
11 Section 6.04 of this article or a periodic disability compensation
12 under Section 6.05 of this article ~~[in accordance with Subsection~~
13 ~~(b) or (c) of this section]~~ to provide the board annually, on or
14 before July 1 ~~[May 1]~~ of each year, with a true and complete copy of
15 those portions of the person's federal and, if applicable, state
16 tax return, including appropriate schedules, for the previous
17 calendar year that indicate the person's occupations, if any, and
18 earned income for the previous calendar year. If the pensioner did
19 not file a tax return for the previous calendar year, the board may
20 require other documentation reflecting the pensioner's occupation
21 or earned income that the board determines appropriate.

22 ~~(c)~~ The pension system ~~[However, the board]~~ may waive the
23 July 1 ~~[May 1]~~ date under Subsection (b) of this section in lieu of
24 one later in the same calendar year if the Group B pensioner
25 provides the board with a true and complete copy of a grant of an
26 extension of time for the filing of the person's tax return from the
27 appropriate governmental agency or a true and complete copy of an

1 extension request that results in any automatic extension.

2 (d) If, after evaluating the information received under
3 Subsection (b) of this section, the board finds the Group B
4 pensioner is or has been receiving earned income from one or more
5 employments, including self-employment, during the preceding year,
6 the board shall reduce future disability retirement [pension]
7 payments to the Group B pensioner in accordance with the following
8 formula: \$1 for each \$1 that the sum of "a" + "b" is greater than
9 "c," where "a" is the earned income of the Group B pensioner
10 attributable to the previous calendar year from the person's
11 employments, "b" is the total amount of Group B disability
12 retirement payments [pension] received by the Group B pensioner the
13 previous calendar year, and "c" is the annualized amount of the
14 average computation pay the Group B pensioner received as of the
15 date the person left active service.

16 (e) For purposes of the [this] computation under Subsection
17 (d) of this section, the average computation pay shall be deemed
18 increased at a rate of 2.75 percent [of ~~four percent simple~~
19 ~~interest~~], without compounding during the year, as of each January
20 1 that the Group B pensioner receives a Group B disability
21 retirement payment [pension].

22 SECTION 1.36. Section 6.06, Article 6243a-1, Revised
23 Statutes, is amended by amending Subsections (b), (e), (f), (g),
24 (h), (j), (k), (l), (m), (n), (o), (p), (q), (r), and (t) and adding
25 Subsections (e-1), (e-2), (j-1), (o-1), (o-2), (u), and (v) to read
26 as follows:

27 (b) A written application for benefits must be filed with
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1 the executive director ~~{administrator}~~.

2 (e) If ~~{the qualified}~~ surviving children of a primary party
3 are not qualified survivors entitled to death benefits, the
4 ~~{qualified—surviving}~~ spouse of the primary party who is a
5 qualified survivor is entitled only to receive a share of the death
6 benefits in the amount calculated under Section 6.07(a) ~~{or (b)}~~ or
7 Section 6.08(b)(1), (c)(1), (d)(1), or (e)(1) of this article,
8 whichever is applicable, and is not entitled to what otherwise
9 would be the ~~{qualified}~~ surviving children's share.

10 (e-1) If a primary party had ~~{there is}~~ no ~~{qualifying}~~
11 surviving spouse, any ~~{qualified}~~ surviving child who is a
12 qualified survivor ~~{children}~~ shall receive only the amount
13 calculated under Section 6.07(a) ~~{or (b)}~~ or Section 6.08(b)(2),
14 (c)(2), (d)(2), or (e)(2) of this article, whichever is applicable,
15 and is ~~{are}~~ not entitled to what otherwise would be the ~~{qualified}~~
16 surviving spouse's share.

17 (e-2) If a primary party does not have a ~~{there is—no}~~
18 ~~qualified surviving~~ spouse or ~~{qualified surviving}~~ children who
19 are qualified survivors, any ~~{qualified}~~ dependent parent of the
20 primary party who is a qualified survivor shall receive only the
21 amount calculated under Section 6.07(c) or Section 6.08(b)(3),
22 (d)(3), or (e)(3) of this article, whichever is applicable, and is
23 not entitled to what otherwise would be the ~~{qualified}~~ surviving
24 spouse's or ~~{qualified}~~ surviving children's share.

25 (f) The total monthly death benefits ~~{benefit}~~ received by
26 the qualified survivors of a primary party under this article,

27 including the primary party's {surviving} spouse, {qualified

1 ~~surviving~~] children, or {qualified] dependent parents, {parent]
2 may not exceed the pension to which the deceased primary party was
3 entitled per month.

4 (g) If there is no surviving spouse or legal guardian for
5 the {qualified] surviving children of a primary party who are
6 qualified survivors and if the board determines that the
7 {qualified] surviving children lack the discretion to handle money,
8 or in other appropriate circumstances, notwithstanding any other
9 provision of this section, the board may request a court of
10 competent jurisdiction to appoint a suitable person to receive and
11 administer the {qualified] surviving children's money or in those
12 circumstances described in Subsection (n) of this section, appoint
13 a new trustee to administer the {qualified] surviving children's
14 {support] trust.

15 (h) With the exception of a {support] trust described in
16 Subsection (n) of this section, no death benefits awarded to
17 {qualified] surviving children may be used for any purpose other
18 than to benefit the {qualified] surviving children. ~~{The board may~~
19 ~~withhold payment of benefits if it has reason to believe the~~
20 ~~benefits are not being properly applied.]~~

21 (j) With the exception of those circumstances described in
22 Subsection (n) of this section, death benefits payable {paid] to
23 {qualified] surviving children ~~{living with a person other than the~~
24 ~~surviving spouse]~~ shall be delivered to the legal guardian of the
25 estate of the surviving children if one has been appointed and the
26 pension system has been provided proof of the appointment. If no
27 legal guardian has been appointed, death benefits shall be

1 delivered to one of the following persons, provided there is
2 evidence that the person is {person with whom the qualified
3 ~~surviving children are living, if the board has designated the~~
4 ~~person as being~~] a suitable person to receive and administer the
5 benefits;

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

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

10 (j-1) In accordance with Subsection (h) of this section, the
11 recipient of a surviving child's death benefits under Subsection
12 (j) of this section must use the death benefits to benefit the
13 child. The board may[, however,] withhold payment of benefits to
14 anyone, if presented with evidence that the death benefits are not
15 being used to benefit the surviving child {but the legal guardian of
16 ~~the qualified surviving children and may require proof that a~~
17 ~~person has been appointed legal guardian of the qualified surviving~~
18 ~~children before authorizing any benefits to be delivered to that~~
19 ~~person]}.~~

20 (k) Dependent {The qualified surviving dependent] parents
21 of a primary party {member] who entitled to receive death {any
are
22 ~~survivor]} benefits provided by this article may only receive the
23 benefits for the remainder of the dependent parents' [their] lives.~~

24 (l) The pension system {board] may require all qualified
25 survivors {persons] death benefits[, including qualified
receiving

26 ~~surviving spouses, qualified surviving children or their~~
27 ~~guardians, and qualified surviving dependent parents,]~~ to file

1 ~~{with the administrator, at least once every two years,}~~ a sworn
2 statement with the executive director concerning the qualified
3 survivor's ~~{their}~~ eligibility to continue to receive death
4 benefits at least once every two years, or at any other time the
5 executive director considers a sworn statement to be appropriate to
6 evidence the continued eligibility of the qualified survivor. ~~{The~~
7 ~~board may also require a sworn statement from any person receiving~~
8 ~~death benefits at any time.}~~ The board may withhold death benefits
9 from any person who fails or refuses to file a statement when
10 requested to do so.

11 (m) When the last qualified survivor of any primary party
12 becomes ineligible to continue to receive death benefits, ~~{that~~
13 ~~survivor shall be paid in a lump sum}~~ an amount equal to the excess
14 {difference}, if any, of ~~{between}~~ the total amount of all
15 contributions made to the fund by the primary party while a member
16 over ~~{, and}~~ the sum of all benefits paid to the primary party and
17 all of the primary party's ~~{his}~~ qualified survivors shall be paid
18 in a lump sum to the last person to receive benefits as a qualified
19 survivor or, if none exists, to the member's designee. The total
20 amount to be paid in benefits to the primary party and all qualified
21 survivors shall never be less than the total amount of
22 contributions the primary party made to the fund while a member.

23 (n) Notwithstanding any other provision of this section:

24 (1) ~~{,}~~ death benefits awarded to an unmarried child
25 who is a qualified survivor ~~{surviving child of a primary party}~~ who
26 is determined by the board to be disabled ~~{handicapped}~~ under the
27 terms of Subsection (o-2) ~~{(o)}~~ of this section may be paid to the

1 trustee of a management trust, supplemental needs or special needs
2 trust, or comparable trust ~~[support trust]~~ established for the
3 benefit of the child, if the trust meets the requirements set forth
4 in a procedure adopted from time to time by the board ~~[qualified~~
5 ~~surviving child if:~~

6 ~~[(1) an opinion of counsel of the trustee of the~~
7 ~~support trust is furnished to the board indicating that payments~~
8 ~~made to the support trust will not, under existing law, be~~
9 ~~considered a resource of the qualified surviving child under Title~~
10 ~~42, Section 1396(a)(17), of the United States Code or any successor~~
11 ~~statute, as well as applicable state law or regulations governing~~
12 ~~the situation]; and~~

13 (2) as soon as practicable after the pension system
14 has knowledge of an event listed in this subdivision, the pension
15 system shall terminate payment of death benefits to a ~~[coincident~~
16 ~~with the furnishing of the opinion of counsel, the board is provided~~
17 ~~with an executed original of the support trust document for the~~
18 ~~records of the pension system;~~

19 ~~[(3) the terms of the trust provide that the board will~~
20 ~~receive an annual accounting of the support trust from its trustee,~~
21 ~~although the board has no legal responsibility to oversee the~~
22 ~~support trust; and~~

23 ~~[(4) the support] trust described by Subdivision (1) of~~
24 ~~this subsection effective [will terminate as soon as practicable]~~

25 on the earlier occurrence of the following events:

26 (A) the date as of ~~[on]~~ which the ~~[qualified~~
27 ~~surviving] child is determined by the board to no longer be disabled~~

1 {handicapped] under the terms of this section;

2 (B) the date on which the {qualified surviving]
3 child is lawfully married;

4 (C) the date on which the {qualified surviving]
5 child is deceased;

6 (D) the date on which the pension system becomes
7 aware that the assets of the {support] trust are deemed to be the
8 resources of the child under applicable federal or state laws or
9 regulations; or

10 (E) if {unless ~~otherwise excused by the board,~~
11 the trustee of the child's {support] trust fails to provide a court
12 of competent jurisdiction {the board] with an annual accounting of
13 the child's trust, date occurring {within] six months after the
the

14 date of the close of the {support] trust's fiscal year.

15 (o) When a child who, as a qualified survivor, {surviving
16 ~~child who~~] is entitled to receive death benefits under this article
17 reaches the age of 19, the {qualified surviving] child may no longer
18 participate in the division of the benefits, but the same
19 undiminished {qualified surviving] child's share as determined by
20 this section shall be paid to any remaining {qualified surviving]
21 children who are qualified survivors who remain eligible to
22 continue to receive death benefits.

23 (o-1) If benefits are no longer payable to the trust
24 described in Subsection (n)(1) of this section in accordance with
25 Subsection (n)(2) of this section, the benefits are divisible and

26 payable to any remaining children who are qualified survivors who
27 remain eligible to receive death benefits.

1 ~~(o-2) If an unmarried child~~ {under 19 years of age.
2 However, a handicapped qualified surviving child may not be removed
3 from participation in the division of benefits on reaching the age
4 of 19 nor may the child be barred from original participation at any
5 time after reaching the age of 19, and the payments shall continue
6 for the duration of the handicap. If a qualified surviving child is
7 ~~not married and~~], after cessation of entitlement to death benefits
8 [(because of attainment of age 19) ~~but before age 23~~], becomes
9 disabled before age 23 {handicapped}, the child is entitled to
10 participate in the division of death benefits under this article.
11 Notwithstanding the preceding, all death benefits granted under
12 this subsection are conditioned on the board finding that:

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

18 (2) the {qualified surviving} child is not married;

19 (3) the disability {handicap} was not the result of an
20 occupational injury for which the {qualified surviving} child
21 received compensation equal to or greater than that provided under
22 this article;

23 (4) the disability {handicap} was not the result of an
24 intentional self-inflicted injury or a chronic illness itself
25 resulting from an addiction of the {qualified surviving} child
26 through a protracted course of {noncoerced} indulgence in alcohol,
27 narcotics, or other substance abuse that was not coerced; and

1 (5) the disability [handicap] did not occur as a
2 result of the {qualified ~~surviving~~} child's participation in the
3 commission of a felony.

4 (p) If a [handicapped ~~qualified surviving~~] child with a
5 disability received or is receiving workers' compensation
6 resulting from an occupational injury equal to an amount less than
7 the death benefit to be provided under this section, the difference
8 shall be paid out of the assets of the fund in the form otherwise
9 payable as monthly benefits. For purposes of Subsections
10 {Subsection} (o), (o-1), and (o-2) of this section, if a lump sum is
11 awarded for an injury, the fund's actuary may compute a
12 corresponding monthly equivalent. A finding relating to a
13 {qualified ~~surviving~~} child's disability [handicap] is subject to
14 periodic review and modification by the board.

15 (q) On the death or marriage of a {qualified ~~surviving~~}
16 child granted death benefits under this article, the death benefits
17 shall cease being paid to that child; however, the same
18 undiminished {qualified ~~surviving~~} child's share as determined by
19 this section shall be uniformly distributed among any remaining
20 unmarried {qualified ~~surviving~~} children who are:

21 (1) under 19 years of age; or
22 (2) disabled [and any ~~unmarried qualified surviving~~
23 ~~children who are handicapped~~] as described by Subsection (o-2)
24 {(o)} of this section and entitled to death benefits as qualified
25 survivors.

26 (r) A spouse of a primary party who married the primary
27 party [resulting from any marriage to a former member or pensioner]

1 after the date the primary party terminated ~~{member or pensioner~~
2 ~~leaves]~~ active service is not a qualified survivor ~~{surviving~~
3 ~~spouse]~~ and is ~~{not]~~ entitled only to those death benefits, if
4 applicable, provided under Section 6.063 of this article.

5 (t) A ~~{qualified]~~ surviving spouse who first remarried on or
6 after April 21, 1988, is eligible to receive death benefits for the
7 remainder of the ~~{qualified surviving]~~ spouse's life provided the
8 surviving spouse is a qualified survivor. This subsection may not
9 be applied retroactively.

10 (u) The eligibility of a surviving spouse who first
11 remarried before April 21, 1988, is governed by Section 6.061 of
12 this article.

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

19 SECTION 1.37. Part 6, Article 6243a-1, Revised Statutes, is
20 amended by adding Sections 6.061, 6.062, 6.063, and 6.064 to read as
21 follows:

22 Sec. 6.061. PROSPECTIVE REINSTATEMENT OF CERTAIN DEATH
23 BENEFITS. (a) Subject to Subsection (c) of this section, the
24 surviving spouse of a primary party who was a member of the old
25 plan, Plan A, or Plan B whose death benefits, also referred to as
26 "survivor benefits" or "widow benefits," terminated because of a
27 remarriage of the surviving spouse that occurred before April 21,

1 1988, is entitled to receive death benefits, on a prospective basis
2 only, as of the first day of the month following the month in which
3 the executive director receives the application.

4 (b) The board shall make reasonable efforts to notify all
5 known living surviving spouses who may be entitled to a
6 reinstatement of benefits under this section.

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

12 (d) A surviving spouse's application for reinstatement of
13 death benefits under this section constitutes the spouse's waiver
14 of any claims against the pension system, the board, the executive
15 director, or any other employee of the board or the pension system
16 arising out of any claim for death benefits.

17 (e) This section may not be applied retroactively. A
18 surviving spouse may not receive death benefits attributable to
19 periods before the executive director's receipt of a properly
20 completed and board-approved application, and any benefit provided
21 to a surviving spouse described in this section must be calculated
22 as if the benefits had not terminated on the surviving spouse's
23 remarriage notwithstanding the fact the reinstatement of benefits
24 is not retroactive.

25 Sec. 6.062. LUMP-SUM PAYMENT ON DEATH OF CERTAIN MEMBERS.

26 (a) If an unmarried member dies while on active service and before
27 beginning participation in DROP, the last person to receive

1 benefits as the member's qualified survivor or, if the member does
2 not have a qualified survivor living, the member's designee, shall
3 be paid a lump-sum payment determined in accordance with this
4 section if, at the time of the member's death, the member:

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

9 (b) The amount of the lump-sum payment under this section is
10 the greater of:

11 (1) the payment that could have been provided under
12 Section 6.06(m) of this article; or

13 (2) an amount equal to the actuarial equivalent of the
14 remainder of the monthly benefits that would have been paid for the
15 period from the last monthly benefit payment to the end of the 120
16 months, starting with the date of the first monthly benefit
17 payment, if any.

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

23 (d) If a qualified survivor or designee is entitled to
24 payment under both this section and Section 6.06(m) of this
25 article, payments shall be made only under this section.

26 (e) The payment required under this section shall be made as
27 soon as practicable after the later of the date:

1 (1) of the death of the member; or
2 (2) the last qualified survivor becomes ineligible to
3 receive monthly death benefit payments.

4 Sec. 6.063. AUTHORITY TO ELECT CERTAIN ACTUARIALLY REDUCED
5 BENEFITS. (a) The board shall adopt policies under which a member
6 who is leaving active service or a pensioner may elect to accept
7 actuarially reduced benefits to provide the following optional
8 benefits:

9 (1) a 100 percent joint and survivor annuity with the
10 member's or pensioner's spouse;

11 (2) a 50 percent joint and survivor annuity with a
12 spouse who is not a qualified survivor because the marriage to the
13 pensioner occurred after the pensioner terminated active service,
14 provided the election is made not later than one year after the date
15 of the marriage; or

16 (3) a death benefit for a child who is not a qualified
17 survivor because the child was born or adopted after the member left
18 active service, but only if the child:

19 (A) is a dependent of the pensioner, within the
20 meaning of Section 152(a)(1) of the code; and

21 (B) has not attained 18 years of age at the time
22 of the election.

23 (b) An election under this section may not be revoked by the
24 member or pensioner after it is filed with the pension system.

25 (c) Notwithstanding any other provision of this article, an
26 election under this section shall result in benefits being paid as
27 prescribed by this section instead of as prescribed by Section

1 6.01, 6.02, 6.04, 6.05, 6.07, or 6.08 of this article, as
2 applicable.

3 (d) A pensioner who desires to make an election under
4 Subsection (a)(1) of this section after having made an election
5 under Subsection (a)(2) of this section shall incur a second
6 actuarial reduction in benefits to pay for the increased survivor
7 annuity.

8 (e) Except as provided by Subsection (f) of this section, a
9 person is not entitled to the payment of benefits under this section
10 with respect to a pensioner who makes an election after termination
11 of active service and dies within one year after making the
12 election, except the amount by which the pensioner's benefits were
13 reduced are paid to the person who is entitled to receive payments
14 under Section 6.064 of this article.

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

19 (1) the board grants a retirement pension; or

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

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

27 (h) The joint and survivor annuity or the pensioner's

1 pension and child's death benefit payable under this section is the
2 actuarial equivalent of the pension and death benefits, if any,
3 that would have been payable, at the time of the election, if the
4 election had not been made. On the death of the pensioner:

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

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

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

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

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

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

6 (m) A child's death benefit elected under Subsection (a)(3)
7 of this section is treated the same way as a death benefit to a child
8 who is a qualified survivor, except that it is based on the
9 actuarially reduced pension.

10 Sec. 6.064. DESIGNEES. (a) A member, pensioner, or
11 qualified survivor may at any time designate, in writing, one or
12 more persons as a designee to receive any lump-sum payment due from
13 the pension system on the death of the member, pensioner, or
14 qualified survivor, as applicable.

15 (b) A designation under this section of a person other than
16 the spouse of the member, pensioner, or qualified survivor, as
17 appropriate, must be made with the written consent of the spouse, if
18 the individual has a spouse.

19 (c) A designation made under this section:

20 (1) may be revoked or changed at any time; and

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

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

27 (e) A designation by a member under this section is void at

1 ~~the time the member becomes a pensioner unless ratified in writing~~
2 ~~at the time the member becomes a pensioner or after that time.~~

3 ~~(f) If a member, pensioner, or qualified survivor does not~~
4 ~~have a valid designee on file with the pension system at the time of~~
5 ~~death, the designee is:~~

6 ~~(1) the spouse;~~

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

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

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

13 SECTION 1.38. Sections 6.07, 6.08, 6.09, and 6.10A, Article
14 6243a-1, Revised Statutes, are amended to read as follows:

15 Sec. 6.07. GROUP A DEATH BENEFITS. (a)(1) If a Group A
16 member dies before leaving active service [retirement] and before
17 the Group A member had [has] 20 years of pension service, the Group
18 A member's [~~leaving both a qualified surviving~~] spouse and
19 [~~qualified surviving~~] children who are [~~the~~] qualified [~~surviving~~
20 ~~spouse shall make an election for all~~] survivors shall, in the
21 aggregate, [to] receive a Group A benefit [~~consisting in the~~
22 ~~death~~

23 ~~aggregate of an amount]~~ equal to a Group A retirement pension
24 computed under the terms of Section 6.01 of this article as if the
25 Group A member had completed 20 years of pension service. [~~An~~
26 ~~election under this subdivision, once made, is irrevocable. This~~
Group A death benefit shall be divided one half to the qualified

27 ~~surviving spouse and one-half to the qualified surviving children.]~~

1 (2) If a Group A ~~{pensioner dies during disability~~
2 ~~retirement and before the Group A pensioner had 20 years of pension~~
3 ~~service, leaving both a qualified surviving spouse and qualified~~
4 ~~children, the survivors in the aggregate shall receive a Group A~~
5 ~~death benefit calculated either under Sections 6.01(b) and (c) of~~
6 ~~this article if the Group A pensioner's Group A disability pension~~
7 ~~was calculated under Section 6.04(a) of this article, or under~~
8 ~~Section 6.01(e) of this article if the Group A pensioner's Group A~~
9 ~~disability pension was calculated under Section 6.04(b) of this~~
10 ~~article. This Group A death benefit shall be divided one half to~~
11 ~~the qualified surviving spouse and one half to the qualified~~
12 ~~surviving children.~~

13 {(b)(1) ~~If a Group A member or former Group A~~ member dies
14 before service retirement and after the Group A member has {for
15 ~~former Group A member has~~ 20 years of pension service, the Group A
16 member's {leaving ~~both a qualified surviving~~ spouse and {qualified
17 ~~surviving~~ children[,] who are {the qualified {surviving spouse
18]

19 ~~shall make an election for all~~ survivors shall, in the aggregate,
20 {to} receive a Group A death benefit calculated under Section 6.01
21 of this article as if the Group A member {of an amount equal to a
22 ~~Group A retirement pension the Group A member or former Group A~~
23 ~~member would have received~~ had {the person} left active service on
24 the date of the {death, computed under the terms of Section 6.01 of
25 ~~this article. An election under this subdivision, once made, is~~
~~irrevocable. This] Group A member's death {benefit shall be~~

26 ~~divided one half to the qualified surviving spouse and one half to~~
27 ~~the qualified surviving children].~~

1 (3) If a Group A pensioner dies during service
2 retirement, the Group A pensioner's spouse and children who are
3 qualified survivors shall, in the aggregate, receive a Group A
4 death benefit in an amount equal to the Group A retirement pension
5 being received by the Group A pensioner on the date of the
6 pensioner's death.

7 (4) If a Group A pensioner dies after November 25,
8 1996, while receiving periodic disability compensation under
9 Section 6.05 of this article or a disability pension under Section
10 6.04 of this article, and before the Group A pensioner has 20 years
11 of pension service, the Group A pensioner's spouse and children who
12 are qualified survivors shall, in the aggregate, receive a Group A
13 death benefit calculated under Section 6.04 or 6.05 of this
14 article, as applicable, in the same manner as the Group A
15 pensioner's periodic disability compensation or disability
16 pension, but as if the Group A pensioner had completed 20 years of
17 pension service.

18 (5) [(2)(A)] If a Group A pensioner who has 20 or more
19 years of pension service dies during disability retirement, the
20 Group A pensioner's spouse and children who are qualified survivors
21 shall, in the aggregate, [dies leaving both a qualified surviving
22 spouse and qualified surviving children, the qualified surviving
23 spouse shall make an election for all survivors to] receive a Group
24 A death benefit in an [the] amount equal to [of] the Group A
25 disability [retirement] pension being received by the Group A
26 pensioner on the date of the pensioner's death.

27 (b) [before the person's death. This] Group A death

1 benefits under Subsection (a) of this section {benefit} shall:

2 (1) be divided one-half to the {qualified surviving}
3 spouse and one-half to the {qualified surviving} children who are
4 qualified survivors; and {.]

5 (2) subject to {(B)—With} the terms of Sections
6 {exception of those circumstances described by Section} 6.06(n),
7 (o), (o-1), and (o-2) of this article, be distributed in an equal
8 and uniform manner to the children described by Subdivision (1) of
9 this subsection {the—Group A death benefits—awarded—to—the
10 qualified survivors under this subsection shall be paid entirely to
11 the—qualified—surviving—spouse—and—the—qualified—surviving
12 children. The qualified surviving children’s one-half share shall
13 be equally and uniformly distributed by the qualified surviving
14 spouse to them}.

15 (c) {(c)(1)} If a Group A member or pensioner {former-Group
16 A—member} dies leaving no {qualified—surviving} spouse or
17 {qualified surviving} children who are qualified survivors, the
18 {but leaves surviving one or both qualified surviving dependent
19 parents, the qualified surviving} dependent parents who are
20 qualified survivors shall {may elect to} receive a Group A death
21 benefit equal to the death benefit otherwise payable under
22 Subsection (a) of this section. The death benefit payable to the
23 dependent parents under this subsection shall be divided equally
24 between the parents regardless of whether the parents are married
25 or living at the same residence. {Group A retirement pension—the
26 Group A member or former Group A member would have been entitled to

27 ~~under Section 6.01 of this article after leaving active service. If~~

1 ~~there are two qualified dependent parents, the election must be~~
2 ~~mutual. An election under this subdivision, once made, is~~
3 ~~irrevocable. The qualified surviving dependent parents of a Group~~
4 ~~A pensioner shall receive a Group A death benefit equal to the~~
5 ~~amount of the actual Group A retirement pension being received at~~
6 ~~the time of the pensioner's death, divided equally between the~~
7 ~~qualified surviving dependent parents.~~

8 ~~[(2) If a Group A pensioner dies during disability~~
9 ~~retirement and before the Group A pensioner had 20 years of pension~~
10 ~~service, leaving no qualified surviving spouse or qualified~~
11 ~~surviving children, but leaves surviving one or both qualified~~
12 ~~surviving dependent parents, the qualified surviving dependent~~
13 ~~parents may elect to receive a Group A death benefit calculated~~
14 ~~either: under Sections 6.01(b) and (c) of this article if the Group~~
15 ~~A pensioner's Group A disability pension was calculated under~~
16 ~~Section 6.04(a) of this article, or under Section 6.01(e) of this~~
17 ~~article if the Group A pensioner's Group A disability pension was~~
18 ~~calculated under Section 6.04(b) of this article. An election~~
19 ~~under this subdivision, once made, is irrevocable.~~

20 ~~[(d)] If there is only one [qualified surviving] dependent~~
21 ~~parent, that [the] parent is entitled to one-half of the death~~
22 ~~benefit described in [amount determined under Subsection (e)(1) or~~
23 ~~(e)(2) of] this subsection [section].~~

24 Sec. 6.08. GROUP B DEATH BENEFITS. (a) If a Group B member
25 dies while on active service, a [former] Group B member who left
26 active service and is vested under Section 5.06 of this article
27 dies, or a Group B pensioner dies while receiving [on] service or

1 disability retirement or while receiving periodic disability
2 compensation under Section 6.05 of this article, the person's
3 qualified survivors, or the person described in Section 6.06(g) or
4 (j) of this article as the recipient of the children's benefits
5 ~~{guardian of the qualified surviving children if no qualified~~
6 ~~surviving spouse exists}~~, may make application for Group B death
7 benefits. If the deceased ~~{The qualified surviving spouse of a~~
8 ~~Group B member or former Group B member described by this~~
9 ~~subsection, the guardian of the qualified surviving children of the~~
10 ~~person if no qualified surviving spouse exists, or the qualified~~
11 ~~dependent parents if no qualified surviving spouse or qualified~~
12 ~~surviving children exist, have the option to select whether Group A~~
13 ~~or Group B death benefits are received, if the Group B member or~~
14 ~~former} Group B member was previously eligible to elect whether to~~
15 ~~receive either a Group A or Group B retirement pension,~~ the option
16 to elect whether Group A or Group B death benefits are received
17 shall be exercised by one of the following:

18 (1) a qualified survivor who is the spouse of the
19 deceased Group B member described by this subsection;

20 (2) the person described in Section 6.06(g) or (j) of
21 this article as the recipient of benefits on behalf of the deceased
22 member's children who are qualified survivors, if no spouse is a
23 qualified survivor; or

24 (3) the qualified survivors who are dependent parents
25 of the deceased member, if there is neither a spouse nor children
26 who are qualified survivors.

27 (a-1) A qualified survivor who receives Group A death

1 benefits under Subsection (a) of this section [subsection] is
2 entitled to a ratable portion of a reimbursement from the fund in
3 the same amount and manner determined under Section 5.03(d) of this
4 article. A qualified survivor or guardian desiring a refund of
5 excess contributions must make application for the refund with the
6 executive director [administrator] within three years after the
7 date the qualified survivor or guardian makes application for Group
8 A death benefits. The option contained in this subsection is not
9 available to qualified survivors of a Group B member [for former
10 Group B member] who had, at the time of death, already applied for a
11 retirement pension and selected a Group A retirement pension as
12 provided by Section 5.03(c) or (c-1) of this article, but the
13 qualified survivors are entitled to receive a Group A death
14 benefit.

15 (b) Subject to Subsection (b-2) of this section, death
16 [Death] benefits shall be computed as follows for the qualified
17 survivors of Group B members who die while on active service:

18 (1) the [A qualified surviving spouse's Group B] death
19 benefit of a qualified survivor who is the spouse of a member who
20 began active service:

21 (A) before March 1, 2011, shall be the sum of:

22 (i) the number of years of pension service
23 earned before September 1, 2017, prorated for fractional years,
24 times 1.5 percent of the [computed at the rate of 1.5 percent of the
25 Group B member's] average computation pay determined over the 36
26 [60] consecutive months of pension service in which the Group B
27 member received the highest computation pay; plus

1 (ii) ~~the number of [~~, for each year, and
 2 ~~prorated for fractional years, of pension service with a minimum of~~
 3 ~~20] years of pension service, including pension service credit~~
 4 ~~imputed under Section 6.05(c) of this article, after September 1,~~
 5 ~~2017, prorated for fractional years, times the applicable~~
 6 ~~percentage rate set forth below [assumed, or 30 percent] of the~~
 7 average computation pay determined over the 60 consecutive months
 8 of pension service in which the Group B member received the highest
 9 computation pay;

<u>Age of Member When Retirement Pension Begins</u>	<u>Percent</u>
11 <u>58 and older</u>	<u>1.25%</u>
12 <u>57</u>	<u>1.2%</u>
13 <u>56</u>	<u>1.15%</u>
14 <u>55</u>	<u>1.10%</u>
15 <u>54</u>	<u>1.05%</u>
16 <u>53 and younger</u>	<u>1.0%; or</u>

17 (B) on or after March 1, 2011, shall be the number
 18 of years of pension service, including pension service imputed
 19 under Section 6.05(c) of this article, prorated for fractional
 20 years, times 1.25 percent of the average computation pay determined
 21 over the 60 consecutive months of pension service in which the Group
 22 B member received the highest computation pay;

23 (2) the death benefit of qualified survivors who are a
 24 member's children shall be computed in the same manner as a spouse's
 25 benefit is computed under Subdivision (1)(A) or (B) of this
 26 subsection, as applicable, and shall be divided equally among all
 27 of the children who are qualified survivors; and

1 (3) the death benefit of each qualified survivor who
2 is a member's dependent parent shall be computed in the same manner
3 as a spouse's Group B benefit is computed under Subdivision (1)(A)
4 or (B) of this subsection, as applicable.

5 (b-1) Pension service for purposes of the calculation under
6 Subsection (b) of this section may not be less than 20 years. Any
7 partial year of pension service for the first 20 years of pension
8 service is counted as a full year of pension service, if the member
9 was considered by the member's department to have worked a normal
10 full-time schedule at the time of the member's death.

11 (b-2) The death benefit calculated under Subsection (b) of
12 this section may not exceed the greater of:

13 (1) 45 [a computation for 32 years of pension service,
14 or 48] percent of the member's average computation pay determined
15 over the 36 or 60 consecutive months, as applicable, in which the
16 Group B member received the highest computation pay; or

17 (2) the vested and accrued death benefit as determined
18 on August 31, 2017.

19 (b-3) For purposes of Subsections (b) through (b-2) of this
20 section:

21 (1) if [If] the Group B member had less than 36 or 60
22 consecutive months, as applicable, [five years] of pension service,
23 the average computation pay will be computed based on the person's
24 entire pension service; and

25 (2) days during which the member earned no pension
26 service due to a termination of active service or otherwise must be
27 disregarded in determining the 36 or 60 consecutive months of

1 highest computation pay.

2 ~~[(2) A qualified surviving child's Group B death~~
3 ~~benefit shall be computed in the same manner as a qualified~~
4 ~~surviving spouse's benefit is computed under Subdivision (1) of~~
5 ~~this subsection and shall be divided equally among all of the~~
6 ~~qualified surviving children.~~

7 ~~[(3) Each qualified surviving dependent parent's Group~~
8 ~~B death benefit shall be computed in the same manner as a qualified~~
9 ~~surviving spouse's Group B benefit is computed under Subdivision~~
10 ~~(1) of this subsection.]~~

11 (c) Group B death benefits shall be computed as follows for
12 the qualified survivors of any [former] Group B member who died
13 after leaving active service and who had vested rights under
14 Section 5.06 of this article but who had not received [Group B]
15 retirement benefits [under Section 6.02 of this article] at the
16 time of death:

17 (1) the death benefit of a [The] qualified survivor
18 who is the member's [surviving] spouse [of the former Group B
19 member] is [entitled to a Group B death benefit] equal to 50 percent
20 of any [Group B] retirement pension the [former Group B] member
21 would have been entitled to [under Section 6.02 of this article] as
22 of the date the [former Group B] member left active servicez[.]

23 (2) the death benefits of [The] qualified survivors
24 who are the member's [surviving] children [of the former Group B
25 member] are [entitled to a Group B benefit] calculated in the same
26 manner as the spouse's benefit is computed under Subdivision (1) of
27 this subsection [Group B death benefit of a qualified surviving

1 spouse], to be divided equally between the {qualified surviving}
2 children; and[.]

3 (3) the death benefit of each {Each of the} qualified
4 survivor who is the member's {surviving} dependent parent {parents
5 of the former Group B member} is {entitled to a Group B death
6 benefit} equal to 50 percent of any {Group B} retirement pension the
7 {former Group B} member would have been entitled to {under the
8 provisions of Section 6.02 of this article} as of the date the
9 {former Group B} member left active service.

10 (d) Group B death benefits shall be computed as follows for
11 the qualified survivors of any Group B pensioner {of this plan} who
12 dies while receiving service {a Group B} retirement {pension}:

13 (1) the death benefit of a {The} qualified {surviving}
14 survivor who is the pensioner's spouse {of a Group B pensioner} is
15 {entitled to Group B death benefits} equal to 50 percent of any
16 retirement pension the Group B pensioner was receiving at the time
17 of death; [.]

18 (2) the death benefits of qualified survivors who are
19 the pensioner's {The qualified surviving} children {of a Group B
]

20 pensioner} are {entitled to a Group B death benefit} calculated in
21 the same manner as the spouse's benefit is computed under
22 Subdivision (1) of this subsection {Group B death benefit of a
23 qualified surviving spouse}, to be divided equally between the
24 {qualified surviving} children; and[.]

25 (3) the death benefit of each {Each of the} qualified
26 survivor who is the pensioner's {surviving} dependent parent

27 ~~{parents of a Group B pensioner} is {entitled to a Group B death~~

1 benefit] equal to 50 percent of any retirement pension the Group B
2 pensioner was receiving at the time of death.

3 (e) Group B death benefits shall be computed as follows for
4 the qualified survivors of any Group B pensioner who dies while
5 receiving disability retirement or while receiving periodic {a
6 ~~Group B~~ disability compensation under Section 6.05 of this article
7 ~~[pension due to either a service-connected or nonservice-connected~~
8 ~~disability]~~:

9 (1) the death benefit of a {The] qualified survivor
10 who is the pensioner's {surviving] spouse ~~{of the Group B~~
11 ~~pensioner]~~ is ~~{entitled to the greater of a Group B death benefit]~~
12 equal to 50 percent of any Group B periodic disability compensation
13 or disability pension the Group B pensioner would have been
14 entitled to ~~{under Section 6.05 of this article]~~ as of the date the
15 Group B pensioner left active service because of disability, or a
16 Group B death benefit equal to 50 percent of any periodic disability
17 compensation or ~~{Group B] disability pension the Group B pensioner~~
18 ~~was receiving at the time of death;[.]~~

19 (2) the death benefits of {The] qualified survivors
20 who are the pensioner's {surviving] children ~~{of the Group B~~
21 ~~pensioner]~~ are ~~{entitled to a Group B death benefit]~~ calculated in
22 the same manner as the spouse's ~~{Group B death]~~ benefit is computed
23 under Subdivision (1) of this subsection ~~{of a qualified surviving~~
24 ~~spouse]~~, to be divided equally between the ~~{qualified surviving]~~
25 ~~children; and[.]~~

26 (3) the death benefit of each {Each of the] qualified

27 survivor who is the pensioner's {surviving} dependent parent

1 ~~{parents of the Group B pensioner}~~ is ~~{entitled to the greater of a~~
2 ~~Group B death benefit}~~ equal to 50 percent of any periodic
3 disability compensation or disability pension the Group B pensioner
4 would have been entitled to ~~{under Section 6.05 of this article}~~ as
5 of the date the Group B pensioner left active service because of
6 disability, or a Group B death benefit equal to 50 percent of any
7 periodic disability compensation or ~~{Group B}~~ disability pension
8 the Group B pensioner was receiving at the time of death.

9 Sec. 6.09. QUALIFIED SURVIVING SPOUSE SPECIAL DEATH
10 BENEFIT. (a) A person who is the ~~{Notwithstanding Sections 6.06~~
11 ~~and 6.07 of this article, the qualified surviving}~~ spouse of a Group
12 A primary party, who is a qualified survivor, and who is entitled to
13 death benefits under Sections 6.06, 6.061, 6.062, 6.063, and 6.07
14 of this article is also entitled to a special death benefit under
15 this section if:

16 (1) the Group A primary party;
17 ~~(A) {elected to receive a Group A retirement~~
18 ~~pension and later died, was receiving a disability or retirement~~
19 ~~pension either under the terms of Plan A before the original~~
20 ~~enactment of this article or elected to receive a Group A retirement~~
21 ~~pension under Sections 6.01(e), (f), and (g) of this article and~~
22 ~~later died, or was receiving a Group A disability pension under~~
23 ~~Section 6.04(e) of this article and later died;~~

24 ~~{(2) the Group A primary party (i)}~~ had at least 20
25 years of pension service, ~~and~~ left active service after October
26 1, 1985, and was at least 55 years of age on the earlier of the date
27 the primary party:

1 (i) left active service; or
2 (ii) began participation in DROP for
3 ~~elder~~]; or

4 (B) had [(ii) on or after May 1, 1990, the Group A
5 ~~primary party, after accruing]~~ at least 20 years of pension
6 service, left active service on or after May 31, 2000, and on the
7 earlier of the date the primary party left active service or began
8 participation in DROP, [and] had a total of at least 78 [80]
9 credits, with each year of pension service, prorated for fractional
10 years, equal to one credit and with each year of age, prorated for
11 fractional years, equal to one credit; or [and]

12 (2) the [(3) ~~the qualified surviving]~~ spouse has
13 attained 55 years of age and there are no [qualified ~~surviving~~]
14 children who are qualified survivors eligible for death benefits.

15 (b) Until the requirements of Subsection (a) of this section
16 are satisfied, a qualified survivor who is the spouse of a Group A
17 primary party [surviving spouse] shall receive a Group A death
18 benefit in accordance with Section 6.07 of this article.

19 (c) The special Group A death benefit under Subsection (a)
20 of this section is calculated based on the following formula:

21 $(P \times P \times A) + (P \times C) + D$, where

22 A = base pay at the time the Group A primary party began
23 participation in DROP, begins service retirement, dies, or becomes
24 disabled, plus longevity pay, plus one-twelfth of last-received
25 city service incentive pay;

26 B = Group A primary party's benefit calculated at the time the

27 Group A primary party began participation in DROP, begins service

1 retirement, dies, or becomes disabled;

2 $P = B/A$ (expressed as a percentage or a decimal);

3 $C =$ the number of adjustments made to a Group A primary
4 party's ~~{Group A} retirement pension, disability pension, or~~
5 ~~periodic {Group A} disability compensation, {pension under Section~~
6 ~~6.04 of this article}~~ multiplied by the amount of the adjustments;
7 and

8 $D =$ the number of adjustments made under this article to the
9 ~~{a qualified surviving spouse's}~~ Group A death benefit of a spouse
10 who is a qualified survivor under Section 6.07 of this article,
11 multiplied by the amount of the adjustments.

12 (d) A person who is the ~~{Notwithstanding Sections 6.03 and~~
13 ~~6.05 of this article, a qualified surviving}~~ spouse of a Group B
14 primary party, who is a qualified survivor, and who is entitled to
15 any death benefits under Sections 6.06, 6.061, 6.062, 6.063, and
16 ~~{or}~~ 6.08 of this article is also entitled to a special benefit
17 under this section if:

18 (1) the Group B primary party ~~{elected to receive a~~
19 ~~Group B retirement pension and later died, or was receiving a Group~~
20 ~~B disability or retirement pension under this article and died;~~

21 ~~{(2) the Group B primary party}~~:

22 (A) had at least 20 years of pension service,
23 left active service after October 1, 1985, and was at least 55 years
24 of age at the earlier of the date the primary party left ~~{time of~~
25 ~~leaving}~~ active service or began participation in DROP; or

26 (B) on or after May 31, 2000 ~~{1, 1990}~~, ~~{the Group~~
27 ~~B primary party}~~ left active service or began participation in

1 DROP, whichever was earlier, having a of at least 78 [80]
total

2 credits, with each year of pension service, prorated for fractional
3 years, equal to one credit and with each year of age, determined at
4 the time the Group B primary party left active service or began
5 participation in DROP, prorated for fractional years, equal to one
6 credit; or [and]

7 (2) [(3) the [qualified—surviving] spouse has
8

9 attained 55 years of age, and there are no [qualified surviving]
10 children of the primary party who are qualified survivors.

11 (d-1) Until the requirements of Subsection (d) [(c)] of this
12 section are satisfied, a spouse who is a qualified survivor
13 [surviving spouse] may only receive a Group B death benefit in
14 accordance with Sections 6.06, 6.061, 6.062, 6.063, [6.03] and 6.08

15 [6.05] of this article.

16 (e) The [This] special Group B death [survivor] benefit
17 under Subsection (d) of this section is calculated based on the
18 following formula:

19 $(P \times P \times A) + (P \times C) + D$, where

20 A = average monthly computation pay at the time the Group B
21 primary party begins service retirement, dies, [or] becomes
22 disabled, or begins participation in DROP;

23 B = the Group B primary party's benefit [Group B retirement or
24 Group B disability pension] calculated at the time the Group B
25 primary party begins participation in DROP, begins to receive

25 service ~~{or disability}~~ retirement ~~_~~ {or} dies ~~_~~ or becomes disabled;

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

27 C = the number of post-retirement ~~{postretirement }~~

1 adjustments made to a Group B primary party's [Group B] retirement
2 pension, disability pension, or periodic [Group B] disability
3 compensation [~~pension under Section 6.05 of this article~~]
4 multiplied by the amount of the adjustments; and
5 D = the number of adjustments made to the [~~a qualified~~
6 ~~surviving spouse's~~] Group B death benefit of a qualified survivor
7 who is the primary party's spouse under Section 6.08 of this article
8 multiplied by the amount of the adjustments.

9 Sec. 6.10A. MINIMUM BENEFITS TO CERTAIN GROUP A PRIMARY
10 PARTIES WHO WERE GROUP A, OLD PLAN, OR COMBINED PENSION PLAN MEMBERS
11 [~~ELECT TO RECEIVE RETIREMENT PENSION UNDER SECTIONS 6.01(B) AND~~
12 ~~(C)] AND THEIR QUALIFIED SURVIVORS. (a) Except as provided by
13 Section 6.063 of this article or Subsections (b) and (h) of this
14 section and notwithstanding any benefit computation and
15 determination to the contrary contained in this article, the
16 minimum Group A benefits provided by this section shall be paid to
17 any Group A primary party who elects to receive a Group A retirement
18 pension under Sections 6.01(b) and (c) of this article, the old
19 plan, or former Section 14(a) of this article, or to the primary
20 party's qualified survivors [~~.—The benefits under this section~~
21 ~~shall be distributed in accordance with Sections 6.01(b) and (c),~~
22 ~~6.04(a), or 6.07 of this article, as applicable~~], except that a
23 Group A primary party who elects to receive an actuarially reduced
24 [Group A retirement pension because of the primary party's request
25 to receive a Group A] retirement pension before 50 years of age and
26 the primary party's qualified survivors are not entitled to the~~

27 [Group A] minimum benefits specified under this section. An

1 alternate payee is not entitled to the Group A minimum benefits
2 specified in this section.

3 (b) A Group A primary party who elects to receive a Group A
4 retirement pension under Sections 6.01(b) and (c) of this article, ~~the old plan, or former Section 14(a) of this article~~ and who left
5 active service with 20 or more years of pension service is entitled
6 to receive a minimum Group A retirement pension of \$2,200 ~~[\$1,500]~~ a
7 month. ~~[If the Group A primary party's Group A retirement pension
8 is subject to a qualified domestic relations order and the sum of
9 the actuarial equivalents of the monthly benefits payable to the
10 Group A primary party and the alternate payee is less than the
11 actuarial equivalent of the minimum monthly Group A retirement
12 pension described by this subsection, the Group A primary party's
13 monthly Group A retirement pension will be increased so that the sum
14 of the actuarial equivalents of the alternate payee's and the Group
15 A primary party's monthly Group A retirement pension equals the
16 actuarial equivalent of the minimum monthly Group A retirement
17 pension calculated under this subsection.]~~

18
19 (c) In the absence of children who are {A} qualified
20 survivors, a {surviving} spouse who is a qualified survivor of a
21 Group A primary party who elected to receive a Group A retirement
22 pension under Sections 6.01(b) and (c) of this article, ~~the old~~
23 ~~plan, or former Section 14(a) of this article~~ will receive a minimum
24 monthly Group A death benefit of \$1,200 ~~[\$750]~~.

25 (d) A spouse who is a qualified survivor {surviving spouse}
26 of a Group A primary party who elected to receive a Group A
27 retirement pension under Sections 6.01(b) and (c) of this article,

1 ~~the old plan, or former Section 14(a) of this article~~ will receive,
2 if there are children who are qualified survivors {surviving
3 ~~children~~}, a minimum Group A death benefit of \$1,100 {~~\$750~~} a month.
4 ~~{The qualified surviving children, as a group, will receive a~~
5 ~~minimum Group A death benefit of \$750 a month, to be divided equally~~
6 ~~among them.}~~

7 (e) In the absence of a spouse who is a qualified survivor
8 {surviving spouse} of a Group A primary party who elected to receive
9 a Group A retirement pension under Section {Sections} 6.01(b),
10 {and} (c), or (e) of this article, the old plan, or former Section
11 14(a) of this article, the primary party's children who are
12 qualified survivors {surviving children}, as a group, will receive
13 a minimum Group A death benefit of \$1,100 {~~\$750~~} a month, to be
14 divided equally among them.

15 (f) If there is neither a {In the absence of both a qualified
16 ~~surviving~~ spouse nor a child who is a {and} qualified survivor
17 {surviving children} of a Group A primary party who elected to
18 receive a Group A retirement pension under Sections 6.01(b) and (c)
19 of this article, the old plan, or former Section 14(a) of this
20 article, each {qualified ~~surviving~~} dependent parent who is a
21 qualified survivor will receive a minimum Group A death benefit of
22 \$1,100 {~~\$750~~} a month. If only one of them is surviving, that {the
23 ~~qualified surviving~~} dependent parent will receive a minimum Group
24 A death benefit equal to \$1,100 {~~\$750~~} a month.

25 (g) Notwithstanding the minimum monthly benefit described
26 in other subsections of this section, a Group A primary party who
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27 receives periodic disability compensation under Section 6.05(b) of

1 ~~this article or~~ a Group A disability pension under Section 6.04(a)
2 of this article, ~~the old plan, or former Section 17(a) of this~~
3 ~~article,~~ [calculated in the same manner as a Group A retirement
4 pension under Sections 6.01(b) and (e) of this article,] shall
5 receive a minimum Group A disability pension equal to \$2,200
6 ~~[\$1,500]~~ a month.

7 (h) If a Group A pensioner who received a monthly benefit
8 under Section 6.05(b-1) of this article or a disability pension
9 under Section 6.04(a) of this article, calculated in the same
10 manner as a Group A retirement pension under Sections 6.01(b) and
11 (c) of this article, the old plan, or former Section 17(a) of this
12 article [primary party's disability pension is subject to a
13 qualified domestic relations order and the sum of the actuarial
14 equivalents of the monthly benefits payable to the Group A primary
15 party and the alternate payee is less than the actuarial equivalent
16 of the minimum monthly Group A disability pension determined under
17 Subsection (g) of this section, the Group A primary party's minimum
18 monthly Group A disability pension will be increased so that the sum
19 of the actuarial equivalents of the alternate payee's and the Group
20 A primary party's minimum monthly Group A disability pension equals
21 the amount determined under Subsection (g) of this section.

22 [(i) If a Group A pensioner who received a disability under
23 Section 6.04(a) of this article, calculated in the same manner as a
24 Group A retirement pension under Sections 6.01(b) and (e) of this
25 article] before the completion of 20 years of pension service dies,
26 the qualified survivors will receive a minimum Group A death
27 benefit as provided under Subsection (c), (d), (e), or (f) of this

1 section, as applicable, whichever is greatest.

2 SECTION 1.39. The heading to Section 6.10B, Article
3 6243a-1, Revised Statutes, is amended to read as follows:

4 Sec. 6.10B. MINIMUM BENEFITS TO CERTAIN GROUP A PRIMARY
5 PARTIES WHO WERE GROUP A, PLAN A, OR COMBINED PLAN MEMBERS ~~{ELECT TO~~
6 ~~RECEIVE RETIREMENT PENSION UNDER SECTION 6.01(E)}~~ AND THEIR
7 QUALIFIED SURVIVORS.

8 SECTION 1.40. Sections 6.10B(a), (b), (c), (d), (e), (f),
9 (g), and (i), Article 6243a-1, Revised Statutes, are amended to
10 read as follows:

11 (a) Except as provided by Section 6.063 of this article and
12 Subsection ~~{Subsections}~~ (b) ~~{and—(h)}~~ of this section and
13 notwithstanding any benefit computation and determination to the
14 contrary contained in this article, the minimum Group A benefits
15 provided by this section shall be paid to any Group A primary party
16 who elects to receive a Group A retirement pension under Section
17 6.01(e) of this article, Plan A, or former Section 14(b) of this
18 article or to the primary party's qualified survivors~~].—The~~
19 ~~benefits under this section shall be distributed in accordance with~~
20 ~~Section 6.01(e), 6.04(b), or 6.07 of this article, as applicable],~~
21 except that a Group A primary party who elects to receive an
22 actuarially reduced Group A retirement pension ~~{because of the~~
23 ~~primary party's request to receive a Group A retirement pension}~~
24 before 55 years of age and the primary party's qualified survivors
25 are not entitled to the ~~{Group A}~~ minimum benefits specified in
26 ~~{under}~~ this section. An alternate payee is not entitled to the
27 Group A minimum benefits specified in this section.

1 (b) A Group A primary party who elects [elected] to receive
2 a Group A retirement pension under Section 6.01(e) of this article, Plan A,
3 or former Section 14(b) of this article and who left active
4 service with 20 or more years of pension service is entitled to
5 receive a minimum [Group A] retirement pension equal to the greater
6 of \$2,200 [(i) \$1,500] a month or [(ii)] \$1,000 a month adjusted, if
7 applicable, in the manner described by 6.12 [6.12(a)] of
Section

8 ~~this article. [If the Group A primary party's Group A retirement~~
9 ~~pension is subject to a qualified domestic relations order and the~~
10 ~~sum of the actuarial equivalents of the monthly benefits payable to~~
11 ~~the Group A primary party and the alternate payee is less than the~~
12 ~~actuarial equivalent of the minimum monthly Group A retirement~~
13 ~~pension described by this subsection, the Group A primary party's~~
14 ~~monthly Group A retirement pension will be increased so that the sum~~
15 ~~of the actuarial equivalents of the alternate payee's and the Group~~
16 ~~A primary party's monthly Group A retirement pension equals the~~
17 ~~actuarial equivalent of the minimum monthly Group A retirement~~
18 ~~pension calculated under this subsection.]~~

19 (c) In the absence of children who are [A] qualified
20 survivors, a [surviving] spouse who is a qualified survivor of a
21 Group A primary party who elects [elected] to receive a Group A
22 retirement pension under Section 6.01(e) of this article, Plan A,
23 or former Section 14(b) of this article will receive a minimum
24 monthly [Group A] death benefit equal to the greater of \$1,200
25 [(i) \$750] a month or [(ii)] \$500 a month adjusted, if applicable,
26 in the manner described by Section 6.12 [6.12(a)] of this article.

27

(d) A spouse who is a qualified survivor [surviving spouse]

1 of a Group A primary party who elects to receive a Group A
2 retirement pension under Section 6.01(e) of this article, Plan A,
3 or former Section 14(b) of this article will receive, if there are
4 children who are qualified survivors ~~{surviving children}~~, a
5 minimum Group A death benefit equal to the greater of \$1,100 ~~{(i)~~
6 ~~\$750}~~ a month or ~~{(ii)}~~ \$500 a month adjusted, if applicable, in the
7 manner described by Section 6.12 ~~{6.12(a)}~~ of this article. The
8 children who are qualified survivors ~~{surviving children}~~, as a
9 group, will receive a minimum {Group A} death benefit equal to the
10 greater of \$1,100 ~~{(iii) \$750}~~ a month or ~~{(iv)}~~ \$500 a month
11 adjusted, if applicable, in the manner described by Section 6.12
12 ~~{6.12(a)}~~ of this article, to be divided equally among them.

13 (e) In the absence of a spouse who is a qualified survivor
14 ~~{surviving spouse}~~ of a Group A primary party who elected to receive
15 a Group A retirement pension under Section 6.01(e) of this article,
16 Plan A, or former Section 14(b) of this article, the ~~{the qualified~~
17 ~~surviving children of a Group A} primary party's children who are~~
18 qualified survivors ~~{party}~~, as a group, will receive a minimum
19 Group A death benefit equal to the greater of \$1,100 ~~{(i) \$750}~~ a
20 month or ~~{(ii)}~~ \$500 a month adjusted, if applicable, in the manner
21 described by Section 6.12 ~~{6.12(a)}~~ of this article, to be divided
22 equally among them.

23 (f) If there is neither a ~~{In the absence of both a qualified~~
24 ~~surviving}~~ spouse nor child who is a ~~{and}~~ qualified survivor
25 ~~{surviving children}~~ of a Group A primary party who elected to

26 receive a Group A retirement pension under Section 6.01(e) of this
27 article, Plan A, or the former Section 14(b) of this article, each

1 ~~{qualified surviving}~~ dependent parent who is a qualified survivor
2 will receive a minimum Group A death benefit equal to the greater of
3 \$1,100 ~~{(i) \$750}~~ a month or ~~{(ii)}~~ \$500 a month adjusted, if
4 applicable, in the manner described by 6.12 ~~{6.12(a)}~~ of
Section
5 this article. If only one of them is surviving, that ~~{the qualified~~
6 ~~surviving}~~ dependent parent will receive a minimum Group A death
7 benefit equal to the greater of \$1,100 ~~{(iii) \$750}~~ a month or
8 ~~{(iv)}~~ \$500 a month adjusted, if applicable, in the manner
9 described by Section 6.12 ~~{6.12(a)}~~ of this article.

10 (g) Notwithstanding the minimum monthly benefit as
11 described in other subsections of this section, a Group A primary
12 party who leaves active service on a non-service-connected
13 ~~{nonservice-connected}~~ disability under Section 6.04(a)
14 {6.04(b)(2)} of this article, Plan A, or former Section 17(b)(2) of
15 this article with less than 20 years of pension service shall
16 receive a minimum monthly Group A disability pension equal to the
17 greater of \$110 ~~{(i) \$75}~~ multiplied by the number of years of the
18 primary party's pension service or ~~{(ii)}~~ \$50 multiplied by the
19 number of years of the primary party's pension service, the product
20 adjusted, if applicable, in the manner described by Section 6.12
21 ~~{6.12(a)}~~ of this article.

22 (i) If a Group A pensioner who received a
23 non-service-connected ~~{nonservice-connected}~~ disability pension
24 under Section 6.04(a) ~~{6.04(b)(2)}~~ of this article, Plan A, or
25 former Section 17(b)(2) of this article before the completion of 20

26 years of pension service dies, the qualified survivors will each
27 receive the amount specified in Section 6.07 of this article or the

1 minimum [monthly] Group A death benefit as provided under
2 Subsection (c), (d), (e), or (f) of this section, as applicable,
3 whichever is greatest.

4 SECTION 1.41. Sections 6.11, 6.12, and 6.13,
5 Article 6243a-1, Revised Statutes, are amended to read as follows:

6 Sec. 6.11. MINIMUM BENEFITS TO GROUP B PRIMARY PARTIES AND
7 THEIR QUALIFIED SURVIVORS. (a) Except as provided by Section 6.063
8 of this article or Subsections (b), (c), and (h) of this section and
9 notwithstanding any benefit computation and determination to the
10 contrary contained in this article, the minimum Group B benefits
11 provided by this section shall be paid to any Group B primary party
12 or the primary party's qualified survivors, except further that a
13 Group B primary party who elects to receive an actuarially reduced
14 [Group B] retirement pension, including a request for a benefit
15 under Sections 6.02(c) and (d) of this article, [~~because of the~~
16 ~~primary party's request to receive the pension at or after age 45,~~
17 ~~but before age 50]~~ and the primary party's qualified survivors[,]
18 or [an] alternate payee [~~of the primary party~~], are not entitled to
19 the Group B minimum benefits specified by this section.

20 (b) If a Group B primary party leaves active service with 20
21 or more years of pension service, the Group B primary party is
22 entitled to receive a Group B minimum retirement pension equal to
23 the greater of \$2,200 [(i) ~~\$1,500~~] a month or [(ii)] \$925 a month,
24 which sum may (A) increase at the rate of \$5 a month for each year of
25 pension service beyond 20 years, but the increase may not exceed \$75
26 and (B) be adjusted, if applicable, in the manner described by
27 Section 6.12 [6.12(a)] of article. [~~If a Group B primary~~
this

~~1 party's Group B retirement pension is or becomes subject to a
2 qualified domestic relations order and the sum of the actuarial
3 equivalents of the monthly Group B retirement pension payable to
4 the Group B primary party and the alternate payee is less than the
5 actuarial equivalent of the minimum monthly Group B retirement
6 pension as calculated under this subsection, the Group B primary
7 party's monthly Group B retirement pension will be increased so
8 that the sum of the actuarial equivalents of both the alternate
9 payee's and the Group B primary party's Group B retirement pensions
10 equals the actuarial equivalent of the minimum monthly Group B
11 retirement pension as calculated under this subsection.]~~

12 (c) If a Group B primary party leaves active service with
13 less than 20 years of pension service, the primary party is entitled
14 to receive a minimum monthly Group B retirement pension equal to the
15 greater of:

16 (1) ~~\$2,200~~ [(i) \$1,500] a month divided by 20 and
17 multiplied by the Group B primary party's number of years of pension
18 service; or

19 (2) [(ii)] \$925 a month divided by 20 and multiplied
20 by the Group B primary party's number of years of pension service,
21 which amount is then adjusted, if applicable, in the manner
22 described by Section ~~6.12~~ [6.12(a)] of _____ article. ~~[If a Group B
this~~

~~23 primary party's retirement pension is or becomes subject to a
24 qualified domestic relations order and the sum of the actuarial
25 equivalents of the monthly Group B retirement pension payable to
26 the Group B primary party and the alternate payee is less than the
27 actuarial equivalent of the monthly retirement pension as~~

1 ~~calculated under this subsection, the Group B primary party's~~
2 ~~monthly Group B retirement pension will be increased so that the sum~~
3 ~~of the actuarial equivalents of the alternate payee's and the Group~~
4 ~~B primary party's monthly Group B retirement pensions equals the~~
5 ~~actuarial equivalent of the minimum monthly Group B retirement~~
6 ~~pension as calculated under this subsection.]~~

7 (d) In the absence of children who are qualified survivors,
8 a spouse who is a ~~{surviving children, the}~~ qualified survivor
9 ~~{surviving spouse}~~ of a Group B primary party will receive a minimum
10 Group B death benefit equal to the greater of:

11 (1) \$1,200 ~~{(i) \$750}~~ a month;

or

12 (2) ~~{(ii)}~~ \$600 a month adjusted, if applicable, in
13 the manner described by Section 6.12 ~~{6.12(a)}~~ of this article.

14 (e) A spouse who is a qualified survivor ~~{surviving spouse}~~
15 of a Group B primary party ~~{will receive}~~, if there are children who
16 are survivors ~~{surviving children}~~, will receive ~~{the~~
qualified

17 ~~greater of a minimum Group B death benefit of 50 percent of the~~
18 ~~primary party's minimum monthly Group B retirement pension~~
19 ~~described by Subsection (b) or (c) of this section, whichever is~~
20 ~~applicable. The qualified surviving children, as a group, will~~
21 ~~receive the greater of] a minimum {monthly} Group B death benefit of~~
22 \$1,100 a month ~~{50 percent of the minimum monthly Group B retirement~~
23 ~~pension described by Subsection (b) or (c) of this section,~~
24 ~~whichever is applicable, to be divided equally among them].~~

25 (f) The ~~{In the absence of a qualified surviving spouse, the~~

26 ~~qualified surviving]~~ children who are qualified survivors of a
27 Group B primary party, as a group, will receive a minimum Group B

1 death benefit equal to the greater of \$1,100 ~~{(i) \$750}~~ a month or
2 ~~{(ii) \$600~~ a month adjusted, if applicable, in the manner
3 described by Section 6.12 ~~{6.12(a)}~~ of this article, to be divided
4 equally between them.

5 (g) If there is neither a ~~{In the absence of either a~~
6 ~~qualified surviving}~~ spouse nor a child who is a ~~{or}~~ qualified
7 survivor ~~{surviving—children}~~, each ~~{qualified—surviving}~~
8 dependent parent who is a qualified survivor of the deceased Group B
9 primary party will receive a minimum death benefit of \$1,100 a month
10 ~~{Group B minimum death benefit equal to the greater of 50 percent of~~
11 ~~the Group B primary party's minimum monthly Group B retirement~~
12 ~~pension described by Subsection (b) or (c) of this section,~~
13 ~~whichever is applicable. If only one qualified surviving dependent~~
14 ~~parent is surviving, the parent will receive a Group B minimum death~~
15 ~~benefit of 50 percent of the minimum monthly Group B retirement~~
16 ~~pension described by Subsection (b) or (c) of this section,~~
17 ~~whichever is applicable}.~~

18 (h) Notwithstanding the minimum monthly ~~{Group—B}~~
19 retirement pension otherwise described by this section, a Group B
20 primary party who left active service on a non-service-connected
21 ~~{nonservice-connected}~~ disability with less than 20 years of
22 pension service will receive a minimum monthly ~~{Group B}~~ disability
23 pension equal to the greater of \$110 ~~{(i) \$75}~~ multiplied by the
24 number of years of the primary party's pension service or ~~{(ii)}~~
25 \$46.25 multiplied by the number of years of the primary party's
26 pension service, the product adjusted in the manner, if applicable,

27 described by Section 6.12 ~~[6.12(a)]~~ of article. ~~If the Group~~
this

1 ~~B primary party's Group B disability pension is or becomes subject~~
2 ~~to a qualified domestic relations order and the sum of the actuarial~~
3 ~~equivalents of the monthly Group B disability pension payable to~~
4 ~~the Group B primary party and the alternate payee is less than the~~
5 ~~actuarial equivalent of the monthly disability pension as~~
6 ~~calculated under this subsection, the Group B primary party's~~
7 ~~monthly Group B disability pension will be increased so that the sum~~
8 ~~of the actuarial equivalents of the alternate payee's and the Group~~
9 ~~B primary party's monthly Group B disability pensions equals the~~
10 ~~actuarial equivalents of the minimum monthly Group B disability~~
11 ~~pension as calculated under this subsection.] If a Group B primary~~
12 ~~party who was receiving a non-service-connected~~
13 ~~{nonservice-connected—Group—B} disability pension before the~~
14 ~~completion of 20 years pension service dies, the qualified~~
15 ~~survivors will receive the amount specified in Section 6.08 of this~~
16 ~~article, or the {Group B} minimum monthly death benefits granted to~~
17 ~~qualified survivors as provided by Subsections (d), (e), (f), and~~
18 ~~(g) of this section, as applicable, whichever is greater.~~

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

22 (1) ~~{Annually—on—the—first—day—of—October,} a~~
23 ~~retirement pension calculated under Section 6.01(e) ~~{Section 6.01}~~~~
24 ~~or 6.02 of this article;~~

25 (2) ~~{,} a disability pension calculated under Section~~
26 ~~6.04 of this article, other than under Section 6.04(a) of this~~
27 ~~article;~~

1 (3) periodic disability compensation benefit under
2 Section [for] 6.05 of this article, other than Section 6.05(b-1) of
3 this article; [,] or

4 (4) a death benefit calculated under:

5 (A) Section 6.07 of this article, if calculated
6 in the manner of a retirement pension under Section 6.01(e) of this
7 article or in the manner of a disability compensation benefit under
8 Section 6.05(b) of this article; or

9 (B) Section 6.08 of this article currently in pay
10 status, or pending board approval on the last day of September [,
11 will be increased by an amount equal to four percent, not
12 compounded, of the original amount of the retirement or disability
13 pension or death benefit].

14 (b) Except as provided by Subsection (d) of this section,
15 annually on the first day of October, the pension system shall
16 increase the base pension of a benefit described by Subsection (a)
17 of this section by a percentage equal to the average annual rate of
18 actual investment return of the pension system for the five-year
19 period ending on the December 31 preceding the effective date of the
20 adjustment less five percent.

21 (c) An adjustment under this section may not be less than
22 zero percent or exceed four percent of the applicable base pension
23 benefit.

24 (d) The pension system may only make an adjustment to
25 benefits under this section if the ratio of the amount of the
26 pension system's market value of assets divided by the amount of the
27 pension system's actuarial accrued liabilities, after giving

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1 effect to the adjustment, is not less than .70.

2 (e) For purposes of Subsection (d) of this section, the
3 amount of the pension system's market value of assets and the amount
4 of the pension system's actuarial accrued liabilities shall be
5 based on and determined as of the date of the most recently
6 completed actuarial valuation.

7 (f) The following persons may not receive an adjustment
8 under this section:

9 (1) a member on active service, including a DROP
10 participant;

11 (2) a pensioner until the first October 1 occurring
12 after both the pensioner's retirement and the earlier of:

13 (A) the date the pensioner reaches 62 years of
14 age; or

15 (B) the third anniversary of the date the
16 pensioner retired; or

17 (3) a qualified survivor until the first October 1
18 occurring after the earlier of:

19 (A) the date the qualified survivor reaches 62
20 years of age;

21 (B) the third anniversary of the date the primary
22 party retired; or

23 (C) the third anniversary of the date of the
24 member's or pensioner's death.

25 (g) [(b) A [Group B] retirement or [Group B] disability
1

26 pension or periodic disability compensation paid to any Group B
27 pensioner may not be less than the Group B pensioner's base pension.

1 (h) The death benefit of the qualified survivors who are the
2 ~~{a Group B qualified surviving}~~ spouse, ~~{Group B qualified~~
3 ~~surviving}~~ dependent parent, or child of a Group B pensioner
4 ~~{parents, as a group, or Group B qualified surviving children}~~, as a
5 group, may not be less than 50 percent of the ~~{a Group B}~~
6 pensioner's base pension.

7 Sec. 6.13. SUPPLEMENT TO CERTAIN RECIPIENTS 55 YEARS OF AGE
8 OR OLDER. (a) Except as provided by Subsection (b) of this
9 section, if ~~{If}~~ a pensioner had at least 20 years of pension
10 service under any plan adopted pursuant to Article 6243a or this
11 article, or if a pensioner is receiving the periodic ~~{a~~
12 ~~service-connected}~~ disability compensation benefit under Section
13 6.05 of this article ~~{pension}~~, the pensioner, the pensioner's
14 ~~{qualified surviving}~~ spouse who is a qualified survivor eligible
15 to receive benefits under this article, or the pensioner's
16 ~~{qualified surviving}~~ children who are qualified survivors, as a
17 group, under Section 6.06 ~~{6.06(o)}~~ of this article are entitled to
18 receive, when the pensioner or spouse who is a qualified survivor
19 ~~{surviving spouse}~~ attains 55 years of age, provided the pensioner
20 or spouse attains 55 years of age before September 1, 2017, ~~{the~~
21 ~~greater of}~~ a monthly supplement equal to the greater of \$50 or
22 three percent of their total monthly benefit[,], and for months
23 ~~{years}~~ beginning on and after January 1, 1991, a ~~{the}~~ monthly
24 supplement ~~{will be}~~ equal to the greater of \$75 or three percent of
25 their total monthly benefit. For purposes only of calculating this
26 supplement, the phrase "their total monthly benefit" means the
27 amount payable to a pensioner or qualified survivors under the

1 terms of the plans described by this section under which the
2 pensioner or qualified survivor elected to receive benefits but
3 does not include the supplement authorized by this section or any
4 adjustments under Section 6.12 of this article made after September
5 1, 2017.

6 (b) A person described by Subsection (a) of this section
7 who, on September 1, 2017, is not receiving or has not received a
8 supplemental benefit under this section is not entitled to receive
9 a supplemental benefit under this section.

10 SECTION 1.42. Section 6.14, Article 6243a-1, Revised
11 Statutes, is amended by amending Subsections (a), (b), (c), (d),
12 (e), (f), (g), (h), and (j) and adding Subsections (e-1), (e-2),
13 (e-3), (e-4), (f-1), (g-1), (I), (m), (n), and (o) to read as
14 follows:

15 (a) ~~A [In lieu of either leaving active service and~~
16 ~~commencing a retirement pension as provided for under Section 6.01~~
17 ~~or 6.02 of this article, whichever is applicable, or remaining in~~
18 ~~active service and continuing to accrue additional pension benefits~~
19 ~~as provided under Section 6.01 or 6.02, a] member who remains on~~
20 ~~active service after becoming [is] eligible to receive a [an~~
21 ~~unreduced] retirement pension under either Section 6.01 or 6.02 of~~
22 ~~this article may [remain in active service,] become a participant~~
23 ~~in the deferred retirement option plan [Deferred Retirement Option~~
24 ~~Plan ("DROP")] in accordance with Subsections (b) and (c) of this~~
25 ~~section, and defer the beginning of the person's retirement~~
26 ~~pension. Once an election to participate in the DROP has been made,~~

27 the election continues in effect at least as long as the member

1 remains in active service. On leaving active service, the member
2 may:

3 (1) apply for a retirement pension under Sections
4 6.01(b) and (c), Section 6.01(e), or Section 6.02(b), (c), (d), or
5 (e) [Section 6.02] of this article, whichever is applicable,

6 together with any DROP benefit provided under this section; or

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

10 (b) The election to participate in the DROP shall be made in
11 accordance with procedures set forth in any uniform and
12 nondiscriminatory election form adopted by the board and in effect
13 from time to time. To determine the proper amount to be credited to
14 a member's DROP account, the election shall indicate whether the
15 member desires to receive a retirement pension under Sections
16 6.01(b) and (c), Section 6.01(e), or Section 6.02(b), (c), (d), or
17 (e) [6.02] of this article, whichever is applicable. The election
18 may be made at any time on or after the date the member becomes
19 eligible for a [an unreduced] retirement pension as provided by
20 this subsection. The election [under Sections 6.01(b) and (c),
21 Section 6.01(e), or Section 6.02 of this article, whichever is
22 applicable, and] becomes effective on the first day of the first
23 month on or after the date on which the member makes the election,
24 except that an election that would otherwise have been effective on
25 October 1, 1993, and every October 1 after that date, is considered,
26 for purposes of this section and Section 6.12 of this article, to be

27 effective on September 30 of the year in which it would otherwise

1 have been effective. On and after the effective date of the
2 election, the member will no longer be eligible for any refund of
3 ~~{make member}~~ contributions ~~{to the fund, notwithstanding Section~~
4 ~~4.03(b) or (f) of this article, whichever is applicable}~~. The
5 election by one or more members to participate in the DROP has no
6 effect on the amount of city contributions to the fund under Section
7 4.02 of this article.

8 (c) Each month after a member has made an election to
9 participate in the DROP and indicated a desire to receive a
10 retirement pension under Sections 6.01(b) and (c), Section 6.01(e),
11 or Section 6.02(b), (c), (d), or (e) ~~{Section 6.02}~~ of this article,
12 whichever is applicable, and through the month before the month in
13 which ~~{until}~~ the member leaves active service, an amount equal to
14 the retirement pension the member would have received under the
15 ~~{Sections 6.01(b) and (c), Section 6.01(e), or Section 6.02,~~
16 ~~whichever is}~~ applicable subsection[,] for that month if the member
17 had left active service and been granted a retirement pension by the
18 board on the effective date of DROP participation shall be credited
19 ~~{transferred}~~ to a separate DROP account maintained within the fund
20 for the benefit of the member. Amounts held in the DROP account of a
21 member ~~{member's DROP account}~~ shall be credited at the end of each
22 calendar month ~~{with interest at a rate that will approximately~~
23 ~~equal one twelfth of the annual rate assumed by the pension~~
24 ~~system's qualified actuary and approved by the board as the assumed~~
25 ~~actuarial rate of return for the fund}~~. Notwithstanding this
26 section, effective January 1, 2018, a member on active service who
27 has 10 years or more of participation in DROP shall no longer have

1 the amount of the member's retirement pension credited to the
2 member's DROP account while the member is on active service.

3 (d) ~~A [On leaving active service and on the board's grant of~~
4 ~~a retirement pension, a] member may not [who participates in DROP~~
5 ~~shall begin to] receive a [the balance in the person's DROP account~~
6 ~~under one of the following methods of] distribution from the~~
7 member's DROP account while the member is on active service
8 ~~[elected by the member;~~

9 [(1)—a single sum distribution made at a time selected
10 by the member but not later than April 1 of the year after the member
11 attains 70-1/2 years of age;

12 [(2)—an annuity to be paid in equal monthly payments
13 for the life of the member, or for the life of the member and a
14 designated beneficiary in the same manner as a retirement pension
15 computed under Sections 6.01(b) and (c), Section 6.01(e), or
16 Section 6.02 of this article, whichever is applicable, determined
17 as of the date the member leaves active service based on the
18 person's account balance and age and the age of the designated
19 beneficiary, if applicable, on that date and using the mortality
20 and earnings assumptions being used on that date by the pension
21 system's qualified actuary and approved by the board as the assumed
22 actuarial rate of return for the fund; or

23 [(3)—substantially equal monthly or annual payments of
24 the person's account balance beginning at a time selected by the
25 member that is on or before April 1st of the year after the member
26 attains 70-1/2 years of age and extending over a fixed period that

27 ~~does not exceed the life expectancy of the member, or the life~~

1 ~~expectancy of the member and the member's designated beneficiary,~~
2 ~~if applicable].~~

3 (e) Except as provided by Subsections (e-1) and (1) of this
4 section, the balance in the [The] DROP account [balance] of a member
5 who terminated from active service on or before September 1, 2017,
6 or who terminates from active service shall be distributed to the
7 member in the form of an annuity, payable either monthly or annually
8 at the election of the member, by annuitizing the amount credited to
9 the DROP account over the life expectancy of the member as of the
10 date of the annuitization using mortality tables recommended by the
11 pension system's qualified actuary. The annuity shall be
12 distributed beginning as promptly as administratively feasible
13 after the later of, as applicable:

14 (1) the date the member retires and is granted a
15 retirement pension; or

16 (2) September 1, 2017 [elects the method of
17 distribution described by Subsection (d)(3) of this section shall
18 be credited with interest on the unpaid balance at the end of each
19 calendar month in the same manner as is prescribed by Subsection (e)
20 of this section].

21 (e-1) The board may adopt a shorter period for annuitizing
22 DROP account balances under Subsection (e) of this section if the
23 pension system's qualified actuary determines that the shorter
24 period will not cause the pension system's amortization period to
25 exceed 25 years [A member may change a distribution election at any
26 time before the member attains 70 1/2 years of age to receive one or
27 more additional payments or to accelerate or delay any payment not

1 ~~then due, if the change is communicated to the plan administrator,~~
2 ~~in accordance with procedures then in effect, not less than 30 days~~
3 ~~before the day it is to take effect and if the change does not result~~
4 ~~in a failure of the distributions to satisfy the requirements of~~
5 ~~Section 401(a)(9) of the code].~~

6 (e-2) The annuitization of a DROP account under Subsection
7 (e) of this section must reflect the accrual of interest on the
8 amount in the DROP account as of September 1, 2017, over the
9 annuitization period applied to the account under this section.
10 The interest rate applied under this subsection must be a rate as
11 reasonably equivalent as practicable to the interest rate on a note
12 issued by the United States Department of the Treasury or other
13 federal treasury note with a duration that is reasonably comparable
14 to the annuitization period applied to the account, as determined
15 by the board. The portion of an annuity attributable to amounts
16 credited to a member's DROP account on or after September 1, 2017,
17 may not reflect the accrual of this interest on annuitization.

18 (e-3) The board may by rule allow a DROP participant who has
19 terminated active service and who is eligible for a retirement
20 pension to:

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

26 (2) subject to Subsection (e-4) of this section, in
27 the event of a financial hardship that was not reasonably

1 foreseeable obtain a lump-sum distribution from the participant's
2 DROP account resulting in a corresponding reduction in the total
3 number or in the amount of annuity payments.

4 (e-4) The board shall adopt rules necessary to implement
5 Subsection (e-3)(2) of this section, including rules regarding what
6 constitutes a financial hardship for purposes of that subdivision.
7 In adopting the rules, the board shall provide flexibility to
8 members.

9 (f) The board may adopt rules and policies relating to the
10 administration of Subsections (e), (e-1), and (e-2) of this section
11 if the rules and policies are:

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

14 (2) in the best interest of the pension system [Any
15 election made in accordance with Subsection (d) of this section may
16 be changed at any time before leaving active service to any other
17 election permitted by that subsection, subject to the requirements
18 for spousal consent, in Section 6.14(d)(1), if applicable].

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

21 (g) The provisions of Sections 6.06, 6.061, 6.062, 6.063,
22 6.07, and 6.08 of this article pertaining to death benefits of a
23 qualified survivor do not apply to amounts held in a member's or
24 pensioner's DROP account ~~[, and the class of persons eligible to~~
25 ~~become qualified survivors of a member closes on the effective date~~
26 ~~of the member's participation in DROP].~~ Instead, a member or
27 pensioner who participates in DROP may designate a beneficiary to

1 receive the annuity payments under this section over the remaining
2 annuitization period [~~balance of the member's DROP account~~] in the
3 event of the member's or pensioner's death subject to any rights
4 provided under Subsection (e-3) of this section and in the
5 {following} manner allowed by Section 401(a)(9) of the code and any
6 policy adopted by the board. A member or pensioner who is or
7 becomes married is considered to have designated the member's or
8 pensioner's spouse as the member's or pensioner's beneficiary,
9 notwithstanding any prior beneficiary designation, unless the
10 member or pensioner has made a different designation in accordance
11 with a policy adopted by the board. If a member or pensioner does
12 not have a spouse or the spouse predeceases the member or pensioner,
13 the member's or pensioner's, as applicable, DROP account will be
14 distributed to the member's or pensioner's, as applicable,
15 designee. Notwithstanding anything in this section to the
16 contrary, if a member or pensioner has previously designated the
17 member's or pensioner's spouse as the beneficiary or co-beneficiary
18 of the DROP account and the member or pensioner and spouse are
19 subsequently divorced, the divorce automatically results in the
20 invalidation of the designation of the spouse as a beneficiary and,
21 if there is no additional beneficiary designated, the member's or
22 pensioner's DROP account shall be distributed as provided by
23 Subsection (e) of this section. If there are beneficiaries who
24 survive the deceased member or pensioner, the surviving
25 beneficiaries share equally in that portion that would have
26 otherwise been payable to the former spouse. {:

27 ~~{(1) The beneficiary designation must be made on an~~

1 election form adopted by the board and in effect from time to time
2 and in accordance with the conditions on the form, except that if
3 the member is married, the designation of a beneficiary other than
4 the member's spouse is valid only if the spouse consents to the
5 designation at the time, in the manner, and on the consent form as
6 is adopted by the board and in effect from time to time.

7 [(2)—If a member who participates in DROP dies while in
8 active service or before the beginning of the member's DROP
9 account, distributions will begin no more than one year after the
10 date of the member's death under a method described by Subsection
11 (d) of this section and shall be completed within the life, or life
12 expectancy, of the designated beneficiary.

13 [(3)—If a member who participates in DROP dies after
14 having begun to receive distributions in accordance with Subsection
15 (d) of this section, the balance in the member's DROP account shall
16 continue to be distributed to the member's designated beneficiary
17 or other person described by Subdivision (4) of this subsection in
18 accordance with any elections that had been made under Subsection
19 (d) of this section.

20 [(4)—If the deceased member has not designated a
21 beneficiary or has designated a beneficiary but not a method of
22 distribution, the member's DROP account shall be distributed in a
23 single sum payment as soon as administratively feasible after the
24 member's death to the beneficiary if one was designated and
25 otherwise to the spouse if the member was married at the time of
26 death or, if the member was not married, to the member's estate.]

27 (g-1) [(5)] A member who [participates in DROP] becomes a

1 DROP participant is ineligible for any disability benefits
2 described by Section ~~[Sections]~~ 6.03, or ~~[and]~~ 6.05 of this
3 6.04,
4 article, but is entitled to ~~[instead, on the board's acknowledgment~~
5 ~~of a disability that would otherwise qualify the member for~~
6 ~~disability benefits, the board shall grant]~~ a retirement pension in
7 accordance with Sections 6.01(b) and (c), Section 6.01(e), or
8 Section 6.02 of this article, whichever is applicable, on
9 termination from active service, and ~~[the member]~~ is also entitled
10 to receive annuity payments ~~[both a retirement pension and a~~
11 ~~distribution of the DROP account]~~ in accordance with Subsection (e)
12 ~~[(d)]~~ of this section.

13 (h) The base pay or computation pay, whichever is
14 applicable, in effect as of the effective date a ~~[Group A]~~
15 of
16 member's participation in DROP shall be used in calculating the
17 member's ~~[Group A]~~ retirement pension under Section 6.01 or 6.02 of
18 this article. A ~~[Group A]~~ member who elects to participate in DROP
19 does not accrue additional pension service for purposes of
20 computing a ~~[the Group A]~~ retirement pension ~~[provided under~~
21 ~~Section 6.01(e) of this article]~~ for any period after the effective
22 date of the election.

23 (j) Except as provided by Subsection (l) of this section, if
24 ~~[If]~~ a pensioner who has been a ~~[participated in]~~ DROP participant
returns to active service, the person must ~~[once again]~~ become a
participant in DROP under the terms and conditions in effect at the

25 time of {the person's} return to active service.

26 (1) Notwithstanding any other provision of this section and
27 except as provided by Subsection (o) of this section, a member who

1 has entered DROP before June 1, 2017, may revoke the DROP election
2 at any time on or after September 1, 2017, and before the earlier
3 of:

4 (1) February 28, 2018; or

5 (2) the member's termination of active service.

6 (m) If a member revokes participation in DROP under
7 Subsection (l) of this section:

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

9 and

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

17 (n) A member who revokes the member's DROP election under
18 Subsection (l) of this section is entitled to only a monthly pension
19 computed on the basis of the member's pension service, including
20 pension service purchased under Subsection (m) of this section:

21 (1) that is based on the member's average computation
22 pay at the time of leaving active service, if the member is a Group B
23 member; or

24 (2) as provided by Section 6.01(b) of this article, if
25 the member is a Group A member.

26 (o) A member may not revoke DROP participation under
27 Subsection (l) of this section if any money has been transferred out

1 of the member's DROP account.

2 SECTION 1.43. Part 6, Article 6243a-1, Revised Statutes, is
3 amended by adding Section 6.141 to read as follows:

4 Sec. 6.141. DEFERRED ANNUITIZATION OF CERTAIN DROP

5 ACCOUNTS. (a) This section applies only to a pensioner who:

6 (1) before attaining 50 years of age:

7 (A) left active service; and

8 (B) was granted a service retirement pension

9 under Section 6.01 or 6.02 of this article;

10 (2) since the pensioner's retirement has continued to
11 receive substantially equal periodic payments, as determined under
12 Section 72(t) of the code; and

13 (3) on September 1, 2017:

14 (A) is a DROP participant; and

15 (B) has not attained 59-1/2 years of age.

16 (b) Notwithstanding Section 6.14 of this article and solely
17 to avoid the possibility of an early distribution tax penalty under
18 Section 72(t)(4) of the code:

19 (1) a pensioner subject to this section may until the
20 pensioner attains 59-1/2 years of age:

21 (A) subject to Subsection (c) of this section,
22 continue to participate in DROP;

23 (B) have the same amount of the pensioner's
24 service retirement pension credited to the pensioner's DROP account
25 as has been credited since the pensioner's service retirement
26 pension was initially granted; and

27 (C) defer annuitization of the pensioner's DROP

1 account under Section 6.14(e) of this article; and
2 (2) once a pensioner subject to this section attains
3 59-1/2 years of age:

4 (A) the pensioner may not have any portion of the
5 pensioner's service retirement pension credited to the pensioner's
6 DROP account; and

7 (B) as soon as administratively feasible, the
8 balance in the pensioner's DROP account shall be annuitized and
9 distributed to the pensioner in accordance with Section 6.14(e) of
10 this article.

11 (c) The DROP account of a pensioner who continues
12 participation in DROP under Subsection (b)(1)(A) of this section
13 does not accrue interest on and after September 1, 2017.

14 SECTION 1.44. Sections 6.15(a), (b), and (e), Article
15 6243a-1, Revised Statutes, are amended to read as follows:

16 (a) The board may require the following pensioners
17 receiving a disability pension or a periodic disability
18 compensation benefit to appear and undergo a medical examination by
19 the health director or, if the health director approves, by any
20 licensed medical practitioner, to determine if the pensioner's
21 disability continues or has been removed to the extent that the
22 pensioner is able to resume duties with the department:

23 (1) any Group A pensioner who has served less than 20
24 years;

25 (2) any Group A pensioner who elected a Group A ~~[B]~~
26 disability pension under Section ~~6.04~~ [6.04(e)] of this article,
27 periodic disability compensation under Section 6.05 of this

1 article, or a non-service-connected disability pension under Plan A
2 or former Section 17(b)(2) of this article, and who had [has served]
3 more than 20 years of pension service, but is less than 55 years of
4 age; and

5 (3) any Group B pensioner who was granted [elected] a
6 Group B disability pension under Section 6.04 of this article or
7 periodic disability compensation under Section 6.05 of this article
8 or a disability pension under the terms of Plan B and is less than 50
9 years of age.

10 (b) Any medical examination under this section is subject to
11 the following conditions:

12 (1) Except as otherwise provided by this section, the
13 board has complete discretion to require a pensioner to appear and
14 undergo a medical examination as well as the time that may pass
15 between examinations. When it becomes clear to the board from
16 reliable medical evidence that the disability is unequivocally
17 permanent and is not expected to diminish, the board may waive [not
18 require] subsequent examinations.

19 (2) A pensioner may not be required to undergo a
20 medical examination more often than once in a six-month period,
21 except that the board may order the pensioner to undergo an
22 examination at any time if the board has reason to believe the
23 pensioner's disability has been removed and that the pensioner may
24 be able to resume duties with the pensioner's former department or
25 if the pensioner requests to be allowed to return to duty.

26 (3) If a pensioner fails to undergo an examination
27 after being notified by the board that the examination is required,

1 the board may discontinue disability benefits until the pensioner
2 has undergone the examination and the results of the examination
3 have been sent to the board.

4 (4) If the pensioner is examined by an approved
5 outside medical practitioner other than the health director, the
6 reasonable and customary cost of the examination, if any, is
7 payable from the assets of the fund.

8 (e) Pursuant to its authority under Section 6.06(o-2)
9 ~~[6.06(o)]~~ of this article to review and modify any funding relating
10 to the disability of a child who is a qualified survivor ~~[surviving~~
11 ~~child's handicap]~~, the board may require the ~~[a handicapped]~~
12 qualified survivor with a disability ~~[surviving child]~~ receiving
13 death benefits to appear and undergo medical examination by the
14 health director or, if the health director approves, by any
15 licensed medical practitioner, to determine if the disability
16 ~~[handicap]~~ continues or if the disability ~~[handicap]~~ has been
17 removed.

18 SECTION 1.45. Sections 6.16, 6.18, and 6.19, Article
19 6243a-1, Revised Statutes, are amended to read as follows:

20 Sec. 6.16. WAIVER OF BENEFITS. (a) A primary party
21 ~~[pensioner who is on either service or disability retirement]~~, ~~[a~~
22 qualified survivor ~~[surviving spouse, a handicapped qualified~~
23 ~~surviving child, a member who may be a participant in DROP], or [a~~
24 beneficiary of a member's ~~[deceased former]~~ DROP account
25 ~~[participant, or a qualified surviving dependent parent]~~ may, on a
26 form prescribed by the board and filed with the executive director
27 ~~[administrator]~~, ~~[irrevocably]~~ waive all or a portion of the

1 ~~benefits[,] to which the person [who waives the benefit] is or may~~
2 ~~be entitled. The waiver may state whether it is revocable or~~
3 ~~irrevocable, and is irrevocable unless the waiver clearly states it~~
4 ~~is revocable.~~

5 (b) The ~~[irrevocable]~~ waiver described by Subsection (a) of
6 this section applies only to ~~[retirement, disability, or DROP~~
7 ~~survivor]~~ benefits that become payable on or after the date the
8 waiver is filed.

9 ~~(b-1) Benefits waived by a revocable waiver are forfeited~~
10 ~~and the person making the waiver has no right, title, claim, or~~
11 ~~interest in the benefits.~~

12 (c) If ~~two or more persons are or may be entitled to benefits~~
13 ~~under this article [there are two qualified surviving dependent~~
14 ~~parents receiving death benefits],~~ the waiver described by
15 Subsection (a) of this section must be executed by each person to
16 become effective. The living parent or parents or legal guardian or
17 guardians of a child must sign the waiver described by Subsection
18 (a) of this section on behalf of the child [both of the parents].

19 Sec. 6.18. INVESTIGATION. (a) The board shall consider all
20 applications for retirement and disability pensions ~~[of members],~~
21 all applications for death benefits ~~[by qualified survivors],~~ and
22 all elections to participate ~~[for participation by a member]~~ in
23 DROP. The board shall give notice to ~~[those]~~ persons applying for
24 benefits, advising them of their right to appear before the board
25 and offer such sworn evidence as they may desire. Any ~~[primary~~
26 ~~party, survivor, or other]~~ person claiming retirement, disability,
27 or DROP benefits may appear before

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offer

1 testimony that is relevant to a contested application for a
2 retirement pension, a disability pension, death benefits
3 ~~{benefit}~~, or DROP benefits ~~{benefit}~~. The chairman of the board
4 may issue process for witnesses, administer oaths to witnesses, and
5 examine any witness as to any matter affecting benefits under any
6 plan within the pension system. Process for witnesses shall be
7 served by any ~~{member of the police or fire department or by any~~
8 ~~other}~~ method of serving process ~~{or person}~~ permitted by the state
9 law in any civil judicial proceeding. A witness who fails or
10 refuses to attend and testify may be compelled to attend and
11 testify, as in any judicial proceeding. The board may seek
12 assistance from any court of competent jurisdiction to further
13 compel or sanction a witness who fails or refuses to attend and
14 testify.

15 (b) Any ~~{primary party, spouse, child, dependent parent, or~~
16 ~~other}~~ person ~~{claiming DROP benefits}~~ who is aggrieved by a
17 determination of the board regarding ~~{on the person's application~~
18 ~~for or continuation of}~~ a retirement pension, a disability pension,
19 ~~{or}~~ death benefits ~~{benefit}~~, ~~{an election for}~~ DROP benefits
or

20 may appeal the board determination to a state district court in the
21 city ~~{county}~~ where the pension system is located by giving written
22 notice of appeal. The notice shall contain a statement of the
23 grounds and reasons why the party feels aggrieved. The notice shall
24 be served personally on the executive director ~~{secretary of the~~
25 ~~board}~~ within 20 days after the date of the board's determination.
26 After service of the notice, the party appealing shall file with the

27 state district court a copy of the notice of intention to appeal,

1 together with an affidavit of the party making service showing how,
2 when, and on whom the notice was served.

3 (c) Within 30 days after the date of service of the notice of
4 appeal on the board, the executive director ~~{secretary of the~~
5 ~~board}~~ shall make up and file with the state district court a
6 transcript of all nonprivileged papers and proceedings in the case
7 before the board. When the copy of the notice of appeal and the
8 transcript has been filed with the court, the appeal is perfected,
9 and the court shall docket the appeal, assign the appeal a number,
10 fix a date for hearing the appeal, and notify both the appellant and
11 the board of the date fixed for the hearing.

12 (d) At any time before the rendering of its decision on
13 ~~{the}~~ appeal, the court may require further or additional proof or
14 information, either documentary or under oath. On rendition of a
15 decision on appeal, the court shall give to each party to the appeal
16 a copy of the decision of the case. The decision ~~{or order}~~ of the
17 court is appealable in the same manner as are civil cases generally.

18 (e) As provided by Section 4.01 of this article, the ~~{The}~~
19 board shall approve all money used for investigations ~~{as provided~~
20 ~~under Section 4.01 of this article}~~. The board may request the
21 investigative services of either the police or fire departments in
22 connection with any matter arising under this section.

23 Sec. 6.19. CERTIFICATE OF MEMBER PENSION BENEFIT
24 ELIGIBILITY ~~{RETIREMENT}~~. When a member has earned five ~~{20}~~ years
25 of pension service, the member shall be issued an ~~{a certificate of~~
26 ~~retirement that, barring administrative error, miscalculation, or~~

27 ~~other error, after issuance is]~~ incontestable five-year

1 certificate indicating that the member is entitled to pension
2 benefits subject to the effect of any withdrawals as permitted
3 under Article 6243a or this article. The certificate shall state
4 that the calculation of the retirement pension to which the member
5 is entitled, or any disability benefits to which the member may
6 become entitled, shall be determined solely under the actual terms
7 of the combined pension plan as in effect at the time the member
8 leaves active service. The certificate shall further state that in
9 the case of the member's death, the member's qualified survivors, if
10 any, may become [~~shall be~~ entitled to death [~~survivor~~] benefits as
]

11 determined solely under the actual terms of the combined pension
12 plan as in effect at the time of the member's death. The
13 certificate shall bear a seal and be signed by the executive
14 director [~~mayor, or the mayor pro tem, or the city manager~~] and [~~by~~
15 ~~the~~] chairman of the board [~~and attested under the seal of the city~~
16 ~~by the city secretary~~].

17 SECTION 1.46. Part 6, Article 6243a-1, Revised Statutes, is
18 amended by adding Section 6.20 to read as follows:

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

(b) The recipient of an erroneous payment from the pension

1 system shall repay to the pension system all funds associated with
2 the erroneous payment.

3 (c) Subject to Subsection (e) of this section, the board may
4 by rule adopt a procedure to enable the pension system to offset the
5 future benefit or other payments of a recipient described by this
6 section. In addition, the board may take any additional action,
7 including the bringing of a lawsuit, the board considers necessary
8 to recover an erroneous payment the pension system is entitled to
9 under this section.

10 (d) If the pension system determines that a person is
11 entitled to additional benefits as a result of an error made by the
12 pension system, the pension system shall promptly pay the
13 additional benefits owed.

14 (e) The board's correction procedures must comply with the
15 Internal Revenue Service's Employee Plans Compliance Resolution
16 System and Revenue Procedure 2016-51, including subsequent
17 guidance.

18 SECTION 1.47. Article 6243a-1, Revised Statutes, is amended
19 by adding Part 6A to read as follows:

20 PART 6A. EQUITABLE ADJUSTMENTS

21 Sec. 6A.01. EQUITABLE ADJUSTMENTS TO BENEFITS. (a)
22 Subject to this section and notwithstanding any other provision of
23 this article, the board by a two-thirds vote of all trustees may
24 consider and adopt rules requiring the equitable return of funds
25 paid to or credited to the benefit of a member or pensioner under
26 this article before September 1, 2017, to the extent the funds
27 exceeded reasonable amounts that should be paid or credited given

1 the circumstances of the pension system at the time the payment or
2 credit was made, including the return of excessive interest
3 credited to a member's DROP account and excessive adjustments made
4 under Section 6.12 of this article.

5 (b) For purposes of Subsection (a) of this section,
6 "reasonable amounts" includes the amounts that would have been paid
7 or credited:

8 (1) if the interest rate applied in determining a
9 benefit, including the interest rate applied to a DROP account,
10 equaled the actual, audited rate of return of the plan at the time
11 the interest was credited to the account; or

12 (2) if the percentage increase applied under Section
13 6.12 of this article equaled the percentage increase, if any, in the
14 Consumer Price Index for Urban Wage Earners and Clerical Workers
15 (CPI-W) most recently published by the Bureau of Labor Statistics
16 of the United States Department of Labor and used by the United
17 States Social Security Administration to provide a cost-of-living
18 adjustment for social security benefit payments payable beginning
19 in January of the next year.

20 Sec. 6A.02. ADJUDICATION OF CERTAIN CHALLENGES. (a) The
21 Texas Supreme Court has exclusive and original jurisdiction over a
22 challenge to the constitutionality under the Texas Constitution of
23 Section 6A.01 of this article. An action under this section is
24 authorized to the full extent permitted by Section 3, Article V,
25 Texas Constitution. The Texas Supreme Court may issue any
26 injunctive, declaratory, or equitable relief the court deems
27 appropriate or necessary to effectuate the court's mandamus

1 jurisdiction in connection with a challenge under this section.

2 (b) Any action brought under this section must be filed not
3 later than the 90th day after the date the board adopts a rule under
4 Section 6A.01 of this article.

5 (c) If an action brought under this section is timely filed,
6 the board may not enforce or otherwise administer any rules adopted
7 pursuant to Section 6A.01 of this article during the pendency of the
8 action.

9 SECTION 1.48. Section 8.01, Article 6243a-1, Revised
10 Statutes, is amended to read as follows:

11 Sec. 8.01. QUALIFICATION UNDER FEDERAL TAX LAW. (a) The
12 plans within the pension system and the assets of the fund are
13 intended to qualify as a governmental plan under Sections [Section]
14 401 and 414(d) of the code, be exempt from federal income taxes
15 under Section 501(a) of the code, and conform at all times to
16 applicable requirements of law, regulations, and orders of duly
17 constituted federal governmental authorities. Accordingly, if any
18 provision of this article is subject to more than one construction,
19 one of which will permit the qualification of a plan that is within
20 the pension system, that construction that will permit the plan to
21 qualify and conform will prevail.

22 (b) The plans within the pension system as well as the
23 assets of the fund shall be maintained for the exclusive benefit of
24 members and their beneficiaries. At no time before the termination
25 of all the plans within the pension system and the satisfaction of
26 all liabilities with respect to members and their beneficiaries
27 under all plans shall any part of the principal or interest from the

1 assets of the fund be used for or diverted to purposes other than
2 the exclusive benefit of the members and beneficiaries.

3 (c) Notwithstanding any other provisions of this article,
4 the annual benefit [pension] provided with respect to any member
5 [may not exceed an annual benefit computed in accordance with the
6 limitations prescribed by this subsection.

7 [(1)—The maximum annual benefit payable] in any
8 limitation year [to a member] may not exceed the amount permitted by
9 Section 415(b) of the code for the limitation year, and the sum of
10 the member contributions and all other annual additions for any
11 limitation year may not exceed the amount permitted under Section
12 415(c) of the code for the limitation year. If the aggregated
13 annual benefit or aggregated annual additions under [lesser-
of: 14 [(A)—\$90,000; or

15 [(B)—100 percent of a member's 415 compensation
16 averaged over the three consecutive limitation years, or the actual
17 number of limitation years for a member whose total pension service
18 is less than three consecutive limitation years, during which the
19 member had the greatest aggregate 415 compensation from the city.

20 [(2)—Benefits provided to a member under this article
21 and under any defined benefit plan or plans maintained by the city
22 shall be aggregated for purposes of determining whether the
23 limitations in Subdivision (1) of this subsection are met. If the
24 aggregate benefits otherwise payable from] any qualified plans
25 created under this article and any other defined benefit plan or
26 plans maintained by the city would otherwise exceed the limitations
27 of Section 415 of the code [Subdivision (1) of this subsection], the

1 required reductions in benefits or contributions shall first be
2 made to the extent possible from the other plan or plans. The
3 limitations referenced in this subsection shall be adjusted
4 annually in accordance with Section 415(d) of the code and any
5 adjustment to benefits applies to the benefits of active and
6 terminated members and applies without regard to whether a
7 terminated member is a pensioner.

8 ~~[(3) The adjustments on retirement are the following:~~

9 ~~[(A) If the annual benefit begins before a member~~
10 ~~attains age 62, the \$90,000 limitation, as adjusted, shall be~~
11 ~~reduced in a manner prescribed by the secretary of the treasury.~~
12 ~~However, that adjustment may not reduce the member's annual benefit~~
13 ~~below \$75,000, if the member's benefit begins after age 55, or the~~
14 ~~actuarial equivalent of \$75,000 beginning at age 55 if benefits~~
15 ~~begin before age 55. Furthermore, except as provided by Paragraph~~
16 ~~(C) of this subdivision, an adjustment may not reduce the member's~~
17 ~~annual benefit below \$50,000, regardless of the age at which the~~
18 ~~benefit begins.~~

19 ~~[(B) If the annual benefit begins after a member~~
20 ~~attains age 65, the \$90,000 limitation, as adjusted, will be~~
21 ~~increased so that it is the actuarial equivalent of the \$90,000~~
22 ~~limitation at age 65.~~

23 ~~[(C) If a member's benefits begin before the~~
24 ~~member has at least 15 years of pension service as a full-time~~
25 ~~employee of the police or fire department, or both, including~~
26 ~~credit for full-time service in the armed forces of the United~~
27 ~~States, Paragraphs (A) and (B) of this subdivision shall be applied~~

1 by substituting "social security retirement age" for "age 62" and
2 for "age 65," and the last two sentences of Paragraph (A) of this
3 subdivision do not apply in computing the benefit limitation for
4 that member.

5 ~~{(D)—The portion of a member's benefit that is~~
6 ~~attributable to the member's own contributions is not part of the~~
7 ~~annual benefit subject to the limitations of Subdivision (1) of~~
8 ~~this subsection. Instead, the amount of those contributions is~~
9 ~~treated as an annual addition to a qualified defined contribution~~
10 ~~plan maintained by the city.~~

11 ~~{(4)(A)—The dollar limitation on annual benefits~~
12 ~~provided by Subdivision (1) of this subsection, and the \$50,000~~
13 ~~limitation provided by Subdivision (3) of this subsection, but not~~
14 ~~the \$75,000 limitation provided by that subsection, shall be~~
15 ~~adjusted annually as provided by Section 415(d) of the code and the~~
16 ~~regulations prescribed by the secretary of the treasury. The~~
17 ~~adjusted limitation is effective as of January 1 of each calendar~~
18 ~~year and is applicable to limitation years ending with or within~~
19 ~~that calendar year.~~

20 ~~{(B)—The limitation provided by this paragraph~~
21 ~~for a member who has separated from service with a vested right to a~~
22 ~~pension shall be adjusted annually as provided by Section 415(d) of~~
23 ~~the code and the regulations prescribed by the secretary of the~~
24 ~~treasury.~~

25 ~~{(5)—The following interest rate assumptions shall be~~
26 ~~used in computing the limitations under this section:~~

27 ~~{(A)—For the purpose of determining the portion~~

1 of the annual benefit that is purchased with member contributions,
2 the interest rate assumption is 8.5 percent, compounded annually,
3 for plan years beginning before 1988 and 120 percent of the federal
4 mid-term rate, as in effect under Section 1274 of the code,
5 compounded annually, for plan years beginning after 1987.

6 {(B)—For the purpose of adjusting the annual
7 benefit to a straight life annuity, the interest rate assumption is
8 five percent, unless a different rate is required by the secretary
9 of the treasury.

10 {(C)—For the purpose of adjusting the \$90,000
11 limitation after a member attains age 65, the interest rate
12 assumption is five percent, unless a different rate is required by
13 the secretary of the treasury, and the mortality decrement shall be
14 ignored to the extent that a forfeiture does not occur at death.

15 {(6)—For purposes of Subdivisions (1) and (3) of this
16 subsection, an adjustment under Section 415(d) of the code may not
17 be taken into account before the limitation year for which that
18 adjustment first takes effect. For purposes of Subdivisions (1)
19 and (5) of this subsection, an adjustment is not required for the
20 value of qualified joint and survivor annuity benefits,
21 preretirement death benefits, postretirement medical benefits, or
22 postretirement cost of living increases made in accordance with
23 Section 415(d) of the code and Section 1.415-3(e) of the Income Tax
24 Regulations.

25 {(7)—This plan may pay an annual benefit to any member
26 in excess of the member's maximum annual benefit otherwise allowed
27 if:

1 ~~{(A)—the annual benefit derived from the city’s~~
2 ~~contributions under any qualified plans within this article and all~~
3 ~~defined benefit plans maintained by the city does not in the~~
4 ~~aggregate exceed \$10,000 for the limitation year or for any prior~~
5 ~~limitation year; and~~

6 ~~{(B)—the member has not at any time participated~~
7 ~~in a defined contribution plan maintained by the city.~~

8 ~~{For purposes of this subdivision, member contributions to~~
9 ~~the plan are not considered a separate defined contribution plan~~
10 ~~maintained by the city.~~

11 ~~{(8)—If a member has less than 10 years of pension~~
12 ~~service in the plan at the time the member begins to receive~~
13 ~~benefits under the plan, the \$90,000 limitation, as adjusted, shall~~
14 ~~be reduced by multiplying the limitation by a fraction in which the~~
15 ~~numerator is the number of years of pension service and the~~
16 ~~denominator is 10; provided, however, that the fraction may not be~~
17 ~~less than one-tenth. The 100 percent limitation of Subdivision~~
18 ~~(1)(B) of this subsection, and the \$10,000 limitation of~~
19 ~~Subdivision (7) of this subsection shall be reduced in the same~~
20 ~~manner as provided by this subdivision, except the numerator shall~~
21 ~~be the number of years of employment with the city rather than years~~
22 ~~of pension service.~~

23 ~~{(9)—If a member is or has been a participant in one or~~
24 ~~more defined benefit plans and one or more defined contribution~~
25 ~~plans maintained by the city, the following provisions shall apply:~~

26 ~~{(A)—The sum of the defined benefit plan fraction~~
27 ~~and the defined contribution plan fraction for any limitation year~~

1 may not exceed 1.0:

2 ~~{(B)—The defined benefit plan fraction for any~~
3 ~~limitation year is a fraction in which:~~

4 ~~{(I)—the numerator is the projected annual~~
5 ~~benefit of a member, determined as of the close of the limitation~~
6 ~~year pursuant to Section 1.415-7(b)(3) of the Income Tax~~
7 ~~Regulations; and~~

8 ~~{(II)—the denominator is the lesser of:~~

9 ~~{(i)—the product of 1.25 and the maximum~~
10 ~~dollar limitation provided by Subdivision (1)(A) of this~~
11 ~~subsection, as adjusted, for the limitation year; or~~

12 ~~{(ii) the product of 1.4 and the amount that~~
13 ~~may be taken into account under Subdivision (1)(B) of this~~
14 ~~subsection for the limitation year.~~

15 ~~{(C)—The defined contribution plan fraction for~~
16 ~~any limitation year is a fraction in which:~~

17 ~~{(I)—the numerator is the sum of the annual~~
18 ~~additions to the member's account as of the close of the limitation~~
19 ~~year; and~~

20 ~~{(II)—the denominator is the sum of the~~
21 ~~lesser of the following amounts determined for the limitation year~~
22 ~~and each prior year of service with the city:~~

23 ~~{(i)—the product of 1.25 and the dollar~~
24 ~~limitation in effect under Section 415(c)(1)(A) of the code for the~~
25 ~~limitation year, determined without regard to Section 415(c)(6) of~~
26 ~~the code; or~~

27 ~~{(ii)—the product of 1.4 and the amount that~~

1 may be taken into account under Section 415(c)(1)(B) of the code for
2 the limitation year beginning before January 1, 1987; the annual
3 additions may not be recomputed to treat all member contributions
4 as an annual addition.

5 ~~{(D)— If the sum of the defined benefit plan~~
6 ~~fraction and the defined contribution plan fraction exceeds 1.0 in~~
7 ~~any limitation year for any member of any plan within the pension~~
8 ~~system, the administrator shall limit, to the extent necessary, the~~
9 ~~annual additions to the member's account for that limitation year.~~
10 ~~If after limiting to the extent possible the annual additions to the~~
11 ~~member's account for the limitation year, the sum of the defined~~
12 ~~benefit plan fraction and the defined contribution plan fraction~~
13 ~~still exceeds 1.0, the administrator shall adjust the benefits~~
14 ~~under the defined benefit plan fraction so that the sum of both~~
15 ~~fractions shall not exceed 1.0 in any limitation year for the~~
16 ~~member.~~

17 ~~{(10)— For purposes of determining the limits provided~~
18 ~~by this section, all qualified defined benefit plans, whether~~
19 ~~terminated or not, ever maintained by or contributed to by the city,~~
20 ~~shall be treated as one defined benefit plan, and all qualified~~
21 ~~defined contribution plans, whether terminated or not, ever~~
22 ~~maintained by or contributed to by the city, shall be treated as one~~
23 ~~defined contribution plan.]~~

24 ~~(c-1) [(11)]~~ Notwithstanding anything contained in this
25 section to the contrary, the limitations, adjustments, and other
26 requirements prescribed by this section shall at all times be
27 computed in the manner most favorable to the affected members, to

1 the extent permitted by guidelines issued by the Internal Revenue
2 Service [~~comply with the requirements of Section 415 of the code and~~
3 ~~all regulations promulgated under the code~~]. If any provision of
4 Section 415 of the code is repealed or is not enforced by the
5 Internal Revenue Service, that provision may not reduce the
6 benefits of any member after the effective date of the repeal of the
7 provision or during the period in which the provision is not
8 enforced.

9 (c-2) Any benefit reductions that are required to be made
10 under this section shall be applied to reduce the monthly benefit
11 that would otherwise have been payable to the member, unless the
12 value of the member's DROP account accrued under Section 6.14 of
13 this article exceeds the amount that may be paid under this section.
14 If the value of the DROP account exceeds the value of the payments
15 that may be made under this section, the member shall receive a
16 lump-sum payment from the account of the maximum amount that may be
17 paid under this section and the payment shall permanently reduce
18 the benefits the member would otherwise have been entitled to
19 receive under the combined pension plan.

20 (d) A member's retirement pension may not begin later than
21 April 1 of the year after the later of the year in which the member
22 leaves active service or the year in which the member attains age
23 70-1/2 and must at all times comply with the requirements of Section
24 401(a)(9) of the code. [~~Benefits to a qualified beneficiary may not~~
25 ~~begin later than one year after the date of the member's death~~].

26 (e) Any person [~~member or beneficiary~~] who receives any

27 distribution from any plan within the pension system that is an

1 eligible rollover distribution as defined by Section 402(f)(2)(A)
2 of the code is entitled to have that distribution transferred
3 directly to another eligible retirement plan as defined by Section
4 402(c)(8)(B) of the code the person's ~~[member's or beneficiary's]~~
of

5 choice on providing direction regarding that transfer to the
6 executive director ~~[administrator]~~ in accordance with procedures
7 established by the executive director ~~[administrator]~~.

8 (e-1) If an eligible rollover distribution described by
9 Subsection (e) of this section is to a designated beneficiary who is
10 not the spouse or former spouse of the member, the transfer may only
11 be to an individual retirement account or an individual retirement
12 annuity.

13 (f) For the 2017 calendar year, the [The] annual
14 compensation taken into account for any purpose under the combined
15 pension plan [this article] may not exceed \$400,000 for an eligible
16 participant or \$270,000 for an ineligible participant ~~[\$200,000 for~~
17 ~~any calendar year]~~. For a Group A member the term "annual
18 compensation" means the aggregate of the member's base pay. For a
19 Group B member the term "annual compensation" means the aggregate
20 of the member's computation pay for any given plan year. These
21 dollar limits ~~[The \$200,000 limit]~~ shall be adjusted from ~~[on~~
22 ~~January 1 of each year at the same]~~ time to time ~~[and]~~ in accordance
23 with guidelines ~~[the same manner as]~~ provided by the secretary of
24 the treasury. ~~For [Section 415(d) of the code. In determining the~~
25 ~~compensation of a member for]~~ purposes of this subsection, an:

26 (1) "eligible participant" means any person who first
27 became a member of the pension system before January 1, 1996; and

1 ~~(2) "ineligible participant" means any member who is~~
2 ~~not an eligible participant [limitation, the family aggregation~~
3 ~~rules of Section 414(q)(6) of the code apply, except that the term~~
4 ~~"family member" includes only the spouse of the member and any~~
5 ~~lineal descendants of the member who have not attained age 19 at the~~
6 ~~end of the plan year. If as a result of this family aggregation~~
7 ~~requirement, the \$200,000 limit is exceeded, the limitation shall~~
8 ~~be prorated among the affected individuals in proportion to each~~
9 ~~individual's compensation as determined before application of the~~
10 ~~limit].~~

11 ~~(g) For purposes of Subsection (h) of this section, "normal~~
12 ~~retirement age" means the earlier of:~~

13 ~~(1) the attainment of 50 years of age on or before~~
14 ~~September 1, 2017, and completion of at least five years of pension~~
15 ~~service;~~

16 ~~(2) the attainment of 58 years of age after September~~
17 ~~1, 2017, and completion of at least five years of pension service;~~
18 ~~or~~

19 ~~(3) completion of 20 years of pension service.~~

20 ~~(h) The retirement benefit earned by a member is~~
21 ~~nonforfeitable:~~

22 ~~(1) on attainment of normal retirement age, if not~~
23 ~~already nonforfeitable; or~~

24 ~~(2) to the extent the benefit is funded, if not already~~
25 ~~nonforfeitable, on the termination or partial termination of the~~
26 ~~combined pension plan or the complete discontinuance of city~~
27 ~~contributions to the fund.~~

1 (i) In accordance with Section 401(a)(8) of the code,
2 forfeitures arising under the combined pension plan may not be used
3 to increase the benefits any member would otherwise receive under
4 the terms of the plan. Forfeitures may be used first to reduce
5 administrative expenses, then to reduce required city
6 contributions.

7 (j) Subject to procedures adopted by the board, the pension
8 system shall accept an eligible rollover distribution from another
9 eligible retirement plan as defined by Section 402(f)(2)(B) of the
10 code as payment of all or a portion of any payment a member is
11 permitted to make to the pension system for past pension service
12 credit. The pension system shall separately account for any
13 after-tax contributions transferred from any plan under this
14 subsection.

15 SECTION 1.49. Section 8.02, Article 6243a-1, Revised
16 Statutes, is amended to read as follows:

17 Sec. 8.02. EXCESS BENEFIT PLAN FOR POLICE OFFICERS AND FIRE
18 FIGHTERS. The board may by rule establish and administer {On the
19 ~~enactment of federal legislation enabling public retirement~~
20 ~~systems to establish excess benefit plans for the benefit of~~
21 ~~employees for whom additional benefits from retirement plans~~
22 ~~qualified under Section 401 of the code would exceed the~~
23 ~~limitations of Section 415 of the code, there is created outside the~~
24 ~~pension system] a separate[,]~~ qualified governmental
25 ~~{nonqualified} excess benefit arrangement and associated trust for~~
26 the arrangement in accordance with Section 415(m) of the code.
27 ~~{plan containing the following terms and provisions:~~

1 ~~{(a)(1)—All definitions prescribed by Section 2.01 of this~~
2 ~~article are applicable to the plan created pursuant to this section~~
3 ~~except:~~

4 ~~{(A)—if a different definition is set forth in~~
5 ~~this subsection; or~~

6 ~~{(B)—the context in which a term is used in this~~
7 ~~section indicates a different meaning is clearly intended than that~~
8 ~~prescribed by Section 2.01 of this article.~~

9 ~~{(2)—"Excess benefit plan" means this separate,~~
10 ~~nonqualified, unfunded excess benefit plan as created by this~~
11 ~~section for the benefit of eligible members, as amended or restated~~
12 ~~from time to time.~~

13 ~~{(3)—"Qualified plan" means any plan maintained within~~
14 ~~the pension system or maintained by the city outside the pension~~
15 ~~system for the exclusive benefit of some or all of the employees of~~
16 ~~the city if the plan has been found by the Internal Revenue Service~~
17 ~~to be qualified or has been treated by the city as a qualified plan~~
18 ~~under Section 401 of the code.~~

19 ~~{(4)—"Maximum benefit" means the retirement benefit a~~
20 ~~member or, the spouse, any child, or any dependent parent of a~~
21 ~~member if those persons are entitled, is entitled to receive from~~
22 ~~all qualified plans in any month after giving effect to Section 8.01~~
23 ~~of this article and any similar provisions of any other qualified~~
24 ~~plans designed to conform to Section 415 of the code.~~

25 ~~{(5)—"Excess benefit participant" means any member~~
26 ~~whose retirement benefits as determined on the basis of all~~
27 ~~qualified plans without regard to the limitations of Section 8.01~~

1 of this article and comparable provisions of other qualified plans
2 would exceed the maximum benefit permitted under Section 415 of the
3 code.

4 ~~[(6) "Unrestricted benefit" means the monthly~~
5 ~~retirement benefit a member, or the spouse or any child of a member,~~
6 ~~would have received under the terms of all qualified plans except~~
7 ~~for the restrictions of Section 8.01 of this article and any similar~~
8 ~~provisions of any other qualified plans designed to conform to~~
9 ~~Section 415 of the code.~~

10 ~~{(b)(1) An excess benefit participant who is receiving~~
11 ~~benefits from an applicable qualified plan is entitled to a monthly~~
12 ~~benefit under this excess benefit plan in an amount equal to the~~
13 ~~lesser of:~~

14 ~~{(A) the member's unrestricted benefit less the~~
15 ~~maximum benefit; or~~

16 ~~{(B) the amount by which the member's monthly~~
17 ~~benefit from the qualified plan or plans approved by the members has~~
18 ~~been reduced due to the limitations of Section 415 of the code.~~

19 ~~{(2) In the case of the death of an excess benefit~~
20 ~~participant whose spouse or child is entitled to preretirement or~~
21 ~~postretirement death benefits under a qualified plan, the excess~~
22 ~~benefit participant's surviving spouse or child is entitled to a~~
23 ~~monthly benefit under the excess benefit plan equal to the benefit~~
24 ~~determined in accordance with the qualified plans without regard to~~
25 ~~the limitations under Section 8.01 of this article or Section 415 of~~
26 ~~the code, less the maximum benefit.~~

27 ~~{(3) Unless the excess benefit participant makes a~~

1 ~~timely election to the contrary, a retirement benefit payable under~~
2 ~~this excess benefit plan shall be paid in the form and at the time it~~
3 ~~would have been paid under the applicable qualified plan except for~~
4 ~~the limitations under Section 415 of the code. However, retirement~~
5 ~~benefits payable under this excess benefit plan shall be paid at the~~
6 ~~time and in the form, including a single sum distribution, as the~~
7 ~~excess benefit participant elects from among the benefit payment~~
8 ~~forms made available under the election form as approved by the~~
9 ~~board. An excess benefit participant makes an election under this~~
10 ~~subdivision by sending written notice to the administrator on the~~
11 ~~election form approved by the board. Each optional benefit form~~
12 ~~permitted under this excess benefit plan shall be the actuarial~~
13 ~~equivalent of each other permitted benefit form. On or after an~~
14 ~~excess benefit participant's leaving active service with an~~
15 ~~entitlement to a retirement benefit under any qualified plan~~
16 ~~approved by the members, a benefit under this subdivision may be~~
17 ~~elected to be paid.~~

18 ~~{(c)(1) This plan shall be administered by the board, and~~
19 ~~the administrator shall also carry out the business of the board~~
20 ~~with respect to this excess benefit plan. Except as provided to the~~
21 ~~contrary by this subsection, the rights, duties, and~~
22 ~~responsibilities of the board and administrator shall be the same~~
23 ~~for this excess benefit plan as for the qualified pension plans~~
24 ~~within the pension system.~~

25 ~~{(2) The qualified actuary employed pursuant to~~
26 ~~Section 4.08 of this article is responsible for determining the~~
27 ~~amount of benefits that may not be provided under the qualified~~

1 plans solely by reason of the limitations of Section 415 of the code
2 and thus the amount of city contributions that will be made to this
3 excess benefit plan rather than to a qualified plan.

4 ~~[(3) The legal advisors described by Section 3.03 of~~
5 ~~this article shall also provide advice to the board for this excess~~
6 ~~benefit plan.~~

7 ~~[(d) Contributions may not be accumulated under this excess~~
8 ~~benefit plan to pay future retirement benefits. Instead, each~~
9 ~~payment of city contributions that would otherwise be made to the~~
10 ~~fund pursuant to Section 4.02 of this article or comparable~~
11 ~~provisions of other qualified plans approved by the members shall~~
12 ~~be reduced by the amount determined by the administrator as~~
13 ~~necessary to meet the requirements for retirement benefits under~~
14 ~~this excess benefit plan until the next payment of city~~
15 ~~contributions is expected to be made to the fund by the city. The~~
16 ~~city shall then pay to this excess benefit plan, out of the withheld~~
17 ~~city contributions no earlier than the 14th day before the date of~~
18 ~~each distribution of monthly retirement benefits is required to be~~
19 ~~made from this excess benefit plan, the amount necessary to satisfy~~
20 ~~the obligation to pay this excess benefit plan monthly retirement~~
21 ~~benefits. The administrator shall satisfy the obligation of this~~
22 ~~excess benefit plan to pay retirement benefits out of the city~~
23 ~~contributions so transferred for that month. The city~~
24 ~~contributions otherwise required to the pension system pursuant to~~
25 ~~Section 4.02 of this article and any other qualified plan approved~~
26 ~~by the members shall be divided into those contributions required~~
27 ~~to pay retirement benefits pursuant to this section and those~~

1 ~~contributions paid into and accumulated to pay the maximum benefits~~
2 ~~required under the qualified plans.—City contributions made to~~
3 ~~provide retirement benefits pursuant to this section may not be~~
4 ~~commingled with the monies of the fund or any other qualified plan.~~

5 {(e)—Amendments to this excess benefit plan shall be made in
6 the same manner provided by Section 7.01 of this article.]

7 SECTION 1.50. Section 8.03, Article 6243a-1, Revised
8 Statutes, is amended to read as follows:

9 Sec. 8.03. EXEMPTION OF BENEFITS FROM JUDICIAL PROCESS OR
10 ALIENATION. (a) A portion of the fund or benefit or amount awarded
11 to any primary party, qualified survivor, ~~or~~ [for] beneficiary of a
12 member's DROP account, ~~excess benefit participant, or survivor of~~
13 an excess benefit participant under this article may not be held,
14 seized, taken, subjected to, or detained or levied on by virtue of
15 any execution, attachment, garnishment, injunction, or other writ,
16 order, or decree, or any process or proceedings issued from or by
17 any court for the payment or satisfaction, in whole or in part, of
18 any debt, damage, claim, demands, or judgment against any person
19 entitled to benefits from any plan within the pension system or from
20 the excess benefit plan. The fund and the excess benefit plan or
21 any claim against the fund or the excess benefit plan may not be
22 directly or indirectly assigned or transferred, and any attempt to
23 transfer or assign the fund or the excess benefit plan or a claim
24 against the fund or the excess benefit plan is void.

25 (b) A benefit under any plan created or existing pursuant to
26 this article or Article 6243a is subject to division pursuant to the
27 terms of a qualified domestic relations order. The executive

1 director [administrator] shall determine the qualifications of a
2 domestic relations order according to a uniform, consistent
3 procedure approved by the board. The total benefit payable to a
4 primary party or to an alternate payee under a qualified domestic
5 relations order may not actuarially exceed the benefits to which a
6 primary party would be entitled in the absence of the qualified
7 domestic relations order. In calculating the alternate payee's
8 benefits under a qualified domestic relations order, the interest
9 rate is the rate used by the pension system's actuary in the
10 actuarial evaluation for that year, except that the minimum
11 interest rate for this purpose is the minimum required by Section
12 414 of the code.

13 (c) This section does not preclude:

14 (1) the payment of death benefits to a [support] trust
15 for certain [surviving] children of a primary party pursuant to
16 Section 6.06(n) of this article;

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

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

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

25 (5) under any policy adopted by the board and
26 uniformly applied to voluntary arrangements entered into by a
27 primary party or qualified survivor, any voluntary and revocable

1 arrangement entered into by a pensioner or a qualified survivor
2 that permits the withholding and direct payment of health care or
3 life insurance premiums or similar payments from the monthly
4 benefit payments; or

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

8 (d) For purposes of Subsection (c) of this section, an
9 attachment, garnishment, levy, execution, or other legal process is
10 not considered a voluntary arrangement.

11 SECTION 1.51. The following provisions of Article 6243a-1,
12 Revised Statutes, are repealed:

- 13 (1) Section 3.01(c);
- 14 (2) Section 4.01(b);
- 15 (3) Section 4.02(f);
- 16 (4) Sections 6.06(i) and (s);
- 17 (5) Section 6.10B(h);
- 18 (6) Sections 6.14(i) and (k); and
- 19 (7) Part 7.

20 SECTION 1.52. (a) In this section, "board," "city,"
21 "nominations committee," "pension system," and "trustee" have the
22 meanings assigned by Section 2.01, Article 6243a-1, Revised
23 Statutes, as amended by this article.

24 (b) The terms of the current trustees expire on the
25 effective date of this article. Subject to Subsection (e) of this
26 section, on that date or as soon as possible after that date:

- 27 (1) the mayor and nominations committee, as

1 applicable, shall appoint new trustees to the board in accordance
2 with the requirements of Sections 3.01(b)(1) and (2), Article
3 6243a-1, Revised Statutes, as added by this article; and

4 (2) notwithstanding the requirements of Sections
5 3.01(b)(3) and (4) and (f), Article 6243a-1, Revised Statutes, as
6 added or amended by this article, that the board and the
nominations committee adopt rules

Commented [JM11]: Subsection (2) should be revised to reflect that only the nominations committee, not the board, sets the procedures for elections under 3.01(b)(3) and (4)

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7 governing the nomination and election of trustees appointed under
8 Sections 3.01(b)(3) and (4), Article 6243a-1, Revised Statutes, as
9 added by this article, the nominations committee shall adopt
10 procedures for nominating and electing the initial trustees
11 nominated and elected under Sections 3.01(b)(3) and (4), Article
12 6243a-1, Revised Statutes, as added by this article.

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13 (c) Notwithstanding Section 3.01(o), Article 6243a-1,
14 Revised Statutes, as amended by this article, and except as
15 provided by Subsections (d) and (g) of this section, the board may
16 not take any action authorized by Article 6243a-1, Revised
17 Statutes, until at least 10 initial trustees have been appointed or
18 elected, except that the board may take such an action, other than
19 an action described by Section 3.01(o)(2), Article 6243a-1, Revised
20 Statutes, as added by this article, before at least 10 initial
21 trustees have been appointed or elected if the action is in the
22 ordinary course of business of the board and is required for the
23 continued administration of the pension system.

24 (d) Once all trustees have been appointed to the board under
25 this section, the board shall by majority vote adopt rules
26 establishing a process for nominating and electing trustees under
27 Sections 3.01(b)(3) and (4), Article 6243a-1, Revised Statutes, as

1 added by this article.

2 (e) As soon as possible after the effective date of this
3 article, the mayor and the nominations committee shall:

4 (1) make a determination under Section 3.01(e),
5 Article 6243a-1, Revised Statutes, as amended by this article,
6 regarding the term limits of the board established under that
7 section; and

8 (2) notwithstanding Section 3.01(e), Article 6243a-1,
9 Revised Statutes, as amended by this article, determine the terms
10 of initial trustees to ensure the appropriate staggering of trustee
11 terms.

12 (f) Notwithstanding Section 3.01(g), Article 6243a-1,
13 Revised Statutes, the board shall elect from among its trustees an
14 initial chairman, vice chairman, and deputy vice chairman as soon
15 as possible after all trustees have been appointed or elected in
16 accordance with this article and, if the board elects to do so, an
17 initial second deputy vice chairman.

18 (g) Not later than the 90th day after the date all trustees
19 under Section 3.01, Article 6243a-1, Revised Statutes, as amended
20 by this article, have been appointed or elected, the board shall
21 vote on and, if the board determines it is appropriate, amend the
22 existing rules relating to the governance and conduct of the board.

23 SECTION 1.53. (a) Not later than January 1, 2018, the board
24 of trustees of the pension system established under Article
25 6243a-1, Revised Statutes, shall:

26 (1) establish the ethics policy required by Section
27 3.01(r), Article 6243a-1, Revised Statutes, as added by this

1 article; and

2 (2) appoint an executive director under Section 3.04,
3 Article 6243a-1, Revised Statutes, as amended by this article.

4 (b) As soon as possible after the executive director is
5 appointed under Subsection (a) of this section, the executive
6 director may hire, subject to confirmation by the board of trustees
7 of the pension system established under Article 6243a-1, Revised
8 Statutes, a chief investment officer as authorized under Section
9 3.025, Article 6243a-1, Revised Statutes, as added by this article,
10 and a chief legal officer as authorized under Section 3.03(c),
11 Article 6243a-1, Revised Statutes, as amended by this article.

12 SECTION 1.54. (a) In this section, "executive director,"
13 "nominations committee," and "pensioner" have the meanings
14 assigned by Section 2.01, Article 6243a-1, Revised Statutes, as
15 amended by this article.

16 (b) As soon as possible after the effective date of this
17 article but not later than the 30th day after the effective date of
18 this article, the president, chair, or other executive head of an
19 organization described by Section 3.011(a)(2), Article 6243a-1,
20 Revised Statutes, as added by this article, that is eligible to and
21 intends to participate on the nominations committee shall notify
22 the executive director of:

23 (1) the organization's intent to participate on the
24 nominations committee; and

25 (2) whether the president, chair, or other executive
26 head, as appropriate, or that person's designee will serve on the
27 committee.

1 SECTION 1.55. Section 4.025, Article 6243a-1, Revised
2 Statutes, as added by this article, applies only to a contribution
3 made on or after the date of the most recently completed actuarial
4 valuation following the effective date of this article.

5 SECTION 1.56. The board of trustees of the pension system
6 established under Article 6243a-1, Revised Statutes, shall review
7 all investments held on the effective date of this article under
8 Section 4.071, Article 6243a-1, Revised Statutes, as added by this
9 article.

10 SECTION 1.57. Changes in law to Part 5, Article 6243a-1,
11 Revised Statutes, as amended by this article, apply to membership
12 in a pension system established under Article 6243a-1, Revised
13 Statutes, on or after the effective date of this article.

14 SECTION 1.58. A rollover distribution to a plan
15 administered by the pension system established under Article
16 6243a-1, Revised Statutes, that was made on or after January 1,
17 2002, is validated as of the date the distribution occurred. A
18 distribution described by this section may not be held invalid
19 because the distribution was not performed in accordance with
20 Section 8.01(j), Article 6243a-1, Revised Statutes, as added by
21 this article, or other applicable law.

22 ARTICLE 2. IMMEDIATE PROHIBITION ON CERTAIN LUMP-SUM DISTRIBUTIONS

23 SECTION 2.01. Part 6, Article 6243a-1, Revised Statutes, is
24 amended by adding Section 6.142 to read as follows:

25 Sec. 6.142. PROHIBITION ON CERTAIN LUMP-SUM DISTRIBUTIONS.

26 (a) Notwithstanding Section 6.14 of this article, including
27 Section 6.14(d)(1) of this article, the board may not distribute or

1 ~~allow the any distribution of the balance out of a DROP~~
2 ~~participant's DROP~~

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2 ~~account under a single sum or other lump sum distribution to a DROP~~

3 ~~participant or a participant's designated beneficiary, except:~~

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

Commented [MK12]: Please add a new subsection for "minimum annual distribution" as permitted by the board under section 7 of the DROP policy addendum adopted by the board that took effect on January 12, 2017.

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

11 ~~(3) in compliance with a court order.~~

12 ~~(b) This section expires September 1, 2017.~~

13 ARTICLE 3. SEVERABILITY AND EFFECTIVE DATE

14 SECTION 3.01. If any provision of this Act or its
15 application to any person or circumstance is held invalid, the
16 invalidity does not affect other provisions or applications of this
17 Act that can be given effect without the invalid provision or
18 application, and to this end the provisions of this Act are declared
19 to be severable.

20 SECTION 3.02. (a) Except as provided by Subsections (b),
21 (d), and (e) of this section, this Act takes effect immediately if
22 it receives a vote of two-thirds of all the members elected to each
23 house, as provided by Section 39, Article III, Texas Constitution.
24 If this Act does not receive the vote necessary for immediate
25 effect, this Act takes effect on the 91st day after the last day of
26 the legislative session.

Commented [JM13]: References to (e) should be removed

27 (b) Except as provided by Subsection (e) of this section,

1 Article 1 of this Act takes effect on September 1, 2017,
unless the
2 board of trustees of the pension system established under
Article
3 6243a-1, Revised Statutes, violates Section 6.142,
Article
4 6243a-1, Revised Statutes, as added by this Act, on or before
August

5 31, 2017, as determined by the State Pension Review Board. The
State Pension Review Board may require the board of trustees of
the pension system established under Article 6243a-1, Revised
Statutes, to provide the data necessary to make such
determination.

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6 (c) If the State Pension Review Board determines
that the
7 pension system violated Section 6.142, Article 6243a-1,
Revised
8 Statutes, as added by this Act, the State Pension Review
Board
9 shall:

10 (1) not later than August 31September 30, 2017.

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11 (A) notify the board of trustees of the
pension
12 system and the mayor and city council of a city subject to
Article
13 6243a-1, Revised Statutes, of its determination under this
section;

14 and

15 (B) publish notice of its determination
under
16 this section on the State Pension Review Board's Internet
website;

17 and

18 (2) as soon as practicable after August
31September 30, 2017,

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19 publish notice of its determination under this section in the
Texas

20 Register.

21 ~~(d) If, not later than August 31~~September 30, 2017,
the State Pension

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22 Review Board makes the determination described by Subsection
(c) of

23 this section, Article 1 of this Act has no effect.

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24 ~~(e) Section 4.021, Article 6243a-1, Revised
Statutes, as~~

Commented [MK14]: SB 2 conforming changes.

25 ~~added by Article 1 of this Act, does not take effect if
S.B. 2 or~~

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26 ~~similar legislation of the 85th Legislature, Regular Session,
2017,~~

27²⁴that has the effect of lowering the rollback tax rate of a
city as ~~calculated under Chapter 26, Tax Code, does not become
law.~~