

REQUEST FOR PROPOSAL

Independent Actuarial Analysis & Recommendations

Release Date	May 31, 2023
Proposal Due Date	June 30, 2023, 4:00 P.M. CDT Email the proposal to the Texas Pension Review Board (PRB) at procurement@prb.texas.gov .
Selection and Contracting	Per the statutory requirements outlined in Section 1, PRB will select the firm to provide the services. The contract will be between DPFP and the firm. The work will be coordinated through DPFP. The PRB is not expected to be involved directly with the firm in completing their work.
Questions Deadline	June 12, 2023, 4:00 P.M. CDT Please submit questions in writing to procurement@prb.texas.gov . Questions and Answers will be posted to the DPFP website. www.DPFP.org . DPFP anticipates posting the answers on June 16, 2023.
Timeline for Selection and Services	Please refer to the timeline in Section 3.4 of this RFP. Indicate clearly in the RFP response if any part of the timeline appears problematic to your firm.
Prohibited Communications	<p>From the RFP release date until PRB formally selects an independent actuary, other than as allowed for in this RFP, firms shall not contact DPFP Board members, DPFP staff, PRB Board members, and PRB staff concerning this RFP or the resulting contract. All communications must be directed to procurement@prb.texas.gov. Any other communication could be considered attempts to lobby or market services and is therefore prohibited. Firms will be disqualified from contract consideration if the prohibition is not honored.</p> <p>Beginning the date that PRB formally selects an independent actuary, the selected firm may communicate with the DPFP Executive Director and other DPFP Board members or staff or PRB Board members or staff so authorized by the DPFP Executive Director for the purpose of negotiating and executing the contract.</p>

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1 Introduction

1.1 Purpose

The purpose of this RFP is to select an Independent Actuary to perform the services as described in Article 6243a-1 Section 2.025, Revised Civil Statutes of Texas and additional services to facilitate timely completion of the required services. Article 6243a-1 is in Appendix A.

Section 2.025(a) requires PRB to select an independent actuary to perform the required analysis, as outlined below, and requires DPFP to contract with the actuary selected by PRB.

Section 2.025 requires the independent actuary to prepare an analysis based on the most recent actuarial valuation which includes the independent actuary's:

- (1) conclusion regarding whether the pension system meets State Pension Review Board pension funding guidelines; and
- (2) recommendations regarding changes to benefits or to member or city contribution rates.

While the statutory deadline for the actuarial analysis is not later than October 1, 2024, this procurement seeks a proposal to complete the work in a two-part process. Based on the timeline in Section 2.025, the 1-1-2023 actuarial valuation will be the “most recent” valuation and will likely not be available until November 2023. Given the complexity of the issues, the parties involved and the large unfunded liability, DPFP would like to begin the process with an analysis of the 1-1-2022 actuarial valuation and have recommendations based on that work in addition to the statutorily required process. The work contemplated with this RFP is a two-part process first based on the 1-1-2022 actuarial valuation and then the official analysis and recommendations based on the 1-1-2023 actuarial valuation.

1.2 Contract Period

The term of this Contract shall be for a period from the contract execution date to June 2, 2025 (the end of the 2025 legislative session).

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1.3 Services Not Included as part of this RFP or contract:

This Request for Proposal is for a limited scope of work and does not include the following:

- Preparation of the annual Actuarial valuations
- Preparation of an Experience Study
- General Actuarial Advisory and Consulting Services
- Any work associated with the Supplemental Pension Plan or the Excess Benefits Plan and Trust
- Actuarial audits (as required by Government Code Section 802.1012)
- Governmental Accounting Standards Board (GASB) Statements 67 and 68 reports
- Any other actuarial work not specifically identified in the scope of work or specifically agreed to by DPFP and the PRB.

1.4 DPFP Background

The Dallas Police and Fire Pension System is an independently governed component unit of the City of Dallas (City) and serves as a single-employer pension and retirement fund for police officers and firefighters employed by the City. DPFP derives its authority under the provisions of Article 6243a-1 of the Revised Civil Statutes of Texas (the Governing Statute).

DPFP is comprised of two single-employer defined benefit pension plans: 1) Combined Pension Plan designed to provide retirement, death and disability benefits for police officers and firefighters (Regular Plan) and 2) The Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan), which was created in 1973 to supplement DPFP's Plan B Defined Benefit Pension Plan. In addition, DPFP has an Excess Benefits Plan and Trust.

The board is governed by eleven trustees. Six trustees are appointed by the mayor of the City of Dallas, one current or former police officer trustee is elected by active police members, one current or former firefighter trustee is elected by active firefighters and three trustees who may not be active members or retirees are elected by active members and retirees. The trustees meet not less than once each month. The trustees in turn elect the chairperson of the board.

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There are approximately 5,000 active members (approximately 230 of whom are in the Deferred Retirement Option Plan (DROP)) and 5,200 retired members and beneficiaries (approximately 2,400 have DROP balances being paid out in a stream of payments over the expected lifetime set at the beginning of the payment stream).

The Governing Statute ([Regular Plan](#)) can be found at Appendix A and at the DPFP website: www.dpfp.org Under the tab “About Us/Required Public Information”.

Segal Consulting Group has provided actuarial services for DPFP since 2016 and is expected to continue to provide general actuarial services during the period of this engagement.

The most recent Actuarial valuation (1/1/2022) is in Appendix B and the most recent Experience Review (1/1/2015 – 12/31/2019) can be found on the website (www.dpfp.org) under the tab “Financial/Financial Reports.”

1.5 Minimum Qualifications

Firms must clearly demonstrate achievement of the minimum qualifications for their proposals to be considered.

- 1.5.1 The firm and staff must be independent from DPFP, the City of Dallas and the Dallas Employees Retirement Fund (DERF). The City of Dallas is the plan sponsor of both DPFP and DERF. An independent firm and staff is one that has not contracted with or worked for DPFP, DERF, or the City of Dallas over the last 20 years.
- 1.5.2 The firm and lead actuary must have at least ten years of experience providing actuarial consulting services like services requested in this RFP to other U.S. public pension fund clients with DROP benefits. At a minimum, the firm and lead actuary must have experience with defined benefit public pension plans with liabilities that exceed one billion dollars.
- 1.5.3 The lead actuary must have at least ten years of experience with major public defined benefit retirement systems. The lead actuary must also have experience with fixed rate plans and some success in assisting underfunded plans to improve their funded status. The lead actuary must have a designation as either an Associate or a Fellow of the Society of Actuaries. The lead actuary must provide direct supervision over all services provided to DPFP and be an employee of the firm regularly engaged in the business of providing actuarial services.

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- 1.5.4 The lead actuary must meet the professional qualification standards of the American Academy of Actuaries.
- 1.5.5 The firm must have all necessary licenses. Liability as well as errors and omissions insurance must be maintained throughout the term of the contract.

2 Scope of Services

- 2.1 Replicate the 1-1-2022 and the 1-1-2023 actuarial valuations. The Segal Consulting Group will provide a copy of the census data along with their actuarial reports and DPFP will provide asset information. Replicating the valuation results is necessary to determine the impact of changes in benefits or member or city contribution rates, to ensure that the work to be performed in 2024 can be done in a timely manner and to begin development of recommendations to meet the required funding level.
- 2.2 Analyze the results of the 1-1-2022 and 1-1-2023 actuarial valuations to determine if the funding level meets the funding requirements in Subchapter C, Chapter 802 of the Texas Government Code. Appendix C has a copy of Subchapter C, Chapter 802 of the Texas Government Code.
- 2.3 Prepare a draft report based on the 1-1-2022 actuarial valuation which describes the process, conclusion, and recommendations. The report should contain at least three alternative contribution/benefit scenarios or an explanation of why the actuary cannot recommend at least three acceptable scenarios. The report should include the projected funding period, funded ratio, actuarial determined contribution rate, and risk under each scenario of becoming subject to a revised Funding Soundness Restoration Plan. This report is not required by Section 2.025 but is intended to be used by the DPFP Staff and Board to begin consideration of potential changes to benefits or member or city contribution rates.
- 2.4 Assist the DPFP Board and Staff in evaluating alternatives that meet the amortization period and funding guidelines. It is anticipated that the DPFP Board may want to consider alternatives during both phases of the analysis and these alternatives will need actuarial cost estimates.
- 2.5 Prepare a report based on the 1-1-2023 actuarial valuation that describes the Actuary's analysis, conclusions, and recommendations. Present the report to the DPFP Board, and the PRB.
- 2.6 Assist the DPFP Board and Staff in adopting rules and preparing the final report for the PRB.

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2.7 Respond to questions regarding the analysis and recommendations. This may include requests to attend and present at PRB meetings, legislative committee hearings or other meetings.

2.8 Scope of Work Timeline

Scope of Work Timeline	
<i>1/1/2022 Actuarial Valuation Related Work</i>	
Actuarial Valuation Replication of Segal Valuation Complete	10/2/2023
Section Subchapter C, Chapter 802 Government Code Analysis Complete	10/2/2023
Initial thoughts to Meet Subchapter C, Chapter 802 of the Government Code based on the 2022 Valuation/Analysis Completed	10/31/2023
DPFP Board Presentation	11/9/2023
<i>1/1/2023 Actuarial Valuation Related Work</i>	
Section 2.025 Required Replication and Analysis Complete	60 days after receipt of the Segal 1/1/2023 valuation report
Section 2.025 Required Recommendations and Preliminarily Report Complete	90 days after receipt of the 1/1/2023 valuation report
Present the analysis and preliminary recommendations to the DPFP Board	2nd Thursday of the month following the completion of the Recommendations.
Submit Final Section 2.025 analysis and recommendations to the PRB, DPFP Board and the City	1 month following the prior preliminary presentation.
Note: Based on the timing from prior years, 60 days and 90 days after receipt of the valuation would be around the first week of January 2024 and February 2024, respectively. The Board presentation would be February 8, 2024. These dates are estimates only and could change. DPFP's would like to have this work completed as early as possible.	

2.9 General Duties

The firm is expected to:

2.9.1 Treat all DPFP information as confidential. This applies to all data created, gathered, generated, or acquired within the scope of the contract. The consultant shall notify DPFP immediately if there are any breaches to the DPFP confidential information. The breach of this agreement is subject to cancellation of the contract and the consultant being held liable for damages.

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- 2.9.2 Notify DPFP immediately of any anticipated changes in personnel assigned under the terms of this engagement. The consultant shall submit resumes of any proposed replacement personnel and obtain written approval from DPFP for any change in the personnel assigned to the work.
- 2.9.3 Notify DPFP in writing if any conflict of interest or possible conflict of interest is discovered regarding the provision of these services.

3 General Submittal Requirements

3.1 Proposal Submittal Requirements

All proposals must be submitted electronically to both email addresses listed on the cover page of the RFP no later than the time and date indicated on the cover page.

3.2 Respondent Questions

Please direct all questions regarding the RFP by e-mail to procurement@prb.texas.gov. Questions from all respondents and DPFP answers will be posted on the DPFP website.

3.3 Content of Proposal

Proposals shall be based only on the material contained in the RFP. Response to this RFP must provide the requested information in the format specified in this section. Adherence to this format will help to ensure a fair and objective analysis of submitted proposals. The requested information is organized into individual sections, which should correspond to individual sections in the submitted proposals. Proposals must respond to each topic in the order presented, and responses should be numbered as stated in section 5 of this RFP.

Proposals failing to comply with the above requirements may be declared nonresponsive and eliminated from further consideration.

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3.4 Selection and Contracting Schedule

This schedule indicates estimated dates for the RFP process. The PRB reserves the right to adjust this schedule when appropriate.

Date	Event
May 31, 2023	Issue RFP
June 12, 2023	Deadline to Submit Questions 4:00 p.m. CDT
June 30, 2023	RFP Responses Due by 4:00 p.m. CDT
July 7-11, 2023	Finalist Interview Period
July 31, 2023	Final Selection

4 Evaluation of Proposals

4.1 Evaluation Process and Criteria

Respondents that meet the minimum criteria will be evaluated by a selection committee comprised of PRB Board and staff members. The selection committee will score the proposals based on the following:

- 1) Organization: Stability, Depth, Defined Benefit Practice 10%
- 2) Strength of Team: Team Members Experience with Similar Work, Size, and Scope 20%
- 3) Scope of Work: Understanding and Approach to the Scope of Work and Technical Capabilities 25%
- 4) Ability to Propose and Analyze Alternatives 20%
- 5) Ability to Meet the Timeline 15%
- 6) Total Fees and Fee Structure 10%

The respondents that demonstrate themselves to be the most qualified to provide the required services may be invited to an interview with the selection committee, at the discretion of the selection committee. The selection committee will recommend the firm to be selected. The final selection will be made by either the Board of the PRB or the Executive Director of the PRB, subject to a successful contract negotiation with DPFP.

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5 Detailed Submittal Requirements

5.1 Proposal Format

Respondents shall prepare their proposals in accordance with the instructions outlined in this section. Proposals should be prepared as simply as possible and provide a straightforward, concise description of the Respondent's capabilities to satisfy the requirements of the RFP. The utmost attention should be given to accuracy, completeness, and clarity of content. All parts, pages, figures, and tables should be numbered and clearly labeled. The proposal should be organized into the following major sections:

PROPOSAL SECTION	TITLE
1.0	Cover Letter
2.0	Table of Contents
3.0	Proposal Questionnaire
4.0	Fee Structure
5.0	Attachments

Instructions relative to each part of the response to this RFP are defined in the remainder of this section. Response information should be limited to pertinent information only.

5.2 Proposal Section 1.0: Cover Letter

- 5.2.1 The cover letter must include the legal business name, address, telephone number and business status (individual, limited liability partnership, corporation, etc.) of the Respondent.
- 5.2.2 The cover letter must also include the person(s) authorized to represent the Respondent in negotiations with DPFP with respect to the RFP and any subsequently awarded contract. Provide the representative's name, title, address, telephone number, e-mail address and any limitation of authority for the person named.
- 5.2.3 The Respondent shall clearly state in the cover letter any exceptions to, or deviations from, the minimum proposal requirements, and any exceptions to the terms and conditions of this RFP. Such exceptions or deviations will be considered in evaluating the proposals.
- 5.2.4 The cover letter is to be signed by a person(s) authorized to bind the Respondent to all provisions of this RFP, to any subsequent changes and to the contract if an award is made.

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5.3 Proposal Section 2.0: Table of Contents

Each proposal must include a Table of Contents listing the sections included in the proposal.

5.4 Proposal Section 3.0: Proposal Questionnaire

Please provide a thorough answer immediately following each question. If attachments are provided in response to a question, indicate in the answer the specific tab and/or pages which respond to the question.

5.4.1 Firm Overview and Personnel

- a) Briefly describe the Firm's history, headquarters location and current corporate structure.
- b) List all the major services provided by your firm.
- c) What do you consider to be your firm's consulting specialties, strengths, and limitations?
- d) Explain your firm's qualifications for this engagement.
- e) Briefly describe any experience your firm or lead actuary has working with fixed-rate plans in Texas.
- f) Briefly describe any experience your firm or lead actuary has working with pension plans for police, fire, or other public safety employees.
- g) Please provide the following data:

	Firm	Lead Actuary
Total Number of Employees		N/A
Number of Credentialed Actuaries		N/A
Number of Credentialed Actuaries working on Public Sector Defined Benefit Pension Plans		N/A
Number of Current Public Sector Defined Benefit Pension Plan Clients		
Number of Current Public Sector Defined Benefit Pension Plan Clients with liabilities greater than \$1 billion		
Percentage of Firm Revenue from Pension Actuarial Services		N/A
Percentage of Firm Revenue from Public Sector Defined Benefit Clients		N/A

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g) Please provide the following data: (continued)

	Firm	Lead Actuary
Number of Current Public Sector Defined Benefit Pension Plan Clients with liabilities greater than \$1 billion		
Number of Current Clients with DROP programs		
Number of Public Sector Defined Benefit Clients with Funded Levels Below 50% or Years to Fund of 50 or more		

5.4.2 Specific Work Proposal

- a) Describe the team structure and individuals assigned to this engagement. List the name and office location of the primary individual(s) who would be responsible for completing the work described in this RFP. Provide brief biographies for each of the primary individual(s) including titles; functions; academic credentials; relevant experience; past clients served; and number of actuarial valuation clients, and the dates of their valuations, anticipated to be assigned to each individual concurrently with this engagement.
- b) Describe in detail how your team would approach the Scope of Work.
- c) Describe your experience with similar engagements.
- d) Describe how you factor community demographic information into your recommendations? For example, if a community is bounded by other municipalities and there is little to no opportunity for growth.
- e) Describe your experience developing recommendations to solve significant funding issues. Describe your experience advising on plan changes.
- f) Describe a public pension system whose funded status substantially improved based on the lead actuary's recommendations.
- g) What actuarial software systems are you anticipating using for this assignment?
- h) Describe your ability to analyze and model various plan changes. These plan changes may include increases in benefits in some areas and offsets by reductions in other benefit areas or increases in contribution rates to offset the increases. What is the typical turnaround time from request to results? City and member perspectives when determining recommended increases to city and member contribution rates?

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5.4.2 Specific Work Proposal (continued)

- i) How will you consider the value of a public safety officer's pension benefit compared to their contribution rate when determining recommended changes?
- j) Since Public Safety Officers in DPFP do not participate in Social Security, how would you consider the sufficiency of their DPFP retirement benefit when recommending changes to plan provisions?

5.4.3 Questions Concerning Your Proposal

- a) Is your firm requesting any alternatives and/or substitutions to the scope of services or timeline required in this RFP? If so, please describe.
- b) Confirm that the firm and Team assigned meets all the minimum requirements described in Section 1.5.
- c) Provide three references from current public pension defined benefit fund clients including at least one with liabilities greater than one billion dollars, for whom the primary consultant and principal assistant have provided actuarial consulting services. Ideally these references would include services like those described in the Scope of Work of this RFP. For each reference include:
 - The name of the respondent's lead consultant on the project
 - Client name
 - Client contact person name, phone number, e-mail address
 - The period during which the services were provided.
 - A summary of the services provided.

5.4.4 Insurance, Confidentiality, Legal and Conflicts of Interest

- a) Please detail the Firm's fidelity bond and liability insurance policies, including coverage amounts.
- b) Please describe any limits on liability that the firm requests from clients due to negligence of the firm.
- c) Describe the systems controls, security protocols, and any other resources the firm will use to ensure the confidentiality and integrity of DPFP's confidential data and information that will be provided to the successful Respondent. Describe the firm's information and data systems generally.
- d) Describe the circumstances and status of any lawsuit, investigation, non-routine examination, complaint, disciplinary action, or other proceeding related to actuarial work involving your firm or any employee of the firm initiated by any party during the past five (5) years.
- e) How does your firm identify and manage conflicts of interest?

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- f) Please describe any actual or potential conflict of interest that your firm would have in contracting with DPFP. Does your firm have any clients or business relationships that could present a conflict of interest and possibly compromise the objectivity of its advice to DPFP? Include past and current engagements for the City of Dallas and Dallas Employees Retirement Fund (DERF). The City of Dallas is the plan sponsor of both DPFP and DERF.

5.5 Proposal Section 4.0: Fee Proposal

Provide a flat fee proposal for the full scope of work.

Provide the following information related to your fee proposal:

- Flat fee dollar amount.
- Total hours anticipated under the fee proposal.
- Breakdown of total hours by staff level and billing rate.
- Describe any limitations on services included in the flat fee proposal.
- Detail the method of billing and the billing rates for any services not included in the flat fee.
- Describe the timeline for identifying, communicating, and estimating out-of-scope services.

5.6 Proposal Section 5.0 Attachments

If necessary, please include attachments in Section 5 of the proposal.

6. General Terms and Conditions

6.1 General Conditions

Submission of a response to this RFP shall constitute acknowledgment and acceptance of the standard terms and conditions set forth herein.

6.2 Proposal Submission

All proposals should be submitted by the deadline specified in the RFP. Late responses will not be considered. Proposals should contain accurate and complete information as required in this RFP. The Respondent is liable for all errors or omissions incurred by the Respondent in preparing the proposal. The Respondent will not be allowed to alter the proposal documents after the due date of submission. Unclear, incomplete, and/or inaccurate documentation may cause a response to be removed from further consideration. Unnecessary or lengthy responses beyond those needed to sufficiently respond to all the RFP requirements should be omitted.

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6.3 Respondent Assumes RFP Costs

DPFP and the PRB shall not be liable for any expenses incurred by any Respondent in responding to the RFP or participating in the selection and contracting process.

6.4 Amendments to RFP

DPFP and the PRB retain the right to amend this RFP and will make reasonable attempts to notify prospective Respondents of any changes. However, it is the Respondent's responsibility to monitor the RFP page on the DPFP website (www.dpfp.org) for any amendments pertaining to this RFP. DPFP and the PRB will not be liable for the Respondent's failure to receive such notice and any consequential non-responsiveness or noncompliance. DPFP and the PRB reserve the right to extend the deadline for submission with notice placed on the DPFP website.

6.5 Public Information Act

All proposals may be subject to release upon request in accordance with the Texas Public Information Act.

6.6 Award of Contract

The firm awarded a contract pursuant to this RFP will be required to enter into a written contract with DPFP. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract. DPFP reserves the right to reasonably negotiate the terms and conditions of any contract resulting from this RFP.

6.7 Independent Actuary

The selected firm shall always, during the term of any contract resulting from this RFP, retain its status as an Independent Actuary. The firm must comply with the DPFP Contractor's Code of Ethics Statement found in Appendix D of this RFP.

6.8 Conflict of Interest

All firms must disclose any past, existing, or potential conflict of interest relative to the performance of services required by any contract resulting from this RFP. Any relationship that may be perceived or represented as an actual or potential conflict of interest must be disclosed.

6.9 Insurance and Indemnification

The firm must maintain its current insurance coverage for the duration of any contract resulting from this RFP. The agreement will require the firm to indemnify DPFP for certain of the firm's wrongful actions.

Appendix A

Article 6243a-1 Statute

Art. 6243a-1. PENSION SYSTEM FOR POLICE OFFICERS AND
FIREFIGHTERS IN CERTAIN CITIES.

PART 1. PURPOSE

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

(b) This article does not take away or reduce any accrued benefit contained in the plans created under former Article 6243a or under this article as it existed on or before August 31, 2017.

PART 2. GENERAL PROVISIONS

Sec. 2.01. DEFINITIONS. In this article:

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

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

(3) "Actuarial equivalent" means a form of benefit differing in time, duration, or manner of payment from a standard benefit payable under this article but having the same

value when computed using the assumptions set forth in this article.

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

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

(6) "Annual additions" means the sum of the following amounts credited to a member's account under any defined contribution plan maintained by the city for the limitation year:

(A) city contributions;

(B) member contributions, other than rollover contributions from a plan maintained by any employer other than the city;

(C) forfeitures; and

(D) amounts allocated after March 31, 1984, to an individual medical benefit account, as defined in Section 415(1)(2) of the code, that is part of a pension or annuity plan maintained by the city.

For any limitation year beginning before January 1, 1987, only that portion of member contributions equal to the lesser of member contributions in excess of six percent of 415 compensation or one-half of member contributions to the combined pension plan or any qualified defined contribution plan maintained by the city is treated as annual additions.

(7) "Annual benefit" means the aggregate benefit attributable to city and member contributions payable annually under the combined pension plan, or any plan maintained by the city, exclusive of any benefit not required to be considered for purposes of applying the limitations of Section 415 of the code to the combined pension plan, payable in the form of a straight life annuity beginning at age 62 with no ancillary benefits. Solely for purposes of computing the limitations under the combined pension plan, benefits actually payable to a pensioner

are adjusted to the actuarial equivalent of a straight life annuity pursuant to Section 415(b) of the code even though no member may actually receive a benefit in the form of a straight life annuity.

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

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

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

(11) "Base pension" means the amount of retirement, death, or disability benefits as determined at the earliest of the time a Group B member and, solely for the purposes of Section 6.12 of this article, a Group A member:

- (A) begins participation in DROP;
- (B) leaves or left active service;
- (C) dies; or
- (D) becomes entitled to a disability pension under the combined pension plan.

Solely for purposes of this definition, when a member becomes entitled to a disability pension, the base pension shall

be determined as of the date on which the disability pension begins.

(12) "Board" means the board of trustees created under Section 3.01 of this article for the purpose of administering the pension system.

(13) "Child" means a person whose parent, as recognized under the laws of this state, is a primary party.

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

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

(16) "City council" means the governing body of the city.

(17) "City manager" means the city manager of a city or the city manager's designee and includes, to the extent of any designation, an interim or acting city manager, chief financial officer, budget director, or assistant city manager. If a city does not have an individual serving in a position otherwise described by this subdivision, "city manager" means the mayor of that city.

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

(19) "Code" means the United States Internal Revenue Code of 1986, as amended.

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

(21) "Computation pay" shall be used in determining the amount of the city's contribution under Section 4.02(d) of this article and a Group B member's contribution under Section 4.03(d) of this article and in determining the base pension to

be paid to a Group B member or the benefits to be paid to the member's qualified survivors and means the sum of the following:

(A) the biweekly rate of pay of a member for the highest civil service rank the person holds, from time to time, as a result of a competitive examination; plus

(B) the educational incentive pay of a member, computed on a biweekly basis; plus

(C) the longevity pay of a member, as authorized by the legislature, computed on a biweekly basis; plus

(D) the city service incentive pay, computed on a biweekly basis, of a member.

The term includes only amounts actually paid in salary or payments made instead of salary to the member and member contributions picked up by the city, and does not include any imputed pay. Furthermore, any compensation received by a member, other than that noted in Paragraphs (A)-(D) of this subdivision (for example, compensation for overtime work, certification pay, and the pay a member would receive from the city in the form of assignment pay), will not be considered in determining the computation pay of a member. Any lump-sum payments for compensatory time, unused sick leave, unused vacation time, or city service incentive pay payable after a member leaves active service, dies, becomes disabled, or resigns, or after any other type of termination may not be considered in determining the computation pay of any member. Computation pay for a member for any given period is determined on the biweekly rates of pay due the member for the entire period. The term does not include compensation paid by the city to a person for prior periods of service or compensation that otherwise constitutes back pay unless the compensation is eligible back pay. The board may adopt rules and procedures necessary to include eligible back pay as computation pay for purposes of this definition, including rules regarding how increases in benefits will be determined and administered.

(22) "Department" means either the police department of the city, the fire department of the city, or both the police and fire departments of the city together.

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

(24) "Disability retirement" means any period that a pensioner receives periodic disability compensation or a disability pension.

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

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

(27) "Eligible back pay," except as otherwise provided by this definition, means additional compensation paid by the city to a member or pensioner:

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

(B) for which the pension system receives:

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

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

contributions for back pay is actually received by the pension system.

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

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

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

(29) "Fund" means all funds and property held to provide benefits to all persons who are or who may become entitled to any benefits under any plan within the pension system, together with all income, profits, or other increments.

(30) "Group A member" means any police officer or fire fighter included in Group A membership under Section 5.01(a)(1) of this article.

(31) "Group B member" means any police officer or fire fighter included in Group B membership under Section 5.01(a)(2) of this article.

(32) "Health director" means any qualified physician designated from time to time by the board.

(33) "Limitation year" means the plan year of the combined pension plan and any defined benefit plan or defined contribution plan of the city in which a member participates.

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

(35) "Member" means both Group A and Group B members.

(36) "Member's account" means an account established and maintained for a member with respect to the member's total

interest in one or more defined contribution plans under this article or maintained by the city resulting in annual additions.

(37) "Nominations committee" means the nominations committee established under Section 3.011 of this article.

(38) "Old plan" means any pension plan created pursuant to Section 1 of Article 6243a.

(39) "Pensioner," "Group A pensioner," or "Group B pensioner" means a former member of the pension system who is on either a service or disability retirement.

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

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

(42) "Plan A" means any plan created pursuant to Section 11A of Article 6243a.

(43) "Plan B" means any plan created pursuant to Section 11B of Article 6243a.

(44) "Police officer" or "fire fighter" means, as appropriate, a police officer, fire fighter, fire and rescue officer, fire alarm operator, fire inspector, apprentice police officer, apprentice fire fighter, or similar employee of either department as defined in the classifications of the human resources department of the city.

(45) "Primary party," "Group B primary party," or "Group A primary party" means a member or pensioner.

(46) "Qualified actuary" means either:

(A) an individual who is a Fellow of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries, or a member of the American Academy of Actuaries; or

(B) a firm that employs one or more persons who are Fellows of the Society of Actuaries, Fellows of the Conference of Consulting Actuaries, or members of the American

Academy of Actuaries and are providing services to the pension system.

(47) "Qualified domestic relations order" has the meaning provided by Section 414(p) of the code.

(48) "Qualified survivor" means a person who is eligible to receive death benefits after the death of a primary party and includes only:

(A) a surviving spouse, if the spouse was continuously married to the primary party from the date when the primary party either voluntarily or involuntarily left active service as a member through the date of the primary party's death;

(B) all surviving, unmarried children who are either under 19 years of age or have a disability, as determined by the board under Section 6.06(o-2) of this article, and who were:

(i) born or adopted before the primary party either voluntarily or involuntarily left active service; or

(ii) born after the primary party left active service if the mother was pregnant with the child before the primary party left active service; and

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

(49) "Service retirement" means any period that a pensioner receives a retirement pension but does not include any period of disability retirement.

(50) "Spouse" means the person to whom a primary party is legally married under the laws of this state or any other state.

(51) "Traditional asset" includes stocks, bonds, and cash.

(52) "Trustee" means a member of the board.

(53) "Two-thirds vote," in reference to a vote of all the trustees, means a vote of 8 of the 11 trustees of the board.

Sec. 2.02. ACTUARIAL ASSUMPTIONS. (a) If the amount of any benefit or contribution is to be determined on the basis of actuarial assumptions that are not otherwise specifically set forth for that purpose in this article, the actuarial assumptions to be used are those earnings and mortality assumptions being used on the date of the determination by the pension system's qualified actuary and approved by the board.

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

(c) The actuarial assumptions may be changed by the pension system's qualified actuary at any time if approved by the board, but no such change in actuarial assumptions may result in any decrease in benefits accrued as of the effective date of the change.

For expiration of this section, see Subsection (e).

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

- (1) conclusion regarding whether the pension system meets State Pension Review Board pension funding guidelines; and
- (2) recommendations regarding changes to benefits or to member or city contribution rates.

(b) Subject to Subsection (d) of this section, not later than November 1, 2024, the board shall by rule adopt a plan that:

(1) complies with funding and amortization period requirements applicable to the pension system under Subchapter C, Chapter 802, Government Code; and

(2) takes into consideration the independent actuary's recommendations under Subsection (a)(2) of this section.

(b-1) The board shall provide a copy of the analysis prepared under Subsection (a) of this section and a summary of any rules adopted by the board under Subsection (b) of this section to the State Pension Review Board.

(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.

(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:

(1) a law that is enacted by the legislature and becomes law preempts the rule; or

(2) the board amends the rule and the amendment takes effect, provided the board may only amend the rule if the pension system complies with the funding and amortization period requirements applicable to the pension system under Subchapter C, Chapter 802, Government Code.

(e) This section expires September 1, 2025.

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.

PART 3. ADMINISTRATION

Sec. 3.01. BOARD OF TRUSTEES. (a) The pension system shall be administered by the board. The board shall execute its fiduciary duty to hold and administer the assets of the fund for the exclusive benefit of members and their beneficiaries under Section 802.203, Government Code, Section 67(f), Article XVI, Texas Constitution, and any other applicable law, in a manner that ensures the sustainability of the pension system for purposes of providing current and future benefits to members and their beneficiaries.

(b) Subject to Subsections (b-1) and (b-2) of this section, the board consists of 11 trustees who shall be selected and shall serve as follows:

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

(2) three trustees elected under rules adopted by the board by the members and pensioners of the pension system from a slate of nominees, in a number determined under the rules, selected and vetted by the nominations committee;

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

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

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

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

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

(b-2) To be appointed or elected a trustee under Subsection (b) (1) or (2) of this section a person may not be an active member or pensioner.

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

(b-4) A trustee is not required to reside in a particular city or county of this state.

(c) Repealed by Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. 3158), Sec. 1.52(1), eff. September 1, 2017.

(d) A vacancy on the board in a trustee position under Subsection (b) (1) or (2) of this section shall be filled in the same manner as the original appointment, or election. The board by rule shall determine the manner by which a vacancy in a trustee position under Subsection (b) (3) or (4) of this section is filled.

(e) The mayor shall determine whether all trustees appointed under Subsection (b) (1) of this section hold office for staggered two-year terms or staggered three-year terms. The nominations committee shall determine whether all trustees elected under Subsection (b) (2), (3), or (4) of this section hold office for staggered two-year terms or staggered three-year terms. A trustee appointed or elected, as applicable, under Subsection (b) (1) or (2) of this section may not serve for more than six consecutive years on the board.

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

(g) The board shall, in June of each odd-numbered year, elect from among its trustees a chairman, vice chairman, and a deputy vice chairman, each to serve for two-year terms. In addition, the board may elect, if it so chooses, a second deputy vice chairman to serve during the term of the incumbent chairman. The vice chairman shall be authorized to act in the place of the chairman in all matters pertaining to the board. In the absence of both the chairman and the vice chairman, the deputy vice chairman shall be authorized to act. In the absence of the chairman, vice chairman, and deputy vice chairman, the duties shall fall to the second deputy vice chairman.

(h) The executive director, or in the executive director's absence a member of the administrative staff designated by the board, shall serve as the secretary of the board.

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

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

this article, any pension plan within the pension system, or the laws of this state or the United States to the extent applicable. A board meeting may be held by telephone conference call or by videoconference call in accordance with Sections 551.125 and 551.127, Government Code, except that Section 551.125(b), Government Code, does not apply.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(k) The board has full power, through the chairman, to issue process for witnesses and to administer oaths to witnesses and examine witnesses as to any matter affecting retirement, disability, or death benefits under any pension plan within the pension system, and to compel witnesses to testify. In addition, the board may request investigative services from either department in connection with any matter before the board.

(l) The board has the responsibility for the administration of the pension system and shall order payment

from the fund in accordance with the terms of the appropriate plans within the pension system. Money from the fund may not be paid except on order of the board.

(m) The board has full power to invest the assets of the fund in accordance with Section 4.07 of this article.

(n) Six trustees of the board constitute a quorum at any meeting.

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

(1) no action shall be taken during a board meeting without the approval of a majority of the trustees of the board; and

(2) no action otherwise authorized by this article or other law may be taken that establishes an alternative benefit plan, reduces the city contribution rate, increases the member contribution rate, or reduces benefits, including accrued benefits, without the approval of at least a two-thirds vote of all the trustees of the board.

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

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

(q) The board may purchase from one or more insurers one or more insurance policies that provide for the reimbursement of a trustee or employee of the pension system for liability imposed as damages caused by, and for costs and expenses incurred by the individual in defense of, an alleged act, error,

or omission committed by the individual in the individual's capacity as a fiduciary or employee of the pension system. The board may not purchase an insurance policy that provides for the reimbursement of a trustee or employee of the pension system due to the trustee's or employee's dishonesty, fraudulent breach of trust, lack of good faith, intentional fraud or deception, or intentional failure to act prudently.

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

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

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

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

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

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

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

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

(A) the Dallas Black Firefighters Association;

(B) the Black Police Association of Greater Dallas;

(C) the National Latino Law Enforcement Organization;

(D) the Dallas Fraternal Order Police Lodge 588;

(E) the Dallas Police Association;

(F) the Dallas Fire Fighters Association, International Association of Fire Fighters Local No. 58;

(G) the Dallas Hispanic Firefighters Association, Inc.;

(H) the Dallas Police Retired Officers Association;

(I) the Dallas Retired Firefighters Association;

(J) the Retired Black Firefighters Association of Dallas; and

(K) the Dallas Hispanic Retired Fire Fighters Association.

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

(c) The executive director shall serve as presiding officer of the nominations committee.

(d) The nominations committee shall meet at the call of the presiding officer.

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

(f) A person serving on the nominations committee under Subsection (a)(2) of this section serves without compensation and may not be reimbursed for travel or other expenses incurred while conducting the business of the nominations committee. The

executive director may not receive additional compensation for service on the nominations committee.

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

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

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

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

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

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

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

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

(2) does not maintain during service on the board the qualifications required by Section 3.01(b) or (b-1)(1) of this article, subject to Subsection (b-3) of that section;

(3) is ineligible for membership under Section 3.01(b-1)(2) or (b-2) of this article; or

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

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

(d) If the executive director has knowledge that a potential cause for removal exists, the executive director shall

notify the chairman of the board of the potential cause. The chairman shall then notify the mayor or nominations committee, as appropriate, that a potential cause for removal exists. If the potential cause for removal involves the chairman, the executive director shall notify the vice chairman or next highest ranking officer of the board, who shall then notify the mayor or nominations committee, as appropriate, that a potential cause for removal exists.

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

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

- (1) the law governing the pension system's operations;
- (2) the programs, functions, rules, and budget of the pension system;
- (3) the scope of and limitations on the rulemaking authority of the board;
- (4) the results of the most recent formal audit of the pension system;
- (5) the requirements of:
 - (A) laws relating to open meetings, public information, administrative procedure, and disclosing conflicts of interest; and
 - (B) other laws applicable to a trustee in performing the trustee's duties, including the board's fiduciary duties described under Section 3.01(a) of this article;
- (6) the code or codes of ethics adopted under Section 3.01(r) of this article and any applicable ethics policies adopted by the Texas Ethics Commission; and
- (7) financial training regarding the risks of investing in alternative investments.

(c) The executive director shall create a training manual that includes the information required by Subsection (b) of this

section. The executive director shall distribute a copy of the training manual annually to each trustee. On receipt of the training manual, each trustee shall sign and submit to the executive director a statement acknowledging receipt of the training manual.

Sec. 3.02. PROFESSIONAL CONSULTANTS. In addition to the authority of the board to employ the services of certain consultants set forth in this article, the board has the authority to employ the services of any professional consultant recommended by the executive director, including investment advisors and investment managers, whenever the services of the consultants are considered necessary or desirable and in the best interests of the pension system, as determined by the board in consultation with the executive director. A professional consultant shall receive such compensation as may be determined by the board in accordance with Section 4.01 of this article.

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

Sec. 3.03. LEGAL ADVISOR. (a) The city attorney of the city may ex officio be the legal advisor to the board.

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

(b-1) The city attorney or an assistant city attorney is not required to provide an opinion under Subsection (b) of this section unless the opinion is requested by the city council on behalf of the pension system. The city attorney or assistant city attorney may decline to provide the opinion if the subject matter of the request is too dependent on disputed facts to permit a generalized opinion, as determined by the city attorney or assistant city attorney.

(c) The board may retain other attorneys to serve as legal advisors to the board. The executive director may hire a chief legal officer, subject to confirmation by the board, or other attorneys if necessary to carry out the business of the pension system. Compensation for a chief legal officer or other attorneys hired under this subsection shall be made in accordance with Section 4.01 of this article.

Sec. 3.04. APPOINTMENT OF EXECUTIVE DIRECTOR. (a) The board has the authority to appoint an executive director to assist the board with administering the pension system and ensure that records are kept of the proceedings of the board. Subject to Subsection (a-1) of this section, a person appointed executive director under this section:

- (1) must have, to the extent possible, relevant experience in managing a similarly situated business entity; and
- (2) may not be a current or former trustee.

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

(b) Subject to Subsections (b-1) and (b-3) of this section, the executive director may select any number of persons the executive director determines appropriate to assist the executive director in carrying out the executive director's duties under this section. Subject to Section 4.01 of this article, the titles and salaries of persons selected to assist the executive director shall be determined by the executive director.

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

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

(b-3) A former or retired employee of the city may not before the second anniversary of the first day of the month following the date the person terminated employment with the city serve the pension system in any capacity other than as a trustee. Except as specifically provided by this article, including Section 3.01(b) (3) or (4) of this article, or other law, an employee of the city may not serve the pension system in any capacity.

(c) The executive director and those persons selected to assist the executive director may be considered employees of the city. Unless otherwise delegated to the executive director, the board shall have the ultimate authority to retain, discipline, or terminate the engagement of the executive director.

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

PART 4. FINANCES

Sec. 4.01. PAYMENT OF ADMINISTRATIVE AND PROFESSIONAL SERVICES FEES. (a) The board shall pay for all costs of administration out of the income from the fund when in the judgment of the board the costs are necessary, including the cost of:

- (1) salaries and benefits for the executive director and administrative staff;
- (2) office expenses;
- (3) expenses associated with securing adequate office space and associated utilities;
- (4) compensation for professional consultants, professional investment managers, or other persons providing professional services; and
- (5) any other expenses approved by the board.

(b) Repealed by Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. 3158), Sec. 1.52(2), eff. September 1, 2017.

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

(d) After the board has developed an annual budget for the pension system, the budget shall be presented to the city manager for comment. The city manager may request the board to reconsider the appropriation for any expenditure at a board meeting, but the board shall make the final determination concerning any appropriation.

Sec. 4.02. USE OF PUBLIC FUNDS. (a) The financial share of the cost of the pension system to be paid out of the public treasury shall be as provided by this section.

(b) Funds contributed by the city as its share of the amount required to finance the payment of benefits under the pension system may be used for no other purpose. The city is not responsible for the payment of any administrative or professional service fees of the pension system. Any change to the contributions required to be made to the pension system by the city may only be made:

- (1) by the legislature;
- (2) by a majority vote of the voters of the city; or
- (3) in accordance with a written agreement entered into between the pension system, by at least a two-thirds vote

of all trustees of the board, and the city, provided that a change made in accordance with this subdivision may not increase the period required to amortize the unfunded actuarial accrued liability of the fund.

(c) Funds shall be appropriated by the city to carry out various other provisions contained in this article that authorize expenditures in connection with the administration of the pension system.

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

(1) the greater of:

(A) 34.5 percent of the aggregate computation pay paid to members during the period for which the contribution is made; or

(B) the applicable amount set forth below:

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

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

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

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

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

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

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

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

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

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

(e) The city is required to pay the contribution amount described by Subsection (d)(2) of this section only through the last biweekly pay period that ends after December 31, 2024.

(f) Repealed by Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. 3158), Sec. 1.52(3), eff. September 1, 2017.

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

Sec. 4.03. MEMBER CONTRIBUTIONS. (a) Subject to Subsection (a-1) of this section and except as provided by Section 4.025 of this article, each Group A member of the combined pension plan shall have 13.5 percent of base pay

deducted from the member's wages on a biweekly basis, and the contributions shall be promptly remitted to the fund by the city.

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

(b) Each member shall contribute to the fund under the applicable terms of this article until the member leaves active service with either department. If a member leaves active service with a department, the member shall cease making contributions.

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

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

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

number of hours the member would have worked during the period if the member had been working a full-time work schedule.

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

(e) The city shall determine the frequency of deductions for member contributions, as long as there is at least one deduction each month.

(f) Each Group B member shall contribute to the fund beginning on the effective date of the member's Group B membership.

(g) The percentage of base pay contributed by Group A members or computation pay contributed by Group B members may not be altered except by an adjustment under Section 4.025 of this article.

(h) The only purposes for which member contributions to the fund and the investment income derived from member contributions may be applied are:

(1) to the payment of benefits prescribed by this article;

(2) to the payment of such administrative and professional service costs of the pension system as are provided for under Section 4.01 of this article or as may be within the discretion of the board to incur; and

(3) to invest any surplus in accordance with Section 4.07 of this article.

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

Sec. 4.04. REFUND OF GROUP B MEMBER CONTRIBUTIONS. (a) Except as provided by Subsection (d) or (e) of this section, a Group B member who, either voluntarily or involuntarily, leaves active service is entitled to a refund from the fund of the

total amount of the member's Plan B and Group B contributions, without interest, that were paid beginning with the effective date of the member's Group B membership or membership in Plan B. A refund under this subsection results in a total cancellation of pension service credit and the member and any person who would otherwise take by, through, or under the member is not entitled to any benefits from the pension system.

(b) Old plan or Plan A contributions paid to the fund by a Group B member may not be refunded from the fund.

(c) A Group B member who desires a refund of the Plan B or Group B contributions under Subsection (a) of this section must make written application for the refund with the executive director. In no case may any refund be made to a Group B member before the expiration of 30 days after the date the person leaves active service.

(d) Subject to Subsection (k) of this section, if a Group B member with less than five years of pension service either voluntarily or involuntarily leaves active service and fails to make written application for a refund of contributions within three years after the date of the notice described by Subsection (j) of this section made by the board, the person forfeits the right to withdraw any portion of the contribution, and the total amount of Plan B and Group B contributions the person made will remain in the fund. If the Group B member described by this subsection dies after leaving active service, the deceased member's designee may apply for the refund of the person's contributions, resulting in an appropriate loss of pension service if the application is filed with the executive director within three years after the date of the notice described by Subsection (j) of this section made by the board. Subject to Subsection (k) of this section, if a Group B member's designee fails to apply for a refund of the Group B member's contributions within the three-year period described by this subsection, the designee forfeits any right to the contributions, and the total amount of the Plan B and Group B

contributions made by the Group B member will remain in the fund.

(e) Subject to Subsection (k) of this section, if a Group B member with five or more years of pension service either voluntarily or involuntarily leaves active service and fails to make written application for a refund of the person's Plan B and Group B contributions within three years after the date of the notice described by Subsection (j) of this section made by the board, the person forfeits the right to withdraw any portion of the contributions, and the total amount of the contributions will remain in the fund. A Group B member described by this subsection may, however, apply for a Group B retirement pension under Section 6.02 of this article or, if the Group B member dies before the member is eligible to apply for a Group B retirement pension, the member's qualified survivors may apply for Group B death benefits under Sections 6.06, 6.061, 6.062, and 6.063 of this article. If the Group B member dies before the member is eligible to apply for a Group B retirement pension and the member has no qualified survivors, the Group B member's designee may apply for a refund of the Group B member's Plan B and Group B contributions, resulting in a total cancellation of pension service. Subject to Subsection (k) of this section, if a Group B member's designee fails to apply for a refund of the Group B and Plan B member's contributions within the three-year period described by this subsection, the designee forfeits any right to the contributions, and the total amount of the Plan B and Group B contributions made by the Group B member will remain in the fund.

(f) Subject to Subsections (g) and (h) of this section, a Group B member, other than a Group B member who elects or has elected to receive a Group A benefit or a benefit determined under the old plan or Plan A, who either voluntarily or involuntarily leaves active service with five or more years of pension service is entitled to:

(1) subject to Subsection (f-1) of this section, have the total amount of the person's Plan B and Group B

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

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

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

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

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

(h-1) A Group B member who leaves active service and later returns to active service is permitted to repay to the fund any previously withdrawn employee contributions and receive pension service in accordance with Section 5.07(d) of this article as a Group B member to the extent that before again leaving active service, the Group B member repays to the fund the previously withdrawn contributions with interest, calculated at the interest rate from time to time used in the pension system's actuarial rate of return assumptions, compounded annually, on the previously withdrawn contributions.

(i) If a person becomes a Group B member under Section 5.01(b) of this article and again, either voluntarily or

involuntarily, leaves active service and makes application for a refund of contributions under this section, the person is entitled to a refund from the fund of the following:

(1) the amount of Group B contributions to the fund, without interest, that were paid from the date the person returned to active service following service or disability retirement; plus

(2) the excess, if any, of:

(A) the person's Plan B and Group B contributions to the fund, without interest, that were paid from the effective date of the person's original Group B or Plan B membership in Plan B until the time the person originally left active service because of the service or disability retirement; less

(B) the total amount of benefits the person received during service or disability retirement.

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

(k) A Group B member or designee described by Subsection (d) or (e) of this section shall have the person's right, title, interest, or claim to a refund of the Group B member's contributions reinstated only on the board's grant of their written request for a reinstatement and refund. The board's decision shall be based on a uniform and nondiscriminatory basis.

Sec. 4.05. INVESTMENT COUNSELOR; QUALIFICATIONS. (a) The board may employ from time to time an investment counselor to advise the board in the investment and reinvestment of the assets of the fund. Only the following are eligible for employment as an investment counselor:

(1) any organization whose regular business functions include rendering investment advisory services to pension and retirement funds and that is registered as an "investment adviser" under the Investment Advisers Act of 1940; and

(2) any bank, as defined in the Investment Advisers Act of 1940, that maintains a trust department and offers investment services to pension and retirement funds.

(b) The investment counselor shall receive such compensation as may be determined by the board and as authorized by Section 4.01 of this article.

Sec. 4.06. INVESTMENT CUSTODY ACCOUNT OR MASTER TRUST AGREEMENTS. (a) If the board contracts for investment management services as authorized by Section 4.07 of this article, it may, with respect to every such contract, also enter into an investment custody account agreement, designating one or more banks as custodian or master trustee for any assets of the fund.

(b) Under a custody account or master trust agreement, the board shall require the designated bank to perform the duties and assume the responsibilities of a custodian in relation to the investment contract to which the custody account or master trust agreement is established.

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

(d) Any custody account or master trust agreement made by the board shall establish such compensation for the custodian or master trustee as may be determined by the board and as authorized by Section 4.01 of this article.

Sec. 4.07. INVESTMENT OF SURPLUS. (a) Subject to Section 4.071 of this article, if the board determines that there is in the fund a surplus exceeding a reasonably safe amount to take care of current demands on the pension system, the board may

invest or direct the investment of the surplus for the sole benefit of the pension system.

(b) In making investments and supervising investments, trustees shall exercise the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to probable income from the assets as well as the probable safety of their capital.

(c) The board has the ultimate responsibility for the investment of funds. The board may exercise this responsibility directly by purchasing or selling securities or other investments, or it may exercise discretion in determining the procedure that it deems most efficient and beneficial for the pension system in carrying out the responsibility. The board may contract for professional advisory services regarding the purchase or sale of securities or other investments pursuant to Section 3.02 of this article. A professional advisory service shall receive such compensation as may be determined by the board in accordance with Section 4.01 of this article.

(d) The board also has the authority to contract for professional investment management services. Any contract that the board makes with an investment manager shall set forth the board's investment policies and guidelines. A professional investment management service shall receive such compensation as may be determined by the board in accordance with Section 4.01 of this article.

(e) The board, in exercising its control, may at any time, and shall at frequent intervals, monitor the investments made by any investment manager and shall enforce full compliance with the requirements of the board.

(f) If the board contracts for and receives professional advisory services or professional investment management services, the board has no greater liability under the terms of this section than otherwise provided for under the Government Code or the Texas Trust Code.

(g) A bank or trust company that has custody and trustee powers and a contract with the board to provide assistance in making investments shall be the custodian or master trustee of any of the securities or other assets of the fund. Pursuant to Section 4.06 of this article, the board may designate a bank to serve as custodian or master trustee, or subcustodian or submaster trustee, to perform the customary duty of safekeeping as well as duties incident to the execution of transactions. As the demands of the pension system require, the board shall withdraw from the custodian or master trustee money previously considered surplus in excess of current cash and proceeds from the sale of investments. The money may without distinction be used for the payment of benefits pursuant to each of the plans within the pension system and for other uses authorized by this article and approved by the board.

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

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

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

Sec. 4.08. ACTUARIAL VALUATION. (a) The board has the authority to employ a qualified actuary to provide a continuing observation of the operation of the pension system and to make recommendations and give advice to the board about the condition

of the assets of the fund and the administration of the pension system. A qualified actuary shall receive such compensation as is determined by the board in accordance with Section 4.01 of this article.

(b) A qualified actuary shall perform continuing actuarial observation of the assets of the fund not less than once every two years and make a report of the condition of the assets of the fund to the board. The board may require more frequent reports.

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

Sec. 4.09. REWARDS, DONATIONS, AND CONTRIBUTIONS. Any reward, donation, or contribution given to any member as payment or gratuity for service performed in the line of duty shall be turned over to the chief of the member's department, who shall, in turn, forward the reward, donation, or contribution to the executive director of the pension system for deposit in the fund.

PART 5. MEMBERSHIP

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

(1) Group A members:

(A) police officers or fire fighters who are on active service and who as of February 28, 1973, had filed a written statement with the pension system of their desire to participate in either the old plan or Plan A;

(B) police officers and fire fighters who are on active service and who were employed and receiving compensation from the city as a police officer or a fire fighter before March

1, 1973, and who made contributions to either the old plan or Plan A attributable to any period of employment before March 1, 1973; and

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

(2) Group B members:

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

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

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

(D) as a condition of return to active service and except as provided by Subsection (b) of this section, former members of the old plan or Plan A who left active service before March 1, 1973;

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

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

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

(a-1) Group A or Group B members do not include any employee of the city who is:

(1) required by ordinance or who elects, in accordance with an ordinance, to participate in an alternative benefit plan established under Section 3.01(j-1)(2) of this article based on an evaluation under Section 3.01(j-5)(2) of this article; or

(2) required by ordinance to participate in an alternative benefit plan established under Section 810.002, Government Code.

(b) A person who has received an old plan, Plan A, or combined pension plan retirement or disability pension on or after March 1, 1973, may, if the person returns to active service, elect to participate as a Group A or Group B member by filing a written application for membership with the executive director not later than 60 days after the date of return to active service. If the person described by this subsection does not elect to become a Group A or Group B member, the person shall on leaving active service receive a retirement pension in an amount that is unadjusted for the period of return to active service if the person meets all of the requirements of Group A membership.

(c) A Group B pensioner who was never a member of the old plan, Plan A, or the combined pension plan before January 1, 1993, may, if the person returns to active service, elect to become a Group B member by filing a written application for membership with the executive director not later than 60 days after the date of return to active service. If the person described by this subsection does not elect to again become a Group B member, on leaving active service, if the person meets all applicable requirements of this article, the person shall receive benefits in an amount equal to the amount the person was receiving as of the day before the day the person returned to active service, and the person's base pension shall be the same as the base pension originally computed before the return to active service.

(d) A person who is on active service and is a Group A member may, before the person participates in DROP, irrevocably

elect to become a Group B member by filing a written application with the executive director. On and after the filing of the application, the Group A member shall make contributions to the fund at the rate applicable to Group B members. However, the contributions do not, by themselves, establish Group B membership. Group B membership is contingent on the satisfaction of the following conditions:

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

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

(d-1) If the fund does not receive payment under Subsection (d) (1) of this section by the date prescribed by Subsection (d) (2) of this section, all payments made under Subsection (d) (1) of this section, as well as those contribution amounts paid by the person after the person's application for Group B membership that are in excess of the Group A member contribution rate, shall be returned without accrued interest to the person, or in the event of the person's death to the person's designee, as applicable.

(e) A person who is on active service and has never been a member of any plan within the pension system may elect to become a Group B member on a prospective basis by filing a written application for membership with the executive director.

Sec. 5.02. EFFECTIVE DATE OF GROUP B MEMBERSHIP. (a) The effective date of Group B membership for a person who becomes a

Group B member under Section 5.01(a)(2)(A) or (B) of this article is the date the Group B member first became a member of Plan B.

(b) The effective date of Group B membership for a person who becomes a Group B member pursuant to Section 5.01(a)(2)(C) of this article is the day the person begins active service.

(c) The effective date of Group B membership for a person who becomes a Group B member and is described by Section 5.01(a)(2)(D) of this article is the date of the person's return to active service.

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

(e) The effective date of membership for a person who becomes a Group B member pursuant to Section 5.01(b) of this article is the date on which written application for the membership is filed with the executive director. The effective date of membership for a person who becomes a Group A member pursuant to Section 5.01(b) of this article is the person's original effective date of membership in the old plan, Plan A, or the combined pension plan, whichever is applicable.

(f) The effective date of Group B membership for a Group B pensioner who again becomes a Group B member pursuant to Section 5.01(c) of this article is the pensioner's original effective date of membership, adjusted for any period the person was not on active service.

(g) The effective date of Group B membership for a person who joins this plan pursuant to Section 5.01(d) of this article is March 1, 1973.

(h) A person described by Subsection (a), (c), (d), (e), (f), or (g) of this section shall be given full pension service for the time the person was a contributing member of the old plan, Plan A, the combined pension plan, and Plan B, and the pension service shall be counted as if it had been earned while a Group B member. Neither the length of time persons described by Subsection (a), (c), (d), (e), (f), or (g) of this section received a retirement or disability pension, whether under the old plan, Plan A, the combined pension plan or Plan B, nor the amount of any benefits paid to the person shall have any effect on the pension service earned by the person. No pension service may be earned while on service retirement or disability retirement, or when the person was not on active service. Except as provided by Sections 5.08 and 5.09 of this article, a person described by Subsection (a), (c), (d), (e), (f), or (g) of this section may not be allowed to contribute to the fund in order to receive pension service for the time the person was not on active service, regardless of whether the person was actually receiving a pension.

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

Sec. 5.03. TERMINATION OF GROUP B MEMBERSHIP. (a) Group B membership, whether by voluntary application or as a condition of employment, may be terminated by the Group B member only when the person ceases to be on active service.

(b) Once a police officer or fire fighter becomes a Group B member, whether by voluntary application or as a condition of employment, the person may never transfer the membership to become a Group A member and may never transfer the membership to any pension plan for police officers and fire fighters that may

be created in the future unless the terms of that plan allow the transfer.

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

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

(d) If a Group B member described by Subsection (c) or (c-1) of this section has elected and been granted a Group A retirement or disability pension under the applicable provisions of this article, the person is entitled to a reimbursement from the fund. The reimbursement shall be equal to that portion of the person's contributions to the fund, without interest, from the person's effective date of Group B membership until the time the person left active service that is in excess of the total amount the person would have contributed as a Group A member or as a member of the old plan or Plan A for the same period. A Group B member desiring a refund of excess contributions must make written application for the refund with the executive director within three years after the date the person's Group A retirement or disability pension, whichever is applicable, begins, otherwise, the person will lose all right, title, interest, or claim to the refund until such time as the board grants the refund in response to the person's written request. The refund shall be made as soon as practicable after written application is filed with the executive director.

Sec. 5.04. GROUP B MEMBERSHIP MAY BE DECLARED INACTIVE.

(a) Except as provided by Subsection (d)(1) of this section, if a Group B member with less than five years of pension service either voluntarily or involuntarily leaves active service, the person's Group B membership remains active as long as the person has not withdrawn the person's contributions pursuant to Section 4.04 of this article.

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

(c) Except as provided by Subsection (d)(3) of this section, if the board receives valid information that a Group B primary party has died, the board shall, by registered or certified mail, return receipt requested, attempt to notify:

(1) the qualified survivors of the primary party of the procedures for applying and qualifying for death benefits under Section 6.06, 6.061, 6.062, or 6.063 of this article; or

(2) if the primary party does not have any qualified survivors, the primary party's designee of the procedures for applying for a refund of the primary party's contributions, if applicable, in accordance with Section 4.04 of this article.

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

(2) Subject to the provisions of Subdivision (5)(B) of this subsection, the membership of a Group B member described by Subsection (b) of this section shall be declared inactive and all of the person's accrued pension service voided if the person does not file an application for a Group B retirement pension

with the board within three years after the date of the notice described by Subdivision (4) of this subsection.

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

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

(B) has qualified survivors, the qualified survivors have no right, title, interest, or claim to the primary party's death benefits if the qualified survivor does not file an application for the benefits within three years after the date of the notice described in Subsection (c) of this section.

(4) On the 58th anniversary of the birth of a Group B member described by Subsection (a) or (b) of this section, the board shall, by registered or certified mail, return receipt requested, attempt to notify:

(A) the member of the status of the member's entitlement to benefits or contributions from the fund; or

(B) if the board receives valid information that the member has died, the qualified survivors of the deceased person or, if none exists, the designee of the deceased person.

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

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

(C) A primary party's qualified survivors or designee, as appropriate, described by Subdivision (3) of this subsection shall have their right, title, interest, or claim to the primary party's refund of the party's contributions reinstated on the board's grant of their written request.

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

(b) A member who elects to pay contributions for time spent on military leave, authorized non-uniformed leave of absence, or for an apprenticeship or probationary period, or for any other reason provided for by this article may receive pension service for the time for which the member is contributing only to the extent provided under Section 5.07(d), 5.08, or 5.09 of this article.

(c) If a member, either voluntarily or involuntarily, leaves active service and later returns to active service, the person shall receive full pension service for the period of the person's original membership, if the person did not withdraw the person's contributions pursuant to Section 4.04 of this article. If, however, the member had withdrawn the person's contributions and did not replace the previously withdrawn contributions as required by Section 4.04 of this article, the member forfeits any pension service attributable to any period of time for which the respective contributions were not repaid.

(d) If a member is assigned, for any period, to a job-sharing program or any similar work schedule that is considered by the member's department to be less than a full-time work schedule, the member's pension service is determined by multiplying the pension service that could have been earned for full-time work during the period by a fraction, the numerator of which is the number of hours the member actually worked during the period and the denominator of which is the number of hours

the member would have worked during the period if the member had been working a full-time work schedule. This proration may not affect the computation of pension service for a member during any period the member is on leave:

- (1) because of an illness or injury; or
- (2) receiving periodic payments of workers'

compensation.

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

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

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

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

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

(3) the monthly retirement pension due the Group B member at age 58.

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

(a) A Group B member who is on active service and has previously elected not to become a contributing member of the old plan or Plan A may purchase pension service from the fund for that period during which the member performed active service with either department until the effective date of the member's Group B membership. No pension service may be given to the Group B member except to the extent that payment is made for the pension service in accordance with Subsection (d) of this section.

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

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

(d) If payment of the entire amount of pension service a member is entitled to under Subsection (a) or (c) of this

section or under Section 4.04(h-1) of this article is not completed by the earlier of the date the Group B member begins participation in DROP or the date the member leaves active service, pension service will be provided only for the number of full years of pension service that the contributions and interest paid under those provisions will purchase, computed based on the most recent years for which the member was entitled to purchase pension service. Except for pension service that is picked up by the city under the authority of Section 414(h)(2) of the code, a fractional year of pension service may be purchased only if less than a full year of pension service is available for purchase.

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

(f) Notwithstanding any other provision of this section, any amounts that have been picked up and paid by the city may not be paid to a member or designee, and the member shall be given credit for all years, and fractions of years, of pension service that can be purchased with the picked-up contributions.

Sec. 5.08. MEMBERS IN UNIFORMED SERVICES. (a) In this section, "service in the uniformed services" has the meaning assigned by the federal Uniformed Services Employment and Reemployment Rights Act of 1994 (38 U.S.C. Section 4301 et seq.), as amended.

(a-1) A member who is reemployed by the city after an absence due to service in the uniformed services shall receive contributions, benefits, and pension service that are no less favorable than those required by Section 414(u) of the code in accordance with the procedure described by Subsection (c) of this section.

(b) To the extent a provision of this section that was in effect before November 25, 1996, would provide a member who was

on active service with the pension system before November 25, 1996, with greater rights, the prior provision of this section applies.

(c) Payment for credit for pension service under this section shall be made in accordance with Section 5.07 of this article and a uniform and nondiscriminatory procedure adopted by the board.

Sec. 5.09. NON-UNIFORMED LEAVE OF ABSENCE. (a) An "authorized non-uniformed leave of absence" means any leave of absence that meets one of the following requirements:

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

(2) the leave of absence was unpaid and was an official leave authorized and certified by the chief of the member's department as being beneficial to the department.

(b) Subject to the requirements of this section and any procedures adopted by the board, a member may receive pension service for time spent away from the member's department on an authorized non-uniformed leave of absence. To receive pension service under this section, the member must file with the executive director a written application to pay to the fund both:

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

(2) the contributions the city would have made to the fund on the member's behalf had the member remained on active service and had there been no change in the member's position or hours of work during the period of the authorized non-uniformed leave of absence.

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

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

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

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

(2) payment of contributions as set forth in Subsection (b) of this section shall begin coincident with the beginning of the applicable authorized non-uniformed leave of absence and shall be made monthly to the executive director for deposit in the fund, unless the board authorizes the deferment of the payments, in which case the payments must include interest calculated in accordance with Subsection (b-4) of this section;

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

(4) if the board authorizes the deferment of the payments under Subdivision (2) of this subsection, the payment must be made either by authorizing the deduction of pro rata portions of the total amount due from the member's salary over a

one-year period, or by cash payment made to the executive director within one year after the date of the member's return to active service, except that the board may approve a longer period for making the payment if it finds that the one-year limit would work a financial hardship on the member;

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

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

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

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

(2) A member who is disabled or dies while on an authorized non-uniformed leave of absence pursuant to this section may receive no pension service for any portion of the period of the leave, except that if the member had, before the member's disability or death, paid for contributions while on an authorized non-uniformed leave of absence in accordance with this section, the member shall receive pension service for the leave time actually paid for at the time of the member's

disability or death. The member may receive no pension service for any portion of the period of leave for which contributions were not paid to the executive director for deposit in the fund.

PART 6. BENEFITS

Sec. 6.01. GROUP A RETIREMENT PENSION. (a) A Group A member must have 20 years of pension service to be eligible for a Group A retirement pension under this section. A member's benefit election under this section, once approved, is irrevocable.

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

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

(b) At age 50 a Group A member is eligible to begin drawing a monthly Group A retirement pension. A monthly Group A retirement pension equals 50 percent of the base pay per month, plus 50 percent of any longevity pay the Group A member was receiving at the time the member left active service. Although the number of years used in the computation of longevity pay remains fixed at the earlier of the time a Group A member leaves active service or begins participation in DROP, the monthly rate of longevity pay used in this computation is subject to change in the event of an amendment to the state law governing longevity pay. The monthly Group A retirement pension benefits of Group A pensioners shall be adjusted from time to time in a like manner.

(c) In addition to the amount computed under Subsection (b) of this section, at age 50, a Group A member is eligible to begin drawing an annual Group A retirement pension. An annual retirement pension equals 50 percent of the difference between the annualized amount of city service incentive pay and longevity pay. In determining city service incentive pay and longevity pay for purposes of this element of the annual Group A retirement pension only the following apply:

(1) City service incentive pay is calculated in the same manner as the city service incentive pay is calculated for members currently on active service except:

(A) the annual salary of a Group A pensioner used in calculating city service incentive pay is determined on the basis of the last city civil service rank held by the Group A pensioner when the person was on active service; however, if the rank no longer exists, its closest equivalent shall be determined by the board and applied; and

(B) the annual salary of a Group A pensioner as determined under Paragraph (A) of this subdivision shall be that amount in effect on the last day of September of each year the Group A pensioner's annual retirement pension is calculated.

(2) Longevity pay shall be calculated as 12 times the amount of monthly longevity pay the Group A pensioner was receiving at the time such person left active service, except that the monthly rate of longevity pay used in this computation is subject to change if an amendment to state law governing longevity pay is enacted.

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

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

(2) it shall be payable only to those Group A pensioners who, as Group A members on active service, received city service incentive pay and who receive a monthly Group A

retirement pension as determined under Subsection (b) of this section on the last day of September of each year; and

(3) it shall be paid to Group A pensioners as long as the city continues to pay city service incentive pay to Group A members on active service.

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

(e) At age 55 a Group A member is eligible to begin drawing a monthly retirement pension computed as follows:

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

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

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

(3) 1/24th, without subsequent adjustment, of the annualized amount of the city service incentive pay the Group A member received at the time the person left active service.

(f) For purposes of Subsection (e) of this section, base pay and longevity pay are the amounts in effect on the earlier of the date the member begins participation in DROP or the date benefits are to begin, without subsequent adjustment.

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

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

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

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

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

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

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

(a-2) If a Group B pensioner resumes employment with the city in a capacity other than as a police officer or fire fighter, the pensioner's Group B retirement pension continues

during the period of employment except the pensioner may not accrue additional credit for pension service during this period. Additional credit for pension service does not accrue during any period in which a Group B pensioner becomes employed by the city unless the additional credit is attributable to active service as a police officer or fire fighter with the city.

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

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

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

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

(2) for a member who began active service on or after March 1, 2011, the member's retirement pension shall be the number of years of pension service, prorated for fractional years, times 2.5 percent of the average computation pay determined over the 60 consecutive months of pension service in which the member received the highest computation pay.

(b-1) For purposes of Subsection (b)(1)(B) of this section, the applicable percentage is based on the age of the

Group B member when the member's retirement pension begins as set forth below:

Age of Member When Retirement Pension Begins	Percent
58 and older	2.5%
57	2.4%
56	2.3%
55	2.2%
54	2.1%
53 and younger	2.0%

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

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

(2) the vested and accrued benefit of a member as determined on August 31, 2017.

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

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

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

(c-1) Except as provided by Subsection (c-2) of this section and subject to Section 6.021 of this article, a Group B member who applies for an actuarially reduced Group B retirement pension under Subsection (c) of this section shall receive a pension calculated under Subsection (b) of this section, reduced by two-thirds of one percent per month, for each whole calendar

month the benefit is payable before the month in which the member attains:

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

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

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

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

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

Age of Member When Retirement Pension Begins	Percent
48 and 49	2.75%
47	2.5%
46	2.25%
45 and younger	2%; and

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

Age of Member When Retirement Pension Begins	Percent
57	2.4%
56	2.3%
55	2.2%
54	2.1%
53 and younger	2.0%

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

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

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

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

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

(e) A Group B member or former Group B member with 34 or more years of pension service as of April 30, 1990, is entitled to receive the greater of a Group B retirement pension calculated under the terms of Plan B as in effect on that date

or a Group B retirement pension calculated pursuant to Subsection (b) of this section.

(f) Deleted.

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

(h) Notwithstanding any other provision of this section, a Group B member who was not a Group B member on or after January 1, 1993, shall receive a retirement pension calculated under the applicable provisions of Plan B as that plan existed on the date the member terminated active service.

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

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

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

(3) the Group B member may no longer be on active service.

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

(b) Copies of any alternative multipliers adopted under this section must be maintained at the principal office of the

pension system and published on the pension system's publicly available Internet website.

Sec. 6.022. AUTHORITY TO REDUCE RETIREMENT AGE.

Notwithstanding any other law, the board may reduce the age at which a Group B member is eligible to begin receiving a retirement pension, including an actuarially reduced retirement pension, under Section 6.02 of this article if the board determines that the reduction will not cause the amortization period of the unfunded actuarial accrued liability of the pension system to exceed 25 years, after taking into account the impact of the reduction. A board action under this section may not take effect until the State Pension Review Board reviews the board's determination described by this section.

Sec. 6.03. DISABILITY BENEFITS. (a) If a member who is on active service, other than a member participating in DROP, becomes disabled to the extent that the member cannot perform the member's duties with the member's department, the member may apply for a disability pension, subject to any uniform and nondiscriminatory disability application procedure and recall and review procedure adopted by the board and in effect from time to time.

(b) No disability pension may be paid until a member has been prevented, by a disability, from performing the member's duties with the member's department for a period of at least 90 consecutive calendar days, and no disability benefits may be paid for any portion of the 90-day period. The board may waive the waiting period on request by the member, if the request is supported by credible evidence acceptable to the board that the disability is wholly and immediately incapacitating. The board may request from the city such information, including any employment application and any related physical test and medical examination records, as may be desirable in evaluating the disability application.

(c) No disability pension may be paid for any disability if the disability was a result of the member's commission of a felony, except that this restriction may be waived by the board

if it believes that facts exist that would mitigate the denial of the member's application for a disability pension.

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

(e) No disability pension may be paid until the health director has either examined the member or reviewed reports of the member's physical or mental condition submitted to the health director by competent outside medical practitioners.

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

(g) Written application for a disability pension must be filed with the executive director not later than the 180th day after the date the member leaves active service. The application must be accompanied by a recommendation from the health director. This recommendation shall contain a statement indicating whether the member became disabled while the member was on duty or off duty and whether the disability was service-connected or was not service-connected.

(h) The recommendation from the health director shall also contain a statement indicating the date the member became disabled or indicating that the disability prevented the member from performing the member's duties for a period of not less than 90 days.

(i) An application for disability retirement will be considered at the meeting of the board held during the month the disability pension is to become effective or as soon after the effective date of the disability pension as possible. No disability pension may be paid, however, until the board has approved the application.

(j) If a person who became a Group B member pursuant to Section 5.01(a) (2) (E) of this article withdraws the person's contributions pursuant to Section 4.04 of this article and leaves active service with vested rights in the old plan, Plan A, or the combined pension plan in existence before January 1, 1993, the Group B member must, on return to active service, earn five years of pension service after the date of return to receive a Group B disability pension. If the Group B member is disabled before earning five years of pension service following a return to active service, the person may receive only a Group A disability pension.

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

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

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

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

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

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

(c) If a person subject to this section was unable to return to active service by reason of disability incurred while on a leave of absence due to service in the uniformed services, that person is entitled to a regular disability pension in

accordance with Section 6.03 of this article, calculated in accordance with Section 6.04 of this article.

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

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

Sec. 6.04. CALCULATION OF REGULAR DISABILITY BENEFITS.

(a) Subject to Subsection (g) of this section, if a Group A member's application for a Group A disability pension has been approved by the board pursuant to Section 6.03 of this article, including any procedures adopted under that section, the Group A member may elect to receive a Group A disability pension calculated:

(1) in the same manner as the benefit under Sections 6.01(b) and (c) of this article; or

(2) under Subsection (c) of this section.

(b) An election under Subsection (a) of this section, once approved by the board, is irrevocable.

(c) Subject to Subsection (g) of this section, a Group A member who elects to have benefits determined under this subsection is entitled to a monthly disability pension calculated as follows:

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

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

(3) subject to Subsection (d) of this section, 1/24th of the annualized amount of city service incentive pay the Group A member received at the time the member left active service.

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

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

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

(d) Payments of the amounts described by Subsection (c)(3) of this section are contingent on the city's continuing payment of city service incentive pay to Group A members on active service.

(e) If a Group B member's application for a Group B disability pension has been approved by the board under Section 6.03 of this article, including any procedures adopted under that section, the Group B member may elect to receive a Group B disability pension calculated in the manner described by Subsection (f) or (f-1) of this section, subject to Subsection (g) of this section.

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

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

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

(B) the number of years of pension service, including pension service credit imputed under Section 6.05(c) of this article, earned on or after September 1, 2017, prorated

for fractional years, times the applicable percentage prescribed by Section 6.02(b-1) of this article of the average computation pay determined over the 60 consecutive months of pension service in which the member received the highest computation pay; or

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

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

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

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

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

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

(f-3) The disability pension calculated under Subsection (f) or (f-1) of this section may not exceed the greater of:

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

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

(g) The disability pension calculated in accordance with this section, including both a Group A benefit described by Subsection (a) of this section and a Group B benefit described by Subsection (f) of this section, shall be reduced dollar-for-dollar by any monthly disability compensation benefit received under Section 6.05 of this article. If the monthly disability compensation benefit provided to a member under Section 6.05 of this article equals or exceeds any benefit the member is entitled to under this section or Section 6.01(b) or (c) of this article, the member may not receive the benefit under this section.

Sec. 6.05. COMPENSATION BENEFITS FOR SERVICE-CONNECTED DISABILITY. (a) If a member leaves active service at any time due to disability and the board determines that the member with the disability became unable to perform the member's duties with the member's department due to an injury or sickness incurred in the performance of the member's duties, the member is entitled to periodic disability compensation benefits in accordance with this section.

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

(b-1) Instead of receiving a periodic disability compensation benefit under Subsection (b) of this section, a Group A member who is entitled to periodic disability compensation benefits under this section may elect, before the benefits begin, to receive those benefits as a monthly benefit equal to 50 percent of the member's base pay adjusted from time

to time to reflect changes in base pay that occur after the member began receiving a monthly compensation benefit under this section.

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

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

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

(d) Redesignated as Sec. 6.055 by Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.35, eff. September 1, 2017.

(e) For purposes of Subsection (d) of this section, the phrase "earned income" means income earned by a Group B pensioner in the form of wages, salaries, commissions, fees, tips, unemployment benefits, and other amounts received by virtue of employment or self-employment but paid before any deduction for taxes or insurance. In addition, earned income also includes those amounts contributed on a before-tax basis to any retirement plan or employee health and welfare benefit plan.

Sec. 6.055. REDUCTION IN DISABILITY OR COMPENSATION BENEFITS FOR CERTAIN PERSONS. (a) In this section, "earned income" means income earned by a Group B pensioner in the form of wages, salaries, commissions, fees, tips, unemployment benefits, and other amounts received by virtue of employment or self-employment but paid before any deduction for taxes or insurance. In addition, earned income also includes those

amounts contributed on a before-tax basis to any retirement plan or employee health and welfare benefit plan.

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

(c) The pension system may waive the July 1 date under Subsection (b) of this section in lieu of one later in the same calendar year if the Group B pensioner provides the board with a true and complete copy of a grant of an extension of time for the filing of the person's tax return from the appropriate governmental agency or a true and complete copy of an extension request that results in any automatic extension.

(d) If, after evaluating the information received under Subsection (b) of this section, the board finds the Group B pensioner is or has been receiving earned income from one or more employments, including self-employment, during the preceding year, the board shall reduce future disability retirement payments to the Group B pensioner in accordance with the following formula: \$1 for each \$1 that the sum of "a" + "b" is greater than "c," where "a" is the earned income of the Group B pensioner attributable to the previous calendar year from the person's employments, "b" is the total amount of Group B disability retirement payments received by the Group B pensioner the previous calendar year, and "c" is the annualized amount of

the average computation pay the Group B pensioner received as of the date the person left active service.

(e) For purposes of the computation under Subsection (d) of this section, the average computation pay shall be deemed increased at a rate of 2.75 percent, without compounding during the year, as of each January 1 that the Group B pensioner receives a Group B disability retirement payment.

Sec. 6.06. GENERAL RULES GOVERNING DEATH BENEFITS. (a) Any award of a death benefit is subject to the conditions required by this section.

(b) A written application for benefits must be filed with the executive director.

(c) The application will be considered at the meeting of the board held during the month death benefits are to become effective, or as soon as possible after the date the benefits become effective. No benefits may be paid, however, until the board has approved the application.

(d) The board may require the applicant to provide proof of eligibility, such as marriage licenses, birth certificates, adoption papers, or sworn statements. The board may withhold any death benefit until the eligibility of the applicant has been confirmed.

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

(e-1) If a primary party had no surviving spouse, any surviving child who is a qualified survivor shall receive only the amount calculated under Section 6.07(a) or Section 6.08(b)(2), (c)(2), (d)(2), or (e)(2) of this article, whichever is applicable, and is not entitled to what otherwise would be the surviving spouse's share.

(e-2) If a primary party does not have a spouse or children who are qualified survivors, any dependent parent of the primary party who is a qualified survivor shall receive only the amount calculated under Section 6.07(c) or Section 6.08(b)(3), (d)(3), or (e)(3) of this article, whichever is applicable, and is not entitled to what otherwise would be the surviving spouse's or surviving children's share.

(f) The total monthly death benefits received by the qualified survivors of a primary party under this article, including the primary party's spouse, children, or dependent parents, may not exceed the pension to which the deceased primary party was entitled per month.

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

(h) With the exception of a trust described in Subsection (n) of this section, no death benefits awarded to surviving children may be used for any purpose other than to benefit the surviving children.

(i) Repealed by Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. 3158), Sec. 1.52(4), eff. September 1, 2017.

(j) With the exception of those circumstances described in Subsection (n) of this section, death benefits payable to surviving children shall be delivered to the legal guardian of the estate of the surviving children if one has been appointed and the pension system has been provided proof of the appointment. If no legal guardian has been appointed, death benefits shall be delivered to one of the following persons,

provided there is evidence that the person is a suitable person to receive and administer the benefits:

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

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

(j-1) In accordance with Subsection (h) of this section, the recipient of a surviving child's death benefits under Subsection (j) of this section must use the death benefits to benefit the child. The board may withhold payment of benefits to anyone, if presented with evidence that the death benefits are not being used to benefit the surviving child.

(k) Dependent parents of a primary party who are entitled to receive death benefits provided by this article may only receive the benefits for the remainder of the dependent parents' lives.

(l) The pension system may require all qualified survivors receiving death benefits to file a sworn statement with the executive director concerning the qualified survivor's eligibility to continue to receive death benefits at least once every two years, or at any other time the executive director considers a sworn statement to be appropriate to evidence the continued eligibility of the qualified survivor. The board may withhold death benefits from any person who fails or refuses to file a statement when requested to do so.

(m) When the last qualified survivor of any primary party becomes ineligible to continue to receive death benefits, an amount equal to the excess, if any, of the total amount of all contributions made to the fund by the primary party while a member over the sum of all benefits paid to the primary party and all of the primary party's qualified survivors shall be paid in a lump sum to the last person to receive benefits as a qualified survivor or, if none exists, to the member's designee. The total amount to be paid in benefits to the primary party and all qualified survivors shall never be less than the total

amount of contributions the primary party made to the fund while a member.

(n) Notwithstanding any other provision of this section:

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

(2) as soon as practicable after the pension system has knowledge of an event listed in this subdivision, the pension system shall terminate payment of death benefits to a trust described by Subdivision (1) of this subsection effective on the earlier occurrence of the following events:

(A) the date as of which the child is determined by the board to no longer be disabled under the terms of this section;

(B) the date on which the child is lawfully married;

(C) the date on which the child is deceased;

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

(E) if the trustee of the child's trust fails to provide a court of competent jurisdiction with an annual accounting of the child's trust, the date occurring six months after the date of the close of the trust's fiscal year.

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

(o-1) If benefits are no longer payable to the trust described in Subsection (n)(1) of this section in accordance with Subsection (n)(2) of this section, the benefits are divisible and payable to any remaining children who are qualified survivors who remain eligible to receive death benefits.

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

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

(2) the child is not married;

(3) the disability was not the result of an occupational injury for which the child received compensation equal to or greater than that provided under this article;

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

(5) the disability did not occur as a result of the child's participation in the commission of a felony.

(p) If a child with a disability received or is receiving workers' compensation resulting from an occupational injury equal to an amount less than the death benefit to be provided under this section, the difference shall be paid out of the assets of the fund in the form otherwise payable as monthly benefits. For purposes of Subsections (o), (o-1), and (o-2) of this section, if a lump sum is awarded for an injury, the fund's actuary may compute a corresponding monthly equivalent. A

finding relating to a child's disability is subject to periodic review and modification by the board.

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

(1) under 19 years of age; or

(2) disabled as described by Subsection (o-2) of this section and entitled to death benefits as qualified survivors.

(r) A spouse of a primary party who married the primary party after the date the primary party terminated active service is not a qualified survivor and is entitled only to those death benefits, if applicable, provided under Section 6.063 of this article.

(s) Repealed by Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. 3158), Sec. 1.52(4), eff. September 1, 2017.

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

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

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

Sec. 6.061. PROSPECTIVE REINSTATEMENT OF CERTAIN DEATH BENEFITS. (a) Subject to Subsection (c) of this section, the surviving spouse of a primary party who was a member of the old plan, Plan A, or Plan B whose death benefits, also referred to as "survivor benefits" or "widow benefits," terminated because

of a remarriage of the surviving spouse that occurred before April 21, 1988, is entitled to receive death benefits, on a prospective basis only, as of the first day of the month following the month in which the executive director receives the application.

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

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

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

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

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

(a) If an unmarried member dies while on active service and before beginning participation in DROP, the last person to receive benefits as the member's qualified survivor or, if the member does not have a qualified survivor living, the member's designee, shall be paid a lump-sum payment determined in accordance with this section if, at the time of the member's death, the member:

(1) had no qualified survivors; or

(2) only had qualified survivors who are children who become ineligible to receive death benefits before the benefits were paid for at least 120 consecutive months.

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

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

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

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

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

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

(1) of the death of the member; or

(2) the last qualified survivor becomes ineligible to receive monthly death benefit payments.

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

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

(2) a 50 percent joint and survivor annuity with a spouse who is not a qualified survivor because the marriage to the pensioner occurred after the pensioner terminated active

service, provided the election is made not later than one year after the date of the marriage; or

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

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

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

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

(c) Notwithstanding any other provision of this article, an election under this section shall result in benefits being paid as prescribed by this section instead of as prescribed by Section 6.01, 6.02, 6.04, 6.05, 6.07, or 6.08 of this article, as applicable.

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

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

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

(1) the board grants a retirement pension; or

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

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

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

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

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

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

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

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

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

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

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

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

(c) A designation made under this section:

- (1) may be revoked or changed at any time; and
- (2) is void if the person designated dies or goes out of existence before the payment is made.

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

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

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

- (1) the spouse;
- (2) the qualified survivors, if any, if there is no spouse;
- (3) the estate of the person, if there is no spouse or qualified survivors; or
- (4) the heirs of the person, if there is no spouse, qualified survivors, or estate.

Sec. 6.07. GROUP A DEATH BENEFITS. (a)(1) If a Group A member dies before leaving active service and before the Group A member had 20 years of pension service, the Group A member's spouse and children who are qualified survivors shall, in the aggregate, receive a Group A death benefit equal to a Group A retirement pension computed under the terms of Section 6.01 of this article as if the Group A member had completed 20 years of pension service.

(2) If a Group A member dies before service retirement and after the Group A member has 20 years of pension service, the Group A member's spouse and children who are qualified survivors shall, in the aggregate, receive a Group A death benefit calculated under Section 6.01 of this article as if the Group A member had left active service on the date of the Group A member's death.

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

(4) If a Group A pensioner dies after November 25, 1996, while receiving periodic disability compensation under Section 6.05 of this article or a disability pension under Section 6.04 of this article, and before the Group A pensioner has 20 years of pension service, the Group A pensioner's spouse

and children who are qualified survivors shall, in the aggregate, receive a Group A death benefit calculated under Section 6.04 or 6.05 of this article, as applicable, in the same manner as the Group A pensioner's periodic disability compensation or disability pension, but as if the Group A pensioner had completed 20 years of pension service.

(5) If a Group A pensioner who has 20 or more years of pension service dies during disability retirement, the Group A pensioner's spouse and children who are qualified survivors shall, in the aggregate, receive a Group A death benefit in an amount equal to the Group A disability pension being received by the Group A pensioner on the date of the pensioner's death.

(b) Group A death benefits under Subsection (a) of this section shall:

(1) be divided one-half to the spouse and one-half to the children who are qualified survivors; and

(2) subject to the terms of Sections 6.06(n), (o), (o-1), and (o-2) of this article, be distributed in an equal and uniform manner to the children described by Subdivision (1) of this subsection.

(c) If a Group A member or pensioner dies leaving no spouse or children who are qualified survivors, the dependent parents who are qualified survivors shall receive a Group A death benefit equal to the death benefit otherwise payable under Subsection (a) of this section. The death benefit payable to the dependent parents under this subsection shall be divided equally between the parents regardless of whether the parents are married or living at the same residence. If there is only one dependent parent, that parent is entitled to one-half of the death benefit described in this subsection.

Sec. 6.08. GROUP B DEATH BENEFITS. (a) If a Group B member dies while on active service, a Group B member who left active service and is vested under Section 5.06 of this article dies, or a Group B pensioner dies while receiving service or disability retirement or while receiving periodic disability compensation under Section 6.05 of this article, the person's

qualified survivors, or the person described in Section 6.06(g) or (j) of this article as the recipient of the children's benefits, may make application for Group B death benefits. If the deceased Group B member was previously eligible to elect whether to receive either a Group A or Group B retirement pension, the option to elect whether Group A or Group B death benefits are received shall be exercised by one of the following:

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

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

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

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

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

(1) the death benefit of a qualified survivor who is the spouse of a member who began active service:

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

(i) the number of years of pension service earned before September 1, 2017, prorated for fractional years, times 1.5 percent of the average computation pay determined over the 36 consecutive months of pension service in which the Group B member received the highest computation pay; plus

(ii) the number of years of pension service, including pension service credit imputed under Section 6.05(c) of this article, after September 1, 2017, prorated for fractional years, times the applicable percentage rate set forth below of the average computation pay determined over the 60 consecutive months of pension service in which the Group B member received the highest computation pay:

Age of Member When Retirement Pension Begins	Percent
58 and older	1.25%
57	1.2%
56	1.15%
55	1.10%
54	1.05%
53 and younger	1.0%; or

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

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

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

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

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

(1) 45 percent of the member's average computation pay determined over the 36 or 60 consecutive months, as applicable, in which the Group B member received the highest computation pay; or

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

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

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

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

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

(1) the death benefit of a qualified survivor who is the member's spouse is equal to 50 percent of any retirement pension the member would have been entitled to as of the date the member left active service;

(2) the death benefits of qualified survivors who are the member's children are calculated in the same manner as the

spouse's benefit is computed under Subdivision (1) of this subsection, to be divided equally between the children; and

(3) the death benefit of each qualified survivor who is the member's dependent parent is equal to 50 percent of any retirement pension the member would have been entitled to as of the date the member left active service.

(d) Group B death benefits shall be computed as follows for the qualified survivors of any Group B pensioner who dies while receiving service retirement:

(1) the death benefit of a qualified survivor who is the pensioner's spouse is equal to 50 percent of any retirement pension the Group B pensioner was receiving at the time of death;

(2) the death benefits of qualified survivors who are the pensioner's children are calculated in the same manner as the spouse's benefit is computed under Subdivision (1) of this subsection, to be divided equally between the children; and

(3) the death benefit of each qualified survivor who is the pensioner's dependent parent is equal to 50 percent of any retirement pension the Group B pensioner was receiving at the time of death.

(e) Group B death benefits shall be computed as follows for the qualified survivors of any Group B pensioner who dies while receiving disability retirement or while receiving periodic disability compensation under Section 6.05 of this article:

(1) the death benefit of a qualified survivor who is the pensioner's spouse is equal to 50 percent of any Group B periodic disability compensation or disability pension the Group B pensioner would have been entitled to as of the date the Group B pensioner left active service because of disability, or a Group B death benefit equal to 50 percent of any periodic disability compensation or disability pension the Group B pensioner was receiving at the time of death;

(2) the death benefits of qualified survivors who are the pensioner's children are calculated in the same manner as

the spouse's benefit is computed under Subdivision (1) of this subsection, to be divided equally between the children; and

(3) the death benefit of each qualified survivor who is the pensioner's dependent parent is equal to 50 percent of any periodic disability compensation or disability pension the Group B pensioner would have been entitled to as of the date the Group B pensioner left active service because of disability, or a Group B death benefit equal to 50 percent of any periodic disability compensation or disability pension the Group B pensioner was receiving at the time of death.

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

(1) the Group A primary party:

(A) had at least 20 years of pension service, left active service after October 1, 1985, and was at least 55 years of age on the earlier of the date the primary party:

(i) left active service; or

(ii) began participation in DROP; or

(B) had at least 20 years of pension service, left active service on or after May 31, 2000, and on the earlier of the date the primary party left active service or began participation in DROP, had a total of at least 78 credits, with each year of pension service, prorated for fractional years, equal to one credit and with each year of age, prorated for fractional years, equal to one credit; or

(2) the spouse has attained 55 years of age and there are no children who are qualified survivors eligible for death benefits.

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

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

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

A = base pay at the time the Group A primary party began participation in DROP, begins service retirement, dies, or becomes disabled, plus longevity pay, plus one-twelfth of last-received city service incentive pay;

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

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

C = the number of adjustments made to a Group A primary party's retirement pension, disability pension, or periodic disability compensation, multiplied by the amount of the adjustments; and

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

(d) A person who is the spouse of a Group B primary party, who is a qualified survivor, and who is entitled to any death benefits under Sections 6.06, 6.061, 6.062, 6.063, and 6.08 of this article is also entitled to a special benefit under this section if:

(1) the Group B primary party:

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

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

primary party left active service or began participation in DROP, prorated for fractional years, equal to one credit; or

(2) the spouse has attained 55 years of age, and there are no children of the primary party who are qualified survivors.

(d-1) Until the requirements of Subsection (d) of this section are satisfied, a spouse who is a qualified survivor may only receive a Group B death benefit in accordance with Sections 6.06, 6.061, 6.062, 6.063, and 6.08 of this article.

(e) The special Group B death benefit under Subsection (d) of this section is calculated based on the following formula:

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

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

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

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

C = the number of post-retirement adjustments made to a Group B primary party's retirement pension, disability pension, or periodic disability compensation multiplied by the amount of the adjustments; and

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

Sec. 6.10A. MINIMUM BENEFITS TO CERTAIN GROUP A PRIMARY PARTIES WHO WERE GROUP A, OLD PLAN, OR COMBINED PENSION PLAN MEMBERS AND THEIR QUALIFIED SURVIVORS. (a) Except as provided by Section 6.063 of this article or Subsections (b) and (h) of this section and notwithstanding any benefit computation and determination to the contrary contained in this article, the minimum Group A benefits provided by this section shall be paid to any Group A primary party who elects to receive a Group A

retirement pension under Sections 6.01(b) and (c) of this article, the old plan, or former Section 14(a) of this article, or to the primary party's qualified survivors, except that a Group A primary party who elects to receive an actuarially reduced retirement pension before 50 years of age and the primary party's qualified survivors are not entitled to the minimum benefits specified under this section. An alternate payee is not entitled to the Group A minimum benefits specified in this section.

(b) A Group A primary party who elects to receive a Group A retirement pension under Sections 6.01(b) and (c) of this article, the old plan, or former Section 14(a) of this article and who left active service with 20 or more years of pension service is entitled to receive a minimum Group A retirement pension of \$2,200 a month.

(c) In the absence of children who are qualified survivors, a spouse who is a qualified survivor of a Group A primary party who elected to receive a Group A retirement pension under Sections 6.01(b) and (c) of this article, the old plan, or former Section 14(a) of this article will receive a minimum monthly Group A death benefit of \$1,200.

(d) A spouse who is a qualified survivor of a Group A primary party who elected to receive a Group A retirement pension under Sections 6.01(b) and (c) of this article, the old plan, or former Section 14(a) of this article will receive, if there are children who are qualified survivors, a minimum Group A death benefit of \$1,100 a month.

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

(f) If there is neither a spouse nor a child who is a qualified survivor of a Group A primary party who elected to

receive a Group A retirement pension under Sections 6.01(b) and (c) of this article, the old plan, or former Section 14(a) of this article, each dependent parent who is a qualified survivor will receive a minimum Group A death benefit of \$1,100 a month. If only one of them is surviving, that dependent parent will receive a minimum Group A death benefit equal to \$1,100 a month.

(g) Notwithstanding the minimum monthly benefit described in other subsections of this section, a Group A primary party who receives periodic disability compensation under Section 6.05(b) of this article or a Group A disability pension under Section 6.04(a) of this article, the old plan, or former Section 17(a) of this article, shall receive a minimum Group A disability pension equal to \$2,200 a month.

(h) If a Group A pensioner who received a monthly benefit under Section 6.05(b-1) of this article or a disability pension under Section 6.04(a) of this article, calculated in the same manner as a Group A retirement pension under Sections 6.01(b) and (c) of this article, the old plan, or former Section 17(a) of this article before the completion of 20 years of pension service dies, the qualified survivors will receive a minimum Group A death benefit as provided under Subsection (c), (d), (e), or (f) of this section, as applicable, whichever is greatest.

Sec. 6.10B MINIMUM BENEFITS TO CERTAIN GROUP A PRIMARY PARTIES WHO WERE GROUP A, PLAN A, OR COMBINED PLAN MEMBERS AND THEIR QUALIFIED SURVIVORS. (a) Except as provided by Section 6.063 of this article and Subsection (b) of this section and notwithstanding any benefit computation and determination to the contrary contained in this article, the minimum Group A benefits provided by this section shall be paid to any Group A primary party who elects to receive a Group A retirement pension under Section 6.01(e) of this article, Plan A, or former Section 14(b) of this article or to the primary party's qualified survivors, except that a Group A primary party who elects to receive an actuarially reduced Group A retirement pension before 55 years of age and the primary party's qualified survivors are not

entitled to the minimum benefits specified in this section. An alternate payee is not entitled to the Group A minimum benefits specified in this section.

(b) A Group A primary party who elects to receive a Group A retirement pension under Section 6.01(e) of this article, Plan A, or former Section 14(b) of this article and who left active service with 20 or more years of pension service is entitled to receive a minimum retirement pension equal to the greater of \$2,200 a month or \$1,000 a month adjusted, if applicable, in the manner described by Section 6.12 of this article.

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

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

(e) In the absence of a spouse who is a qualified survivor of a Group A primary party who elected to receive a Group A retirement pension under Section 6.01(e) of this article, Plan A, or former Section 14(b) of this article, the primary party's children who are qualified survivors, as a group, will receive a minimum Group A death benefit equal to the greater of \$1,100 a

month or \$500 a month adjusted, if applicable, in the manner described by Section 6.12 of this article, to be divided equally among them.

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

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

(h) Repealed by Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. 3158), Sec. 1.52(5), eff. September 1, 2017.

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

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

(b) If a Group B primary party leaves active service with 20 or more years of pension service, the Group B primary party is entitled to receive a Group B minimum retirement pension equal to the greater of \$2,200 a month or \$925 a month, which sum may (A) increase at the rate of \$5 a month for each year of pension service beyond 20 years, but the increase may not exceed \$75 and (B) be adjusted, if applicable, in the manner described by Section 6.12 of this article.

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

(1) \$2,200 a month divided by 20 and multiplied by the Group B primary party's number of years of pension service; or

(2) \$925 a month divided by 20 and multiplied by the Group B primary party's number of years of pension service, which amount is then adjusted, if applicable, in the manner described by Section 6.12 of this article.

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

(1) \$1,200 a month; or

(2) \$600 a month adjusted, if applicable, in the manner described by Section 6.12 of this article.

(e) A spouse who is a qualified survivor of a Group B primary party, if there are children who are qualified survivors, will receive a minimum Group B death benefit of \$1,100 a month.

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

(g) If there is neither a spouse nor a child who is a qualified survivor, each dependent parent who is a qualified survivor of the deceased Group B primary party will receive a minimum death benefit of \$1,100 a month.

(h) Notwithstanding the minimum monthly retirement pension otherwise described by this section, a Group B primary party who left active service on a non-service-connected disability with less than 20 years of pension service will receive a minimum monthly disability pension equal to the greater of \$110 multiplied by the number of years of the primary party's pension service or \$46.25 multiplied by the number of years of the primary party's pension service, the product adjusted in the manner, if applicable, described by Section 6.12 of this article. If a Group B primary party who was receiving a non-service-connected disability pension before the completion of 20 years pension service dies, the qualified survivors will receive the amount specified in Section 6.08 of this article, or the minimum monthly death benefits granted to qualified survivors as provided by Subsections (d), (e), (f), and (g) of this section, as applicable, whichever is greater.

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

(1) a retirement pension calculated under Section 6.01(e) or 6.02 of this article;

(2) a disability pension calculated under Section 6.04 of this article, other than under Section 6.04(a) of this article;

(3) periodic disability compensation benefit under Section 6.05 of this article, other than Section 6.05(b-1) of this article; or

(4) a death benefit calculated under:

(A) Section 6.07 of this article, if calculated in the manner of a retirement pension under Section 6.01(e) of this article or in the manner of a disability compensation benefit under Section 6.05(b) of this article; or

(B) Section 6.08 of this article currently in pay status, or pending board approval on the last day of September.

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

(c) An adjustment under this section may not be less than zero percent or exceed four percent of the applicable base pension benefit.

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

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

(f) The following persons may not receive an adjustment under this section:

(1) a member on active service, including a DROP participant;

(2) a pensioner until the first October 1 occurring after both the pensioner's retirement and the earlier of:

(A) the date the pensioner reaches 62 years of age; or

(B) the third anniversary of the date the pensioner retired; or

(3) a qualified survivor until the first October 1 occurring after the earlier of:

(A) the date the qualified survivor reaches 62 years of age;

(B) the third anniversary of the date the primary party retired; or

(C) the third anniversary of the date of the member's or pensioner's death.

(g) A retirement or disability pension or periodic disability compensation paid to any Group B pensioner may not be less than the Group B pensioner's base pension.

(h) The death benefit of the qualified survivors who are the spouse, dependent parent, or child of a Group B pensioner, as a group, may not be less than 50 percent of the pensioner's base pension.

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

years of age, provided the pensioner or spouse attains 55 years of age before September 1, 2017, a monthly supplement equal to the greater of \$50 or three percent of their total monthly benefit and for months beginning on and after January 1, 1991, a monthly supplement equal to the greater of \$75 or three percent of their total monthly benefit. For purposes only of calculating this supplement, the phrase "their total monthly benefit" means the amount payable to a pensioner or qualified survivors under the terms of the plans described by this section under which the pensioner or qualified survivor elected to receive benefits but does not include the supplement authorized by this section or any adjustments under Section 6.12 of this article made after September 1, 2017.

(b) A person described by Subsection (a) of this section who, on September 1, 2017, is not receiving or has not received a supplemental benefit under this section is not entitled to receive a supplemental benefit under this section.

Sec. 6.14. DEFERRED RETIREMENT OPTION PLAN. (a) A member who remains on active service after becoming eligible to receive a retirement pension under either Section 6.01 or 6.02 of this article may become a participant in the deferred retirement option plan in accordance with Subsections (b) and (c) of this section, and defer the beginning of the person's retirement pension. Once an election to participate in the DROP has been made, the election continues in effect at least as long as the member remains in active service. On leaving active service, the member may:

(1) apply for a retirement pension under Sections 6.01(b) and (c), Section 6.01(e), or Section 6.02(b), (c), (d), or (e) of this article, whichever is applicable, together with any DROP benefit provided under this section; or

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

(b) The election to participate in the DROP shall be made in accordance with procedures set forth in any uniform and

nondiscriminatory election form adopted by the board and in effect from time to time. To determine the proper amount to be credited to a member's DROP account, the election shall indicate whether the member desires to receive a retirement pension under Sections 6.01(b) and (c), Section 6.01(e), or Section 6.02(b), (c), (d), or (e) of this article, whichever is applicable. The election may be made at any time on or after the date the member becomes eligible for a retirement pension as provided by this subsection. The election becomes effective on the first day of the first month on or after the date on which the member makes the election, except that an election that would otherwise have been effective on October 1, 1993, and every October 1 after that date, is considered, for purposes of this section and Section 6.12 of this article, to be effective on September 30 of the year in which it would otherwise have been effective. On and after the effective date of the election, the member will no longer be eligible for any refund of contributions. The election by one or more members to participate in the DROP has no effect on the amount of city contributions to the fund under Section 4.02 of this article.

(c) Each month after a member has made an election to participate in the DROP and indicated a desire to receive a retirement pension under Sections 6.01(b) and (c), Section 6.01(e), or Section 6.02(b), (c), (d), or (e) of this article, whichever is applicable, and through the month before the month in which the member leaves active service, an amount equal to the retirement pension the member would have received under the applicable subsection for that month if the member had left active service and been granted a retirement pension by the board on the effective date of DROP participation shall be credited to a separate DROP account maintained within the fund for the benefit of the member. Amounts held in the DROP account of a member shall be credited at the end of each calendar month. Notwithstanding this section, effective January 1, 2018, a member on active service who has 10 years or more of participation in DROP shall no longer have the amount of the

member's retirement pension credited to the member's DROP account while the member is on active service.

(d) A member may not receive a distribution from the member's DROP account while the member is on active service.

(e) Except as provided by Subsections (e-1) and (1) of this section, the balance in the DROP account of a member who terminated from active service on or before September 1, 2017, or who terminates from active service shall be distributed to the member in the form of an annuity, payable either monthly or annually at the election of the member, by annuitizing the amount credited to the DROP account over the life expectancy of the member as of the date of the annuitization using mortality tables recommended by the pension system's qualified actuary. The annuity shall be distributed beginning as promptly as administratively feasible after the later of, as applicable:

(1) the date the member retires and is granted a retirement pension; or

(2) September 1, 2017.

(e-1) The board may adopt a shorter period for annuitizing DROP account balances under Subsection (e) of this section if the pension system's qualified actuary determines that the shorter period will not cause the pension system's amortization period to exceed 25 years.

(e-2) The annuitization of a DROP account under Subsection (e) of this section must reflect the accrual of interest on the amount in the DROP account as of September 1, 2017, over the annuitization period applied to the account under this section. The interest rate applied under this subsection must be a rate as reasonably equivalent as practicable to the interest rate on a note issued by the United States Department of the Treasury or other federal treasury note with a duration that is reasonably comparable to the annuitization period applied to the account, as determined by the board. The portion of an annuity attributable to amounts credited to a member's DROP account on or after September 1, 2017, may not reflect the accrual of this interest on annuitization.

(e-3) The board may by rule allow any person receiving an annuity from the annuitization of a DROP account under this section to:

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

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

(e-4) The board shall adopt rules necessary to implement Subsection (e-3)(2) of this section, including rules regarding what constitutes a financial hardship for purposes of that subdivision. In adopting the rules, the board shall provide flexibility to persons receiving an annuity from the annuitization of a DROP account.

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

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

(2) in the best interest of the pension system.

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

(g) The provisions of Sections 6.06, 6.061, 6.062, 6.063, 6.07, and 6.08 of this article pertaining to death benefits of a qualified survivor do not apply to amounts held in a member's or pensioner's DROP account. Instead, a member or pensioner who participates in DROP may designate a beneficiary to receive the annuity payments under this section over the remaining annuitization period in the event of the member's or pensioner's

death subject to any rights provided under Subsection (e-3) of this section and in the manner allowed by Section 401(a)(9) of the code and any policy adopted by the board. A member or pensioner who is or becomes married is considered to have designated the member's or pensioner's spouse as the member's or pensioner's beneficiary, notwithstanding any prior beneficiary designation, unless the member or pensioner has made a different designation in accordance with a policy adopted by the board. If a member or pensioner does not have a spouse or the spouse predeceases the member or pensioner, the member's or pensioner's, as applicable, DROP account will be distributed to the member's or pensioner's, as applicable, designee. Notwithstanding anything in this section to the contrary, if a member or pensioner has previously designated the member's or pensioner's spouse as the beneficiary or co-beneficiary of the DROP account and the member or pensioner and spouse are subsequently divorced, the divorce automatically results in the invalidation of the designation of the spouse as a beneficiary and, if there is no additional beneficiary designated, the member's or pensioner's DROP account shall be distributed as provided by Subsection (e) of this section. If there are beneficiaries who survive the deceased member or pensioner, the surviving beneficiaries share equally in that portion that would have otherwise been payable to the former spouse.

(g-1) A member who becomes a DROP participant is ineligible for any disability benefits described by Section 6.03, 6.04, or 6.05 of this article, but is entitled to a retirement pension in accordance with Sections 6.01(b) and (c), Section 6.01(e), or Section 6.02 of this article, whichever is applicable, on termination from active service, and is also entitled to receive annuity payments in accordance with Subsection (e) of this section.

(h) The base pay or computation pay, whichever is applicable, in effect as of the effective date of a member's participation in DROP shall be used in calculating the member's retirement pension under Section 6.01 or 6.02 of this article.

A member who elects to participate in DROP does not accrue additional pension service for purposes of computing a retirement pension for any period after the effective date of the election.

(i) Repealed by Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. 3158), Sec. 1.52(6), eff. September 1, 2017.

(j) Except as provided by Subsection (l) of this section, if a pensioner who has been a DROP participant returns to active service, the person must become a participant in DROP under the terms and conditions in effect at the time of return to active service.

(k) Repealed by Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. 3158), Sec. 1.52(6), eff. September 1, 2017.

(l) Notwithstanding any other provision of this section and except as provided by Subsection (o) of this section, a member who has entered DROP before June 1, 2017, may revoke the DROP election at any time on or after September 1, 2017, and before the earlier of:

- (1) February 28, 2018; or
- (2) the member's termination of active service.

(m) If a member revokes participation in DROP under Subsection (l) of this section:

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

(n) A member who revokes the member's DROP election under Subsection (l) of this section is entitled to only a monthly pension computed on the basis of the member's pension service,

including pension service purchased under Subsection (m) of this section:

(1) that is based on the member's average computation pay at the time of leaving active service, if the member is a Group B member; or

(2) as provided by Section 6.01(b) of this article, if the member is a Group A member.

(o) A member may not revoke DROP participation under Subsection (l) of this section if any money has been transferred out of the member's DROP account.

Sec. 6.141. DEFERRED ANNUITIZATION OF CERTAIN DROP ACCOUNTS. (a) This section applies only to a pensioner who:

(1) before attaining 50 years of age:

(A) left active service; and

(B) was granted a service retirement pension under Section 6.01 or 6.02 of this article;

(2) since the pensioner's retirement has continued to receive substantially equal periodic payments, as determined under Section 72(t) of the code; and

(3) on September 1, 2017:

(A) is a DROP participant; and

(B) has not attained 59-1/2 years of age.

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

(1) a pensioner subject to this section may until the pensioner attains 59-1/2 years of age:

(A) subject to Subsection (c) of this section, continue to participate in DROP;

(B) have the same amount of the pensioner's service retirement pension credited to the pensioner's DROP account as has been credited since the pensioner's service retirement pension was initially granted; and

(C) defer annuitization of the pensioner's DROP account under Section 6.14(e) of this article; and

(2) once a pensioner subject to this section attains 59-1/2 years of age:

(A) the pensioner may not have any portion of the pensioner's service retirement pension credited to the pensioner's DROP account; and

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

(c) The DROP account of a pensioner who continues participation in DROP under Subsection (b)(1)(A) of this section does not accrue interest on and after September 1, 2017.

Sec. 6.15. MEDICAL EXAMINATION. (a) The board may require the following pensioners receiving a disability pension or a periodic disability compensation benefit to appear and undergo a medical examination by the health director or, if the health director approves, by any licensed medical practitioner, to determine if the pensioner's disability continues or has been removed to the extent that the pensioner is able to resume duties with the department:

(1) any Group A pensioner who has served less than 20 years;

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

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

(b) Any medical examination under this section is subject to the following conditions:

(1) Except as otherwise provided by this section, the board has complete discretion to require a pensioner to appear and undergo a medical examination as well as the time that may pass between examinations. When it becomes clear to the board from reliable medical evidence that the disability is unequivocally permanent and is not expected to diminish, the board may waive subsequent examinations.

(2) A pensioner may not be required to undergo a medical examination more often than once in a six-month period, except that the board may order the pensioner to undergo an examination at any time if the board has reason to believe the pensioner's disability has been removed and that the pensioner may be able to resume duties with the pensioner's former department or if the pensioner requests to be allowed to return to duty.

(3) If a pensioner fails to undergo an examination after being notified by the board that the examination is required, the board may discontinue disability benefits until the pensioner has undergone the examination and the results of the examination have been sent to the board.

(4) If the pensioner is examined by an approved outside medical practitioner other than the health director, the reasonable and customary cost of the examination, if any, is payable from the assets of the fund.

(c) After a pensioner has undergone a medical examination, the health director shall provide the board with a report of the pensioner's present medical condition together with the doctor's opinion as to whether the pensioner continues to be disabled or whether the pensioner is no longer disabled to the extent that the pensioner could resume duties with the pensioner's former department. The report and opinion may be divulged only to persons who have a legitimate need for them.

(d) If, in the opinion of the health director, the pensioner continues to be disabled, the board must continue payment of benefits. If, in the opinion of the health director, the pensioner is no longer disabled, or is not so disabled that

the pensioner could not perform some duties for the pensioner's former department, the board shall notify the department to determine if a position is available. If a position is available, the board shall notify the pensioner to return to duty. Disability benefits shall continue to be paid, however, until the pensioner returns to active service. However, if the pensioner refuses to return to duty or is refused employment by either department for reasons other than disability, the board shall order disability payments stopped. If a position is not available, the board must continue payments of the pensioner's disability pension.

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

Sec. 6.16. WAIVER OF BENEFITS. (a) A primary party, qualified survivor, or beneficiary of a member's DROP account may, on a form prescribed by the board and filed with the executive director, waive all or a portion of the benefits to which the person is or may be entitled. The waiver may state whether it is revocable or irrevocable, and is irrevocable unless the waiver clearly states it is revocable.

(b) The waiver described by Subsection (a) of this section applies only to benefits that become payable on or after the date the waiver is filed.

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

(c) If two or more persons are or may be entitled to benefits under this article, the waiver described by Subsection (a) of this section must be executed by each person to become effective. The living parent or parents or legal guardian or

guardians of a child must sign the waiver described by Subsection (a) of this section on behalf of the child.

Sec. 6.17. DENIAL OF BENEFITS: DEATH CAUSED BY SURVIVOR. A qualified survivor or beneficiary of a member's DROP account is not eligible for, or entitled to, benefits if the person is the principal or an accomplice in wilfully bringing about the death of a primary party or another qualified survivor or beneficiary of a member's DROP account whose death would otherwise have resulted in a benefit or benefit increase to the person. The determination of the board that a person wilfully brought about the death must be made during a meeting of the board from a preponderance of the evidence presented and is not controlled by any other finding in any other forum, whether considered under the same or another degree of proof.

Sec. 6.18. INVESTIGATION. (a) The board shall consider all applications for retirement and disability pensions, all applications for death benefits, and all elections to participate in DROP. The board shall give notice to persons applying for benefits, advising them of their right to appear before the board and offer such sworn evidence as they may desire. Any person claiming retirement, disability, or DROP benefits may appear before the board and offer testimony that is relevant to a contested application for a retirement pension, a disability pension, death benefits, or DROP benefits. The chairman of the board may issue process for witnesses, administer oaths to witnesses, and examine any witness as to any matter affecting benefits under any plan within the pension system. Process for witnesses shall be served by any method of serving process permitted by the state law in any civil judicial proceeding. A witness who fails or refuses to attend and testify may be compelled to attend and testify, as in any judicial proceeding. The board may seek assistance from any court of competent jurisdiction to further compel or sanction a witness who fails or refuses to attend and testify.

(b) Any person who is aggrieved by a determination of the board regarding a retirement pension, a disability pension,

death benefits, or DROP benefits may appeal the board determination to a state district court in the city where the pension system is located by giving written notice of appeal. The notice shall contain a statement of the grounds and reasons why the party feels aggrieved. The notice shall be served personally on the executive director within 20 days after the date of the board's determination. After service of the notice, the party appealing shall file with the state district court a copy of the notice of intention to appeal, together with an affidavit of the party making service showing how, when, and on whom the notice was served.

(c) Within 30 days after the date of service of the notice of appeal on the board, the executive director shall make up and file with the state district court a transcript of all nonprivileged papers and proceedings in the case before the board. When the copy of the notice of appeal and the transcript has been filed with the court, the appeal is perfected, and the court shall docket the appeal, assign the appeal a number, fix a date for hearing the appeal, and notify both the appellant and the board of the date fixed for the hearing.

(d) At any time before the rendering of its decision on appeal, the court may require further or additional proof or information, either documentary or under oath. On rendition of a decision on appeal, the court shall give to each party to the appeal a copy of the decision of the case. The decision of the court is appealable in the same manner as are civil cases generally.

(e) As provided by Section 4.01 of this article, the board shall approve all money used for investigations. The board may request the investigative services of either the police or fire departments in connection with any matter arising under this section.

Sec. 6.19. CERTIFICATE OF MEMBER PENSION BENEFIT ELIGIBILITY. When a member has earned five years of pension service, the member shall be issued an incontestable five-year certificate indicating that the member is entitled to pension

benefits subject to the effect of any withdrawals as permitted under Article 6243a or this article. The certificate shall state that the calculation of the retirement pension to which the member is entitled, or any disability benefits to which the member may become entitled, shall be determined solely under the actual terms of the combined pension plan as in effect at the time the member leaves active service. The certificate shall further state that in the case of the member's death, the member's qualified survivors, if any, may become entitled to death benefits as determined solely under the actual terms of the combined pension plan as in effect at the time of the member's death. The certificate shall bear a seal and be signed by the executive director and chairman of the board.

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

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

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

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

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

PART 6A. EQUITABLE ADJUSTMENTS

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

(b) For purposes of Subsection (a) of this section, "reasonable amounts" includes the amounts that would have been paid or credited:

(1) if the interest rate applied in determining a benefit, including the interest rate applied to a DROP account, equaled the actual, audited rate of return of the plan at the time the interest was credited to the account; or

(2) if the percentage increase applied under Section 6.12 of this article equaled the percentage increase, if any, in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) most recently published by the Bureau of Labor Statistics of the United States Department of Labor and used by the United States Social Security Administration to provide a cost-of-living adjustment for social security benefit payments payable beginning in January of the next year.

Sec. 6A.02. ADJUDICATION OF CERTAIN CHALLENGES. (a) The Texas Supreme Court has exclusive and original jurisdiction over a challenge to the constitutionality under the Texas Constitution of Section 6A.01 of this article. An action under

this section is authorized to the full extent permitted by Section 3, Article V, Texas Constitution. The Texas Supreme Court may issue any injunctive, declaratory, or equitable relief the court deems appropriate or necessary to effectuate the court's mandamus jurisdiction in connection with a challenge under this section.

(b) Any action brought under this section must be filed not later than the 90th day after the date the board adopts a rule under Section 6A.01 of this article.

(c) If an action brought under this section is timely filed, the board may not enforce or otherwise administer any rules adopted pursuant to Section 6A.01 of this article during the pendency of the action.

PART 8. TREATMENT UNDER FEDERAL AND STATE LAW

Sec. 8.01. QUALIFICATION UNDER FEDERAL TAX LAW. (a) The plans within the pension system and the assets of the fund are intended to qualify as a governmental plan under Sections 401 and 414(d) of the code, be exempt from federal income taxes under Section 501(a) of the code, and conform at all times to applicable requirements of law, regulations, and orders of duly constituted federal governmental authorities. Accordingly, if any provision of this article is subject to more than one construction, one of which will permit the qualification of a plan that is within the pension system, that construction that will permit the plan to qualify and conform will prevail.

(b) The plans within the pension system as well as the assets of the fund shall be maintained for the exclusive benefit of members and their beneficiaries. At no time before the termination of all the plans within the pension system and the satisfaction of all liabilities with respect to members and their beneficiaries under all plans shall any part of the principal or interest from the assets of the fund be used for or diverted to purposes other than the exclusive benefit of the members and beneficiaries.

(c) Notwithstanding any other provisions of this article, the annual benefit provided with respect to any member in any limitation year may not exceed the amount permitted by Section 415(b) of the code for the limitation year, and the sum of the member contributions and all other annual additions for any limitation year may not exceed the amount permitted under Section 415(c) of the code for the limitation year. If the aggregated annual benefit or aggregated annual additions under any qualified plans created under this article and any other defined benefit plan or plans maintained by the city would otherwise exceed the limitations of Section 415 of the code, the required reductions in benefits or contributions shall first be made to the extent possible from the other plan or plans. The limitations referenced in this subsection shall be adjusted annually in accordance with Section 415(d) of the code and any adjustment to benefits applies to the benefits of active and terminated members and applies without regard to whether a terminated member is a pensioner.

(c-1) Notwithstanding anything contained in this section to the contrary, the limitations, adjustments, and other requirements prescribed by this section shall at all times be computed in the manner most favorable to the affected members, to the extent permitted by guidelines issued by the Internal Revenue Service. If any provision of Section 415 of the code is repealed or is not enforced by the Internal Revenue Service, that provision may not reduce the benefits of any member after the effective date of the repeal of the provision or during the period in which the provision is not enforced.

(c-2) Any benefit reductions that are required to be made under this section shall be applied to reduce the monthly benefit that would otherwise have been payable to the member, unless the value of the member's DROP account accrued under Section 6.14 of this article exceeds the amount that may be paid under this section. If the value of the DROP account exceeds the value of the payments that may be made under this section, the member shall receive a lump-sum payment from the account of

the maximum amount that may be paid under this section and the payment shall permanently reduce the benefits the member would otherwise have been entitled to receive under the combined pension plan.

(d) A member's retirement pension may not begin later than April 1 of the year after the later of the year in which the member leaves active service or the year in which the member attains age 70-1/2 and must at all times comply with the requirements of Section 401(a)(9) of the code.

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

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

(f) For the 2017 calendar year, the annual compensation taken into account for any purpose under the combined pension plan may not exceed \$400,000 for an eligible participant or \$270,000 for an ineligible participant. For a Group A member the term "annual compensation" means the aggregate of the member's base pay. For a Group B member the term "annual compensation" means the aggregate of the member's computation pay for any given plan year. These dollar limits shall be adjusted from time to time in accordance with guidelines provided by the secretary of the treasury. For purposes of this subsection, an:

(1) "eligible participant" means any person who first became a member of the pension system before January 1, 1996; and

(2) "ineligible participant" means any member who is not an eligible participant.

(g) For purposes of Subsection (h) of this section, "normal retirement age" means the earlier of:

(1) the attainment of 50 years of age on or before September 1, 2017, and completion of at least five years of pension service;

(2) the attainment of 58 years of age after September 1, 2017, and completion of at least five years of pension service; or

(3) completion of 20 years of pension service.

(h) The retirement benefit earned by a member is nonforfeitable:

(1) on attainment of normal retirement age, if not already nonforfeitable; or

(2) to the extent the benefit is funded, if not already nonforfeitable, on the termination or partial termination of the combined pension plan or the complete discontinuance of city contributions to the fund.

(i) In accordance with Section 401(a)(8) of the code, forfeitures arising under the combined pension plan may not be used to increase the benefits any member would otherwise receive under the terms of the plan. Forfeitures may be used first to reduce administrative expenses, then to reduce required city contributions.

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

Sec. 8.02. EXCESS BENEFIT PLAN FOR POLICE OFFICERS AND FIRE FIGHTERS. The board may by rule establish and administer a separate qualified governmental excess benefit arrangement and associated trust for the arrangement in accordance with Section 415(m) of the code.

Sec. 8.03. EXEMPTION OF BENEFITS FROM JUDICIAL PROCESS OR ALIENATION. (a) A portion of the fund or benefit or amount awarded to any primary party, qualified survivor, beneficiary of a member's DROP account, excess benefit participant, or survivor of an excess benefit participant under this article may not be held, seized, taken, subjected to, or detained or levied on by virtue of any execution, attachment, garnishment, injunction, or other writ, order, or decree, or any process or proceedings issued from or by any court for the payment or satisfaction, in whole or in part, of any debt, damage, claim, demands, or judgment against any person entitled to benefits from any plan within the pension system or from the excess benefit plan. The fund and the excess benefit plan or any claim against the fund or the excess benefit plan may not be directly or indirectly assigned or transferred, and any attempt to transfer or assign the fund or the excess benefit plan or a claim against the fund or the excess benefit plan is void.

(b) A benefit under any plan created or existing pursuant to this article or Article 6243a is subject to division pursuant to the terms of a qualified domestic relations order. The executive director shall determine the qualifications of a domestic relations order according to a uniform, consistent procedure approved by the board. The total benefit payable to a primary party or to an alternate payee under a qualified domestic relations order may not actuarially exceed the benefits to which a primary party would be entitled in the absence of the qualified domestic relations order. In calculating the alternate payee's benefits under a qualified domestic relations order, the interest rate is the rate used by the pension system's actuary in the actuarial evaluation for that year,

except that the minimum interest rate for this purpose is the minimum required by Section 414 of the code.

(c) This section does not preclude:

(1) the payment of death benefits to a trust for certain children of a primary party pursuant to Section 6.06(n) of this article;

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

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

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

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

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

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

Added by Acts 1989, 71st Leg., ch. 553, Sec. 1, eff. June 14, 1989. Amended by Acts 1993, 73rd Leg., ch. 872, Sec. 1, eff. Aug. 30, 1993; Acts 2001, 77th Leg., ch. 669, Sec. 164, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1163 (H.B. [2702](#)), Sec. 190, eff. September 1, 2011.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.01, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.02, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.03, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.04, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.05, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.06, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.07, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.08, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.09, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.10, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.11, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.12, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.13, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.14, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.15, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.16, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.17, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.18, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.19, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.20, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.21, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.22, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.23, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.24, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.25, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.26, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.27, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.28, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.29, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.30, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.31, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.32, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.33, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.34, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.35, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.36, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.37, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.38, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.39, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.40, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.41, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.42, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.43, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.44, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.45, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.46, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.47, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.48, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.49, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.50, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.52(7), eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.52(1), eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.52(2), eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.52(3), eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.52(4), eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.52(5), eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 1.52(6), eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 318 (H.B. [3158](#)), Sec. 2.01, eff. May 31, 2017.

Acts 2021, 87th Leg., R.S., Ch. 901 (H.B. [3375](#)), Sec. 1, eff. September 1, 2021.

Appendix B

Actuarial Valuation Regular 20220101

Dallas Police and Fire Pension System

Actuarial Valuation and Review as of January 1, 2022



This report has been prepared at the request of the Board of Trustees to assist in administering the System. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Trustees and may only be provided to other parties in its entirety, unless expressly authorized by Segal. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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November 1, 2022

Board of Trustees
Dallas Police and Fire Pension System
4100 Harry Hines Blvd., Suite 100
Dallas, TX 75219-3207

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of January 1, 2022. It summarizes the actuarial data used in the valuation, analyzes the preceding year's experience, and calculates the funding requirements for fiscal 2022; actual funding is determined by State law.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Pension System. The census information on which our calculations were based was provided by the System's IT Department, under the supervision of John Holt, and the financial information on which our calculations were based was prepared by the System's Finance Department. That assistance is gratefully acknowledged.

The actuarial calculations were directed under my supervision. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in my opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the System.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,
Segal

A handwritten signature in dark ink, appearing to read "Jeffrey S. Williams".

Jeffrey S. Williams, FCA, ASA, MAAA, EA
Vice President and Consulting Actuary

A handwritten signature in dark ink, appearing to read "Caitlin E. Grice".

Caitlin E. Grice, FCA, ASA, MAAA, EA
Consulting Actuary

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Section 1: Actuarial Valuation Summary

Purpose and basis

This report was prepared by Segal to present a valuation of the Plan as of January 1, 2022. The valuation was performed to determine whether the assets and contributions/contribution rates are sufficient to provide the prescribed benefits and to provide information for required disclosures under Governmental Accounting Standards Board (GASB) Statement No. 67. The measurements shown in this actuarial valuation may not be applicable for other purposes. In particular, the measures herein are not necessarily appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the Plan's benefit obligations. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board;
- The characteristics of covered active members, inactive members, and retired members and beneficiaries as of December 31, 2021, provided by the System's IT Department;
- The assets of the Plan as of December 31, 2021, provided by the System's Finance Department;
- Economic assumptions regarding future salary increases and investment earnings;
- Other actuarial assumptions regarding employee terminations, retirement, death, etc.;
- Article 6243a-1, as amended by House Bill 3158 (HB 3158), signed into law by the Governor of Texas on May 31, 2017; and
- The funding policy adopted by the Board of Trustees of the Pension System on December 12, 2019 as amended through July 9, 2020.

The majority of assumptions and methods used to value the Plan were set by the Board based on recommendations made by Segal following a five-year experience study for the period ended December 31, 2019.

Certain disclosure information required by GASB Statements No 67 and 68 as of September 30, 2022 for the City is provided in a separate report.

Section 1: Actuarial Valuation Summary

Valuation highlights

1. Segal strongly recommends an actuarial funding method that targets 100% funding of the actuarial accrued liability. Generally, this implies payments that are ultimately at least enough to cover normal cost, interest on the unfunded actuarial accrued liability (UAL), and the principal UAL balance.
 - a. The Board's funding policy was adopted in December 2019 and amended in July 2020. In the Board's amended policy, the UAL as of January 1, 2020 was amortized over a closed, 25-year period, with future gains or losses each year thereafter amortized over separate, closed, 20-year periods. Amortization remains on a level percentage of pay basis. If the City's actual contributions differ from the actuarially determined contribution (ADC) by more than 2%, the Board can recommend a change in the City's contribution rate. The Board's funding policy meets the standard of targeting 100% funding of the actuarial accrued liability if the ADC is contributed.
 - b. Through 2024, there is a floor on the City's contributions levels. This floor is expected to override the long-term contribution rate of 34.50% of computation pay. Beginning in 2025, the City is expected to contribute based solely on computation pay. If future payroll matches the City's Hiring Plan payroll projection, the System is projected to be 100% funded in 2090.
 - c. The effective amortization period of 68 years based on current funding methodology is not a reasonable period for paying off the UAL.
2. Actual contributions made by the City during the plan year ending December 31, 2021 were \$165.5 million, 74.8% of the 2021 ADC. In 2020, actual contributions were \$162.0 million, 87.3% of the 2020 ADC. The total contributions made during the plan year were insufficient to reduce the UAL. The Board was advised previously that because the funding policy contributions, as outlined in HB 3158, result in a long effective amortization period; the UAL will continue to increase even after the funded percentage begins to increase. It is currently projected that the UAL will continue to increase as a dollar amount for more than 40 years before it starts to decline.
3. The System's normal cost (for benefits accruing each year) plus expenses is 18.64% of computation pay. Members contribute 13.50% of computation pay, and the City covers the balance. All remaining City contributions pay down the UAL. Although it is important for the System to meet its 6.50% annual rate of return assumption, the assets currently cover a relatively low percentage of the liabilities and investment returns alone cannot close the funding gap. It is therefore vital that the City's payroll projections are accurate, or that the long-term level of contributions is at least 34.50% of those payroll projections, for the System to have a chance to ever achieve full funding.
4. The rate of return on the market value of assets, as calculated by the actuary, was 16.99% for the 2021 plan year. The return on the actuarial value of assets was 4.68% for the 2021 plan year. This resulted in an actuarial loss when measured against the assumed rate of return of 6.50%. This actuarial investment loss increased the ADC by \$2.7 million.

Section 1: Actuarial Valuation Summary

5. There was a net experience loss for the year of \$65.0 million, or 1.3% of the actuarial accrued liability. This loss was primarily due to actual contributions less than the ADC, and to a lesser extent, the investment loss mentioned above, partially offset by a demographic experience gain. The loss due to contributions less than the ADC was equivalent to 1.1% of the actuarial accrued liability and the investment loss was equivalent to 0.7% of actuarial accrued liability. This net experience loss is amortized over 20 years.
6. The following actuarial assumptions were changed with this valuation:
 - a. The assumed annual administrative expenses were lowered from \$8,500,000 to \$7,000,000.
 - b. The assumed ad-hoc cost-of-living adjustment (COLA) was lowered from 2.00% to 1.50%, based on the expected market value of return of 6.50% less 5.00%.
 - c. The starting year of the ad-hoc COLA was changed from 2069 to 2073, based on when the System is projected to be 70% funded on a market value basis after the COLA is reflected.

As a result of these assumption changes, the employer normal cost decreased by \$2.0 million, and the actuarial accrued liability decreased by \$4.2 million. This change in the actuarial accrued liability was amortized over 20 years. The total impact was a decrease in the ADC of \$2.3 million, or 0.53% of computation pay.

Changes from prior valuation

7. The City's ADC for the 2022 plan year is \$228.5 million, an increase of \$7.2 million from last year. The ADC as a percentage of computation pay increased from 51.77% to 52.30%. Page 29 contains a reconciliation of the ADC from the prior valuation to this year.
8. The funded ratio (the ratio of the actuarial value of assets to actuarial accrued liability) is 41.06%, compared to the prior year funded ratio of 41.59%. This ratio is one measure of funding status, and its history is a measure of funding progress. Using the market value of assets, the funded ratio is 41.83%, compared to 37.99% as of the prior valuation date. These measurements are not necessarily appropriate for assessing the sufficiency of System assets to cover the estimated cost of settling the System's benefit obligation or the need for or the amount of future contributions. As shown in prior projections, the System should expect the funded ratio to continue to decline for the foreseeable future; current projections estimate the funded ratio will continue to decline through 2037. The funded ratio is currently projected to be less than 24% as of January 1, 2038.
9. The actuarial value of assets as of the valuation date is 98.2% of the market value of assets. The investment experience in recent years has only been partially recognized in the actuarial value of assets. As the deferred net gain of \$39.9 million is recognized in future years, the System's ADC is likely to decrease unless the net gain is offset by future experience. If the net deferred gains were recognized immediately in the actuarial value of assets, the ADC would decrease from 52.30% to 51.64% of computation pay.

Section 1: Actuarial Valuation Summary

Risk

10. The City's Hiring Plan reflects significant growth in payroll over 20 years, from \$372 million in 2017 to \$684 million in 2037. The average annual growth in the City's Hiring Plan payroll projections is 3.09%, compared to the valuation assumption of 2.50%. If payroll growth is more modest, or if there is adverse actuarial experience, it will significantly impact the progress towards improved funding.
 - a. With 100% funding projected in 2090, the effective amortization period for the UAL is 68 years. This period can vary on an annual basis due to actuarial experience, changes in assumptions, contributions higher or lower than expected, and assumed short-term market value asset returns provided by System staff. In the 2021 actuarial valuation, the projected full funding year was 2084 and the effective period was 63 years.
 - b. If the City's Hiring Plan projections are not met and instead the current valuation payroll of \$437.0 million increases by the assumed payroll growth of 2.50% each year, and City and member contributions are based on this level of payroll beginning in 2025, the System is projected to be only 64% funded in 2090, rather than 100%.
 - c. The City's Hiring Plan payroll projections are shown in *Section 4, Exhibit I*. From 2017 through 2022, valuation payroll based on participant data was cumulatively \$17.1 million less than the City's projections, or 0.73% lower. Even though valuation payroll for 2022 exceeds the City's payroll projection, this remains an area of concern that needs to be carefully monitored.
11. Since the actuarial valuation results are dependent on a given set of assumptions, there is a risk that emerging results may differ significantly as actual experience proves to be different from the assumptions. We have not been engaged to perform a detailed analysis of the potential range of the impact of risk relative to the System's future financial condition but have included a brief discussion of some risks that may affect the System in *Section 2*. A more detailed assessment would provide the Board with a better understanding of the inherent risks. This could be important because:
 - a. The Plan's asset allocation has potential for a significant amount of investment return volatility.
 - b. Retired participants account for almost 70% of the System's liabilities, leaving limited options for reducing costs in the event of adverse experience. Expected employee contributions by active members cover approximately 80% of the total normal cost of the plan; as a result, plan changes that affect active participants may have a limited impact on the funded status of the System.
 - c. The current political and social environment could impact the turnover and retirement patterns of public safety employees, as well as the availability of new hires.
12. It is important to note that this actuarial valuation is based on plan assets as of December 31, 2021. The plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the plan year. Moreover, this actuarial valuation does not include any possible short-term or long-term impacts on mortality of the covered population that may emerge after December 31, 2021 due to COVID-19. While it is impossible to determine how the pandemic

Section 1: Actuarial Valuation Summary

will impact demographic experience of the plan in future valuations, Segal is available to prepare projections of potential outcomes upon request.

GASB

13. This report constitutes an actuarial valuation for the purpose of determining the ADC under the Plan's funding policy. The information contained in *Section 5* provides the accounting information for Governmental Accounting Standards Board (GASB) Statement No. 67 for inclusion in the plan and employer's financial statements as of December 31, 2021.
14. The Net Pension Liability (NPL) and Pension Expense under GASB Statement No. 68 for inclusion in the plan and employer's financial statements as of September 30, 2022 will be provided separately.
15. The NPL is equal to the difference between the Total Pension Liability (TPL) and the Plan's fiduciary net position (equal to the market value of assets). The NPL as of December 30, 2021 is \$3.0 billion, a decrease from \$3.2 billion as of December 31, 2020.

Section 1: Actuarial Valuation Summary

Summary of key valuation results

		2022	2021
Contributions for plan year beginning January 1:	• Total actuarially determined contributions (City and member)	\$287,521,895	\$280,836,090
	• Expected member contributions	58,991,137	59,550,344
	• City's actuarially determined contributions (ADC)	228,530,758	221,285,746
	• City's ADC as a percent of computation pay	52.30%	51.77%
	• Actual City contributions	- -	\$165,541,265
	• Effective amortization period for determination of ADC ¹	23 years	24 years
Actuarial accrued liability for plan year beginning January 1:	• Retired members and beneficiaries	\$3,554,266,474	\$3,499,909,200 ²
	• Inactive vested members	24,985,278	26,533,699 ²
	• Active members	1,577,544,138	1,587,784,145
	• Inactive members due a refund of employee contributions	1,986,450	1,739,548
	• Total actuarial accrued liability	5,158,782,340	5,115,966,592
	• Employer normal cost including administrative expenses	22,448,886	24,444,776
Assets for plan year beginning January 1:	• Market value of assets (MVA)	\$2,157,840,430	\$1,943,700,593
	• Actuarial value of assets (AVA)	2,117,978,431	2,127,834,406
	• Actuarial value of assets as a percentage of market value of assets	98.15%	109.47%
Funded status for plan year beginning January 1:	• Unfunded actuarial accrued liability on market value of assets	\$3,000,941,910	\$3,172,265,999
	• Funded percentage on MVA basis	41.83%	37.99%
	• Unfunded actuarial accrued liability on actuarial value of assets	\$3,040,803,909	\$2,988,132,186
	• Funded percentage on AVA basis	41.06%	41.59%
	• Projected year of full funding based on City's Hiring Plan payroll projections	2090	2084
Key assumptions	• Net investment return	6.50%	6.50%
	• Inflation rate	2.50%	2.50%
GASB information	• Discount rate	6.50%	6.50%
	• Total pension liability	\$5,163,731,692	\$5,122,372,419
	• Plan fiduciary net position	2,157,840,430	1,943,700,593
	• Net pension liability	3,005,891,262	3,178,671,826
	• Plan fiduciary net position as a percentage of total pension liability	41.79%	37.95%

¹ The unfunded actuarial accrued liability as of January 1, 2020 was amortized over a closed, 25-year period. Beginning on January 1, 2021, each year's experience due to actuarial gains and losses, or plan, assumption, or method changes, are amortized over closed, 20-year periods. These amortization periods are based on the ADC being paid in full.

² Prior year numbers re-stated to include liability for DROP-only beneficiaries with "Retired members and beneficiaries"

Section 1: Actuarial Valuation Summary

		2022	2021
Demographic data for plan year beginning January 1:	• Number of retired members and beneficiaries	5,196	5,110
	• Number of inactive vested members	233	241
	• Number of active members	5,088	5,106
	• Number of inactive members due a refund of employee contributions	462	442
	• Total computation pay ¹	\$436,971,384	\$427,440,530
	• Average computation pay	85,883	83,713

¹ Total computation pay is the active members' actual payroll for the preceding year, increased by the salary scale applicable for each member to account for their anticipated salary increases in the upcoming year.

Section 1: Actuarial Valuation Summary

Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by the System. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.
Actuarial assumptions	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results that does not mean that the previous assumptions were unreasonable.
Models	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

The actuarial valuation is prepared at the request of the System. Segal is not responsible for the use or misuse of its report, particularly by any other party.

An actuarial valuation is a measurement of the Plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the Plan will be determined by the actual benefits and expenses paid and the actual investment experience of the Plan.

Actuarial results in this report are not rounded, but that does not imply precision.

If the System is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.

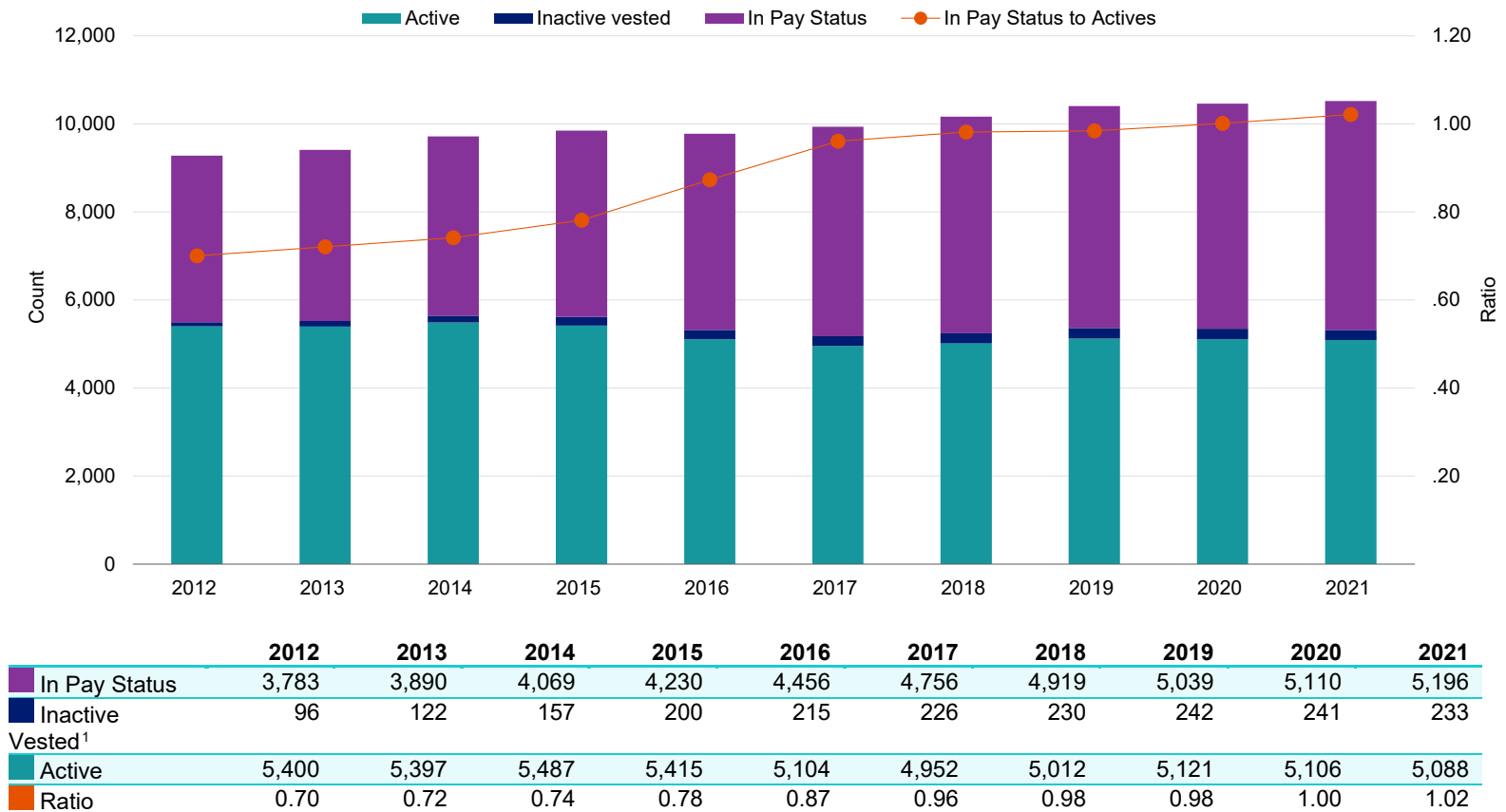
Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

As Segal has no discretionary authority with respect to the management or assets of the System, it is not a fiduciary in its capacity as actuaries and consultants with respect to the System.

Section 2: Actuarial Valuation Results

Member data

Member Population: 2012 – 2021



¹ Excludes non-vested terminated participants due a refund of employee contributions

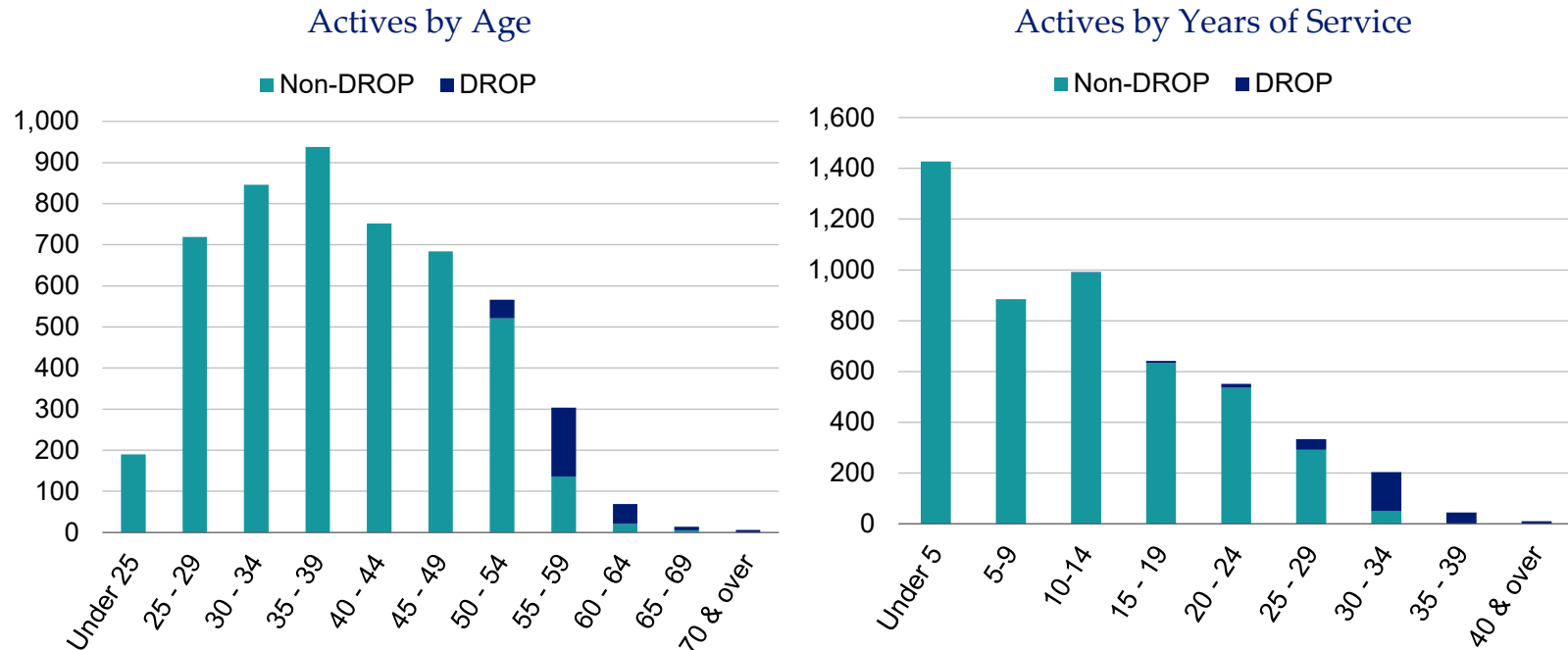
Section 2: Actuarial Valuation Results

Active members

As of December 31,	2021	2020	Change
Firefighters			
Active participants	1,996	1,985	0.6%
Average age	40.1	40.1	0.0
Average years of service	12.4	12.4	0.0
Average computation pay	\$86,575	\$84,990	1.9%
Police Officers			
Active participants	3,092	3,121	-0.9%
Average age	40.1	40.0	0.1
Average years of service	12.8	12.7	0.1
Average computation pay	\$85,436	\$82,867	3.1%
Total			
Active participants	5,088	5,106	-0.4%
Average age	40.1	40.0	0.1
Average years of service	12.6	12.6	0.0
Average computation pay	\$85,883	\$83,713	2.6%

Section 2: Actuarial Valuation Results

Distribution of Active Members as of December 31, 2021



The number of active participants in the DROP decreased from 320 at the end of 2020 to 276 at the end of 2021.

Inactive members

In this year's valuation, there were 233 members with a vested right to a deferred or immediate vested benefit. In addition, there were 462 non-vested members entitled only to a return of their employee contributions.

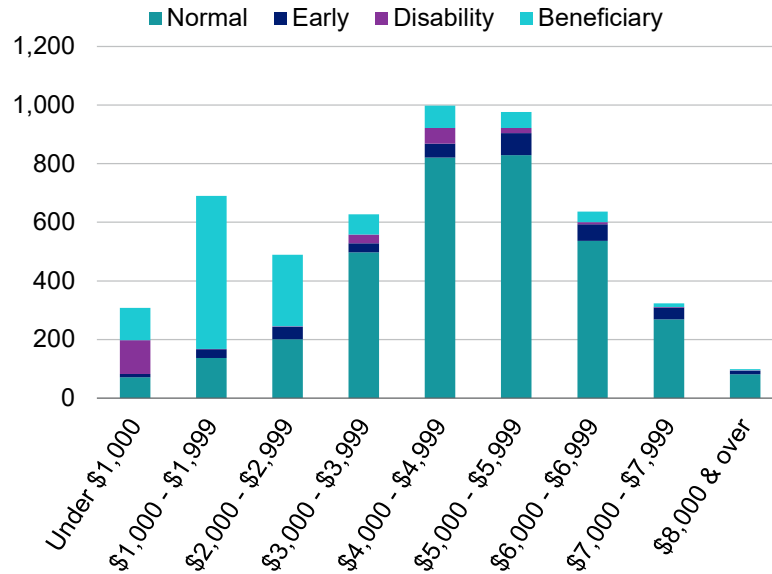
Section 2: Actuarial Valuation Results

Retired members and beneficiaries

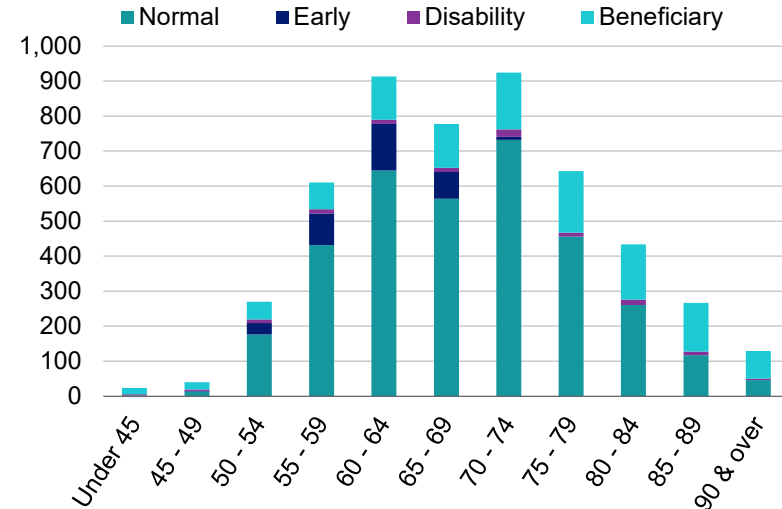
As of December 31,	2021	2020	Change
Retirees	3,902	3,840	1.6%
Beneficiaries ¹	1,169	1,163	0.5%
Average age	69.0	68.9	0.1
Average amount	\$4,311	\$4,273	0.9%
Total monthly amount	\$21,858,592	\$21,384,025	2.2%

Distribution of Retired Participants as of December 31, 2021

Retired Participants by Type and Monthly Amount



Retired Participants by Type and Age



¹ Does not include beneficiaries with annuitized DROP accounts only and no lifetime annuity (125 for 2021 and 107 for 2020)

Section 2: Actuarial Valuation Results

Historical plan population

Member Data Statistics: 2012 – 2021

Year Ended December 31	Active Members			Retired Members and Beneficiaries ¹		
	Count	Average Age	Average Service	Count	Average Age ²	Average Monthly Amount ³
2012	5,400	41.3	14.5	3,783	--	\$3,429
2013	5,397	41.3	14.4	3,890	--	3,543
2014	5,487	41.2	14.2	4,069	68.8	3,699
2015	5,415	41.4	14.3	4,182	69.0	3,826
2016	5,104	41.4	13.0	4,414	68.7	4,102
2017	4,952	40.6	13.4	4,706	67.7	4,171
2018	5,012	40.1	12.8	4,849	68.4	4,217
2019	5,121	39.8	12.3	4,956	68.7	4,250
2020	5,106	40.0	12.6	5,003	68.9	4,273
2021	5,088	40.1	12.6	5,071	69.0	4,311

¹ Does not include DROP only beneficiaries

² Information for December 31, 2013 and earlier is not available

³ Average benefits for December 31, 2013 and earlier include terminated vested members; average benefits for December 31, 2014 and later include the benefit supplement.

Section 2: Actuarial Valuation Results

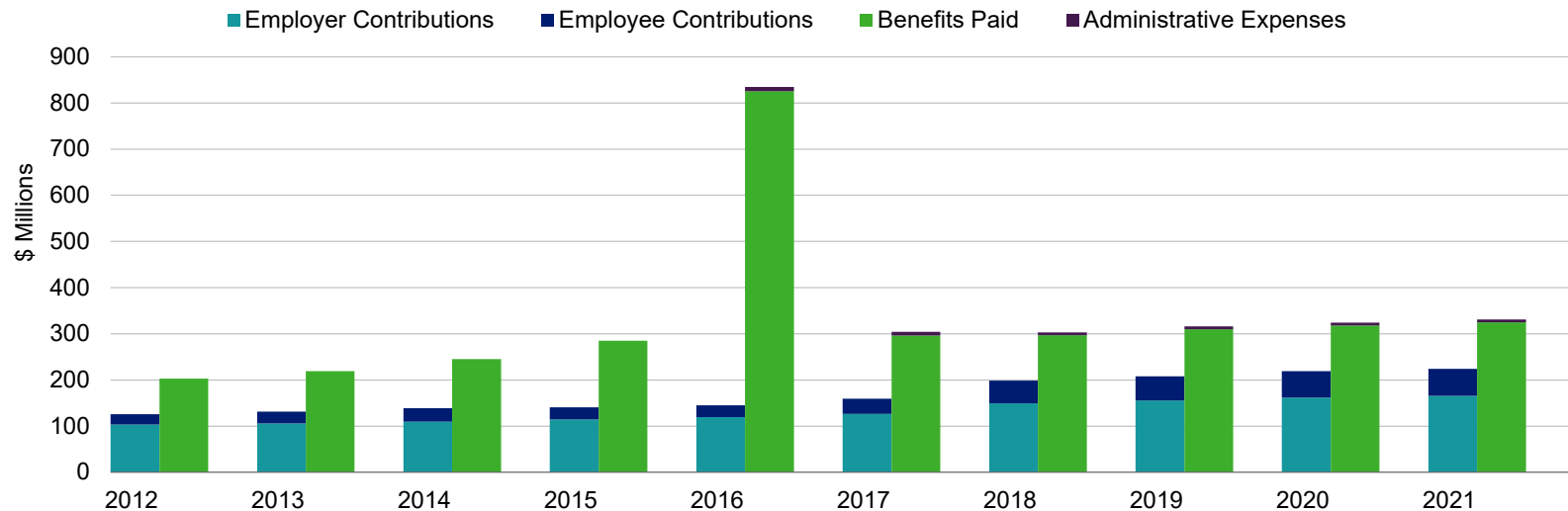
Financial information

Retirement plan funding anticipates that, over the long term, both contributions (less administrative expenses) and investment earnings (less investment fees) will be needed to cover benefit payments. Retirement plan assets change as a result of the net impact of these income and expense components.

Benefit payments in 2016 totaled \$825.1 million, of which \$606.3 million were DROP lump-sum payments. This was a one-time event, as members reacted to pending changes in the plan provisions. DROP balances have since been annuitized, resulting in more stable projected benefit payment levels in the future.

Additional financial information, including a summary of transactions for the valuation year, is presented in *Section 3, Exhibits D, E and F*.

Comparison of Contributions Made with Benefits and Expenses Paid
for Years Ended December 31, 2012 – 2021



Section 2: Actuarial Valuation Results

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Determination of Actuarial Value of Assets for Year Ended December 31, 2021

1	Market value of assets, December 31, 2021				\$2,157,840,430
2	Calculation of unrecognized return	Original Amount¹	Percent Deferred²	Unrecognized Amount³	
(a)	Year ended December 31, 2021	\$198,197,350	80%	\$158,557,880	
(b)	Year ended December 31, 2020	-149,294,320	60%	-89,576,592	
(c)	Year ended December 31, 2019	-19,852,697	40%	-7,941,078	
(d)	Year ended December 31, 2018	-105,891,055	20%	-21,178,211	
(e)	Total unrecognized return				\$39,861,999
3	Preliminary actuarial value: (1) - (2e)				2,117,978,431
4	Adjustment to be within 20% corridor				0
5	Final actuarial value of assets as of December 31, 2021: (3) + (4)				<u>2,117,978,431</u>
6	Actuarial value as a percentage of market value: (5) ÷ (1)				98.2%
7	Amount deferred for future recognition: (1) - (5)				\$39,861,999

¹ Total return minus expected return on a market value basis

² Percent deferred applies to the current valuation year

³ Recognition at 20% per year over five years

Deferred return as of December 31, 2021 recognized in each of the next four years:

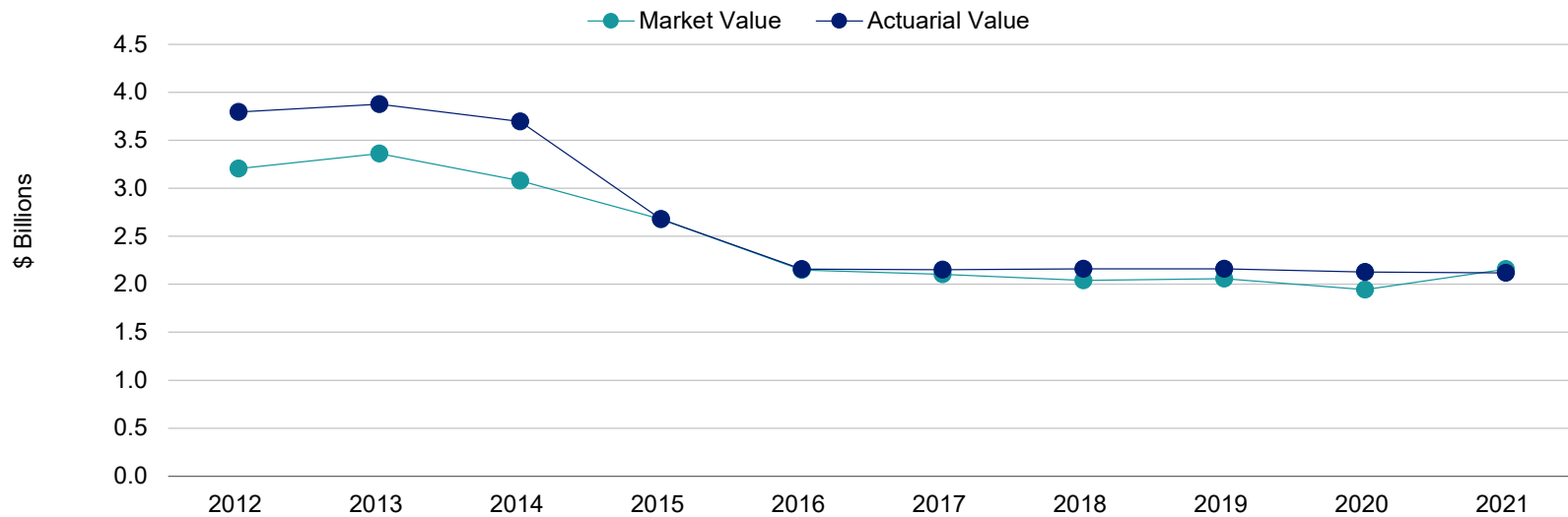
(a) Amount recognized on December 31, 2022	-\$15,368,144
(b) Amount recognized on December 31, 2023	5,810,067
(c) Amount recognized on December 31, 2024	9,780,606
(d) Amount recognized on December 31, 2025	39,639,470

Section 2: Actuarial Valuation Results

Both the actuarial value and market value of assets are representations of the Plan's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Plan's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

The decline in asset values from 2013 to 2015 was primarily the result of significant write-downs in the System's asset holdings. The decline from 2015 to 2016 reflects the unusually large number of DROP payments made in 2016.

Market Value of Assets vs. Actuarial Value of Assets for Years Ended December 31, 2012 - 2021



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Market Value ¹	\$3.21	\$3.36	\$3.08	\$2.68	\$2.15	\$2.10	\$2.04	\$2.06	\$1.94	\$2.16
Actuarial Value ¹	3.80	3.88	3.70	2.68	2.16	2.15	2.16	2.16	2.13	2.12

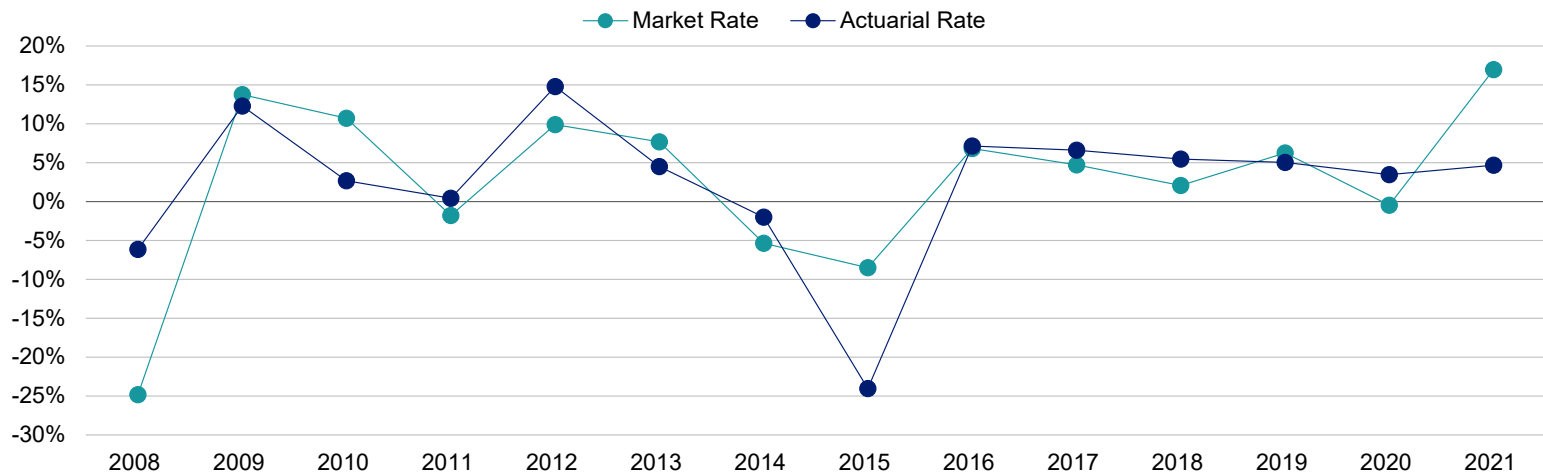
¹ In \$ billions

Section 2: Actuarial Valuation Results

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the actual market value investment return for the last 14 years, including averages over select time periods.

As described earlier in this section, the actuarial asset valuation method gradually recognizes fluctuations in the market value rate of return. The goal of this is to stabilize the actuarial rate of return and to produce more level pension plan costs.

Market and Actuarial Rates of Return for Years Ended December 31, 2008 - 2021



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Market rate ¹	-24.8%	13.8%	10.7%	-1.8%	9.9%	7.7%	-5.3%	-8.5%	6.8%	4.7%	2.1%	6.3%	-0.4%	17.0%
Actuarial rate ²	-6.1%	12.3%	2.7%	0.4%	14.8%	4.5%	-2.0%	-24.0%	7.2%	6.6%	5.5%	5.1%	3.5%	4.7%
Assumed rate	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	7.25%	7.25%	7.25%	7.25%	7.25%	7.0%	6.5%

Average Rates of Return	Actuarial Value	Market Value
Most recent five-year average return:	5.06%	5.77%
Most recent ten-year average return:	-0.46%	3.40%
14-year average return:	0.41%	1.64%

¹ Returns for 2014 and 2015 include significant write-downs in the System's assets.

² Includes a change in asset method for plan years 2012 and 2015.

Section 2: Actuarial Valuation Results

Actuarial experience

To calculate any actuarially determined contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), any ADC requirement will decrease from the previous year. On the other hand, any ADC requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience. If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

Actuarial Experience for Year Ended December 31, 2021

1	Net loss from investments ¹	-\$37,767,160
2	Net gain from administrative expenses	2,176,640
3	Net gain from other experience	29,090,801
4	Net loss from contributions less than actuarial determined contribution	<u>-58,511,749</u>
5	Net experience loss: 1 + 2 + 3 + 4	-\$65,011,468

¹ Details on next page

Section 2: Actuarial Valuation Results

Investment experience

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Plan's investment policy. The rate of return on the market value of assets was 16.99% for the year ended December 31, 2021.

For valuation purposes, the assumed rate of return on the actuarial value of assets is 6.50%. The actual rate of return on an actuarial basis for the 2021 Plan Year was 4.68%. Since the actual return for the year was less than the assumed return, the Plan experienced an actuarial loss during the year ended December 31, 2021 with regard to its investments.

Investment Experience

		Year Ended December 31, 2021	
		Market Value	Actuarial Value
1	Net investment income	\$321,062,889	\$97,067,077
2	Average value of assets	1,890,239,067	2,074,372,880
3	Rate of return: 1 ÷ 2	16.99%	4.68%
4	Assumed rate of return	6.50%	6.50%
5	Expected investment income: 2 x 4	122,865,539	134,834,237
6	Actuarial gain/(loss): 1 - 5	<u>\$198,197,350</u>	<u>-\$37,767,160</u>

Section 2: Actuarial Valuation Results

Non-investment experience

Administrative expenses

- Administrative expenses for the year ended December 31, 2021 totaled \$6,390,829, as compared to the assumption of \$8,500,000. This resulted in a gain of \$2,176,640 for the year, when adjusted for timing. Because it is expected that expenses will continue at a lower level, we have lowered the assumption to \$7,000,000 for the current year.

Mortality experience

- Mortality experience (more or fewer than expected deaths) yields actuarial gains or losses.
- The number of deaths for nondisabled pensioners over the past year was 95 compared to 74.6 projected deaths for the same period. The assumed mortality table is the Pub-2010 Public Safety Retiree Amount-Weighted Table, set back one year for females. The Pub-2010 family of tables were published by the Society of Actuaries in 2019, and the public sector tables are appropriate for the valuation of this plan.

Contributions

- The net loss from total contributions less than the recommended contribution amount, prior to the timing adjustment, is \$58,511,749, or 1.1% of the actuarial accrued liability.

Other experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among members,
- retirement experience (earlier or later than projected),
- the number of disability retirements (more or fewer than projected), and
- salary increases (greater or smaller than projected).

The net gain from this other experience for the year ended December 31, 2021 amounted to \$29,090,801, which is 0.6% of the actuarial accrued liability.

Section 2: Actuarial Valuation Results

Actuarial assumptions

The assumption changes reflected in this report are:

- Administrative expenses decreased to \$7,000,000 for the year beginning January 1, 2022.
- The ad-hoc COLA assumption was lowered from 2.0% to 1.5%. Ongoing, the COLA assumption will remain at five percentage points less than the investment return assumption.
- Based on a projection of the System's funded ratio, taking into account 2022 data, new long-term assumptions, and the System's near-term asset expectations, the ad-hoc COLA assumption was updated to begin October 1, 2073. Last year, the COLA was assumed to begin October 1, 2069.

These changes decreased the actuarial accrued liability by 0.08% and decreased the employer normal cost by 8.07%.

Details on actuarial assumptions and methods are in *Section 4, Exhibit I*.

Plan provisions

There were no changes in plan provisions since the prior valuation.

A summary of plan provisions is in *Section 4, Exhibit II*.

Section 2: Actuarial Valuation Results

Development of Unfunded Actuarial Accrued Liability for Year Ended December 31, 2021

1	Unfunded actuarial accrued liability at beginning of year	\$2,988,132,186
2	Total normal cost at beginning of year, including administrative expense assumption	82,149,248
3	Total contributions	-224,101,245
4	Interest on 1, 2 & 3	192,361,707
5	Expected unfunded actuarial accrued liability	\$3,038,541,896
6	Changes due to:	
(a)	Net experience loss	\$6,499,719
(b)	Assumptions	<u>-4,237,706</u>
	Total changes	<u>\$2,262,013</u>
7	Unfunded actuarial accrued liability at end of year	<u>\$3,040,803,909</u>

Section 2: Actuarial Valuation Results

Actuarially determined contribution

The actuarially determined contribution is equal to the City normal cost payment and a payment on the unfunded actuarial accrued liability (UAL). As of January 1, 2022, the actuarially determined contribution is \$228,530,758, or 52.30% of computation pay. The funding policy used to calculate the actuarially determined contribution is based on a closed, 25-year amortization of the UAL as of January 1, 2020 and a closed, 20-year amortization of any changes in the UAL thereafter. Amortization is on a level-percentage-of-pay basis.

Under the provisions of HB 3158, the City contributes mandated biweekly amounts through 2024 (but no less than 34.50% of computation pay), plus \$13 million per year. Beginning January 1, 2025, the City will contribute 34.50% of computation pay. The effective amortization period, based on the City's Hiring Plan payroll projections, is 68 years.

The contribution requirement as of January 1, 2022 is based on the data previously described, the actuarial assumptions and plan provisions described in *Section 4*, including all changes affecting future costs adopted at the time of the actuarial valuation, actuarial gains and losses, and changes in the actuarial assumptions.

Actuarially Determined Contribution for Year Beginning January 1

	2022		2021	
	Amount	% of Computation Pay	Amount	% of Computation Pay
1 Total normal cost	\$74,657,001	17.09%	\$73,912,721	17.29%
2 Administrative expenses	6,783,022	1.55%	8,236,527	1.93%
3 Expected member contributions	<u>-58,991,137</u>	<u>-13.50%</u>	<u>-57,704,472</u>	<u>-13.50%</u>
4 Employer normal cost: (1) + (2) + (3)	\$22,448,886	5.14%	\$24,444,776	5.72%
5 Actuarial accrued liability	\$5,158,782,340		\$5,115,966,592	
6 Actuarial value of assets	<u>2,117,978,431</u>		<u>2,127,834,406</u>	
7 Unfunded actuarial accrued liability: (5) - (6)	\$3,040,803,909		\$2,988,132,186	
8 Payment on unfunded actuarial accrued liability	198,998,142	45.54%	189,981,813	44.45%
9 Adjustment for timing ¹	7,083,730	1.62%	6,859,157	1.60%
10 Actuarially determined contribution: (4) + (8) + (9)	<u>\$228,530,758</u>	<u>52.30%</u>	<u>\$221,285,746</u>	<u>51.77%</u>
11 Total computation pay ²	\$436,971,384		\$427,440,530	

¹ Actuarially determined contributions are assumed to be paid at the middle of every month.

² Total computation pay is the active members' actual payroll for the preceding year, increased by the salary scale applicable for each member to account for their anticipated salary increases in the upcoming year.

Section 2: Actuarial Valuation Results

Reconciliation of actuarially determined contribution

The chart below details the changes in the actuarially determined contribution from the prior valuation to the current year's valuation.

Reconciliation of Actuarially Determined Contribution from January 1, 2021 to January 1, 2022

	Amount
1 Actuarially Determined Contribution as of January 1, 2021	\$221,285,746
2 Effect of expected change in amortization payment due to payroll growth	4,901,476
3 Effect of change in administrative expense assumption	-1,500,000
4 Effect of change in other actuarial assumptions	-841,055
5 Effect of contributions less than actuarially determined contribution	4,239,381
6 Effect of investment loss	2,736,363
7 Effect of other gains and losses on accrued liability	-2,265,436
8 Net effect of other changes, including composition and number of members	<u>-25,718</u>
9 Total change	\$7,245,012
10 Actuarially Determined Contribution as of January 1, 2022	\$228,530,758

Section 2: Actuarial Valuation Results

History of employer contributions

A history of the most recent years of contributions is shown below.

History of Employer Contributions: 2016 – 2022

Fiscal Year Ended December 31	Actuarially Determined Employer Contribution (ADC)		Actual Employer Contribution		Percent Contributed
	Amount	Percentage of Pay	Amount	Percentage of Pay	
2016	\$261,859,079	71.70%	\$119,423,106	32.70%	45.61%
2017	168,865,484	47.25%	126,318,005	35.34%	74.80%
2018	157,100,128	45.40%	149,356,565	43.16%	95.07%
2019	152,084,297	41.88%	155,721,087	42.88%	102.39%
2020	185,428,764	46.71%	161,950,183	40.80%	87.34%
2021	221,285,746	51.77%	165,541,265	38.73%	74.81%
2022	228,530,758	52.30%	TBD	N/A	N/A

Section 2: Actuarial Valuation Results

Risk

The actuarial valuation results are dependent on a single set of assumptions; however, there is a risk that emerging results may differ significantly as actual experience proves to be different from the current assumptions.

We have not been engaged to perform a detailed analysis of the potential range of the impact of risk relative to the Plan's future financial condition but have included a brief discussion of some risks that may affect the Plan.

- **Economic and Other Related Risks.** Potential implications for the Plan due to the following economic effects (that were not reflected as of the valuation date) include:
 - Volatile financial markets and investment returns lower than assumed
 - High inflationary environment impacting salary increases
 - Lingering direct and indirect effects of the COVID-19 pandemic
- **Investment Risk** (the risk that returns will be different than expected)

The System has experienced some of the challenges associated with investment risk and has had to write down the value of its assets significantly in recent years. Recognized market returns have been well below the long-term assumption as the System rebalances the investment portfolio and are expected to continue to be below average in the short-term.

The market value rate of return over the last ten years has ranged from a low of -8.47% to a high of 16.99%.

- **Contribution Risk** (the risk that actual contributions will be different from expected contributions)

Plan contributions are set by statute. Periodic projections are prepared by the actuary to determine if expected statutory contributions are sufficient to fund the System and to ensure the payment of promised benefits.

Although State law establishes minimums on the City contributions through 2024, the contribution is scheduled to be a flat 34.50% of computation pay beginning in 2025. If the payroll growth matches the City's Hiring Plan projections, and if all other assumptions are met, the System is projected to be fully funded by 2090. The City's plan reflects significant growth in payroll over 20 years, from \$372 million in 2017 to \$684 million in 2037. The annual average growth in the City's Hiring Plan is 3.09%, compared to the valuation assumption of 2.50%. If payroll growth is more modest, or if there is adverse experience in the System that leads to losses, the period required to achieve 100% funding could be significantly longer.

If the City's Hiring Plan projections are not met and instead the current valuation payroll of \$437.0 million increases by the assumed payroll growth of 2.50% each year, and City and member contributions are based on this level of payroll beginning in 2025, the System is projected to be only 64% funded in 2090, rather than 100%.

Section 2: Actuarial Valuation Results

- **Longevity Risk** (the risk that mortality experience will be different than expected)

The actuarial valuation includes an expectation of future improvement in life expectancy. Emerging plan experience that does not match these expectations will result in either an increase or decrease in the actuarially determined contribution.

- **Demographic Risk** (the risk that participant experience will be different than assumed)

Examples of this risk include:

- Actual retirements occurring earlier or later than assumed. The value of retirement plan benefits is sensitive to the rate of benefit accruals and any early retirement subsidies that apply.
- More or less active participant turnover than assumed.
- There are external factors including legislative or financial reporting changes that could impact the Plan's funding and disclosure requirements. While we do not assume any changes in such external factors, it is important to understand that they could have significant consequences for the System.

- **Actual Experience** Over the Last ten years and Implications for the Future

Past experience can help demonstrate the sensitivity of key results to the Plan's actual experience. Over the past ten years:

- The annual market value investment experience has ranged from a loss of \$473 million (including write-downs) to a gain of \$198 million. If all investment returns were equal to the assumed rates of return over the last ten years, the market value of assets as of the current date would be approximately \$3.8 billion as opposed to the actual value of \$2.2 billion.
- The funded percentage on the actuarial value of assets has ranged from a low of 41.1% to a high of 78.1%.

- **Maturity Measures**

As pension plans mature, the cash need to fulfill benefit obligations will increase over time. Therefore, cash flow projections and analysis should be performed to assure that the Plan's asset allocation is aligned to meet emerging pension liabilities.

Currently the Plan has a non-active to active participant ratio of 1.07. For the prior year, benefits and administrative expenses paid were \$106.9 million more than contributions received. As the Plan matures, more cash will be needed from the investment portfolio to meet benefit payments.

- **Detailed Risk Assessment**

A more detailed assessment of the risks would provide the Board with a better understanding of the risks inherent in the System. This assessment may include scenario testing, sensitivity testing, stress testing, and stochastic modeling.

A detailed risk assessment could be important for the Plan because:

- The Plan's asset allocation has potential for a significant amount of investment return volatility.

Section 2: Actuarial Valuation Results

- Inactive and retired participants account for most of the Plan's liabilities, leaving limited options for reducing plan costs in the event of adverse experience.
- Potential changes in the covered population may result in participant choices that vary from those assumed.
- The Board has not had a detailed risk assessment in several years.

Section 2: Actuarial Valuation Results

GFOA funded liability by type

The Actuarial Accrued Liability represents the present value of benefits earned, calculated using the Plan's actuarial cost method. The Actuarial Value of Assets reflects the financial resources available to liquidate the liability. The portion of the liability covered by assets reflects the extent to which accumulated plan assets are sufficient to pay future benefits, and is shown for liabilities associated with employee contributions, pensioner liabilities, and other liabilities.

The Government Finance Officers Association (GFOA) recommends that the funding policy aim to achieve a funded ratio of 100 percent. As noted previously, the funding policy adopted by the State in HB 3158 meets this standard, with full funding projected in 2090, if the City's Hiring Plan payroll projections come to fruition. City and member contributions as well as investment returns will be necessary to increase the assets sufficiently to cover the System's liabilities.

GFOA Solvency Test as of December 31

	2021	2020 ¹
Actuarial accrued liability (AAL)		
• Active member contributions	\$382,198,948	\$352,375,747
• Retirees and beneficiaries	3,554,266,474	3,499,909,200
• Inactive vested members	24,985,278	26,533,699
• Active and inactive non-vested members (employer-financed)	<u>1,197,331,640</u>	<u>1,237,147,946</u>
Total	\$5,158,782,340	\$5,115,966,592
Actuarial value of assets	\$2,117,978,431	\$2,127,834,406
Cumulative portion of AAL covered		
• Active member contributions	100.00%	100.00%
• Retirees and beneficiaries	48.84%	50.73%
• Active and inactive members (employer-financed)	0.00%	0.00%

¹ Re-stated December 31, 2020 numbers to include DROP-only beneficiaries with "Retirees and beneficiaries"; the total amount did not change

Section 2: Actuarial Valuation Results

Actuarial balance sheet

An overview of the Plan's funding is given by an Actuarial Balance Sheet. In this approach, first the amount and timing of all future payments that will be made by the Plan for current members is determined. Then these payments are discounted at the valuation interest rate to the date of the valuation, thereby determining the present value, referred to as the "liability" of the Plan.

Second, this liability is compared to the assets. The "assets" for this purpose include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments for the unfunded actuarial accrued liability.

Actuarial Balance Sheet

	Year Ended	
	December 31, 2021	December 31, 2020 ¹
Liabilities		
• Present value of benefits for retired members and beneficiaries (non-DROP)	\$2,690,126,664	\$2,629,942,036
• Present value of benefits for retired members and beneficiaries (DROP)	864,139,810	869,967,164
• Present value of benefits for inactive members	26,971,728	28,273,247
• Present value of benefits for active members	<u>2,293,640,796</u>	<u>2,287,518,365</u>
Total liabilities	\$5,874,878,998	\$5,815,700,812
Assets		
• Total valuation value of assets	\$2,117,978,431	\$2,127,834,406
• Present value of future contributions by members	573,986,447	556,423,200
• Present value of future employer contributions for:		
• Entry age cost	142,110,211	143,311,020
• Unfunded actuarial accrued liability	<u>3,040,803,909</u>	<u>2,988,132,186</u>
Total of current and future assets	<u>\$5,874,878,998</u>	<u>\$5,815,700,812</u>

¹ Re-stated December 31, 2020 numbers to include DROP-only beneficiaries with "retired members and beneficiaries (DROP)"; the total amount did not change

Section 3: Supplemental Information

Exhibit A: Table of Plan Demographics

Category	Year Ended December 31		Change From Prior Year
	2021	2020	
Active members in valuation:			
• Number	5,088	5,106	-0.4%
• Average age	40.1	40.0	0.1
• Average years of service	12.6	12.6	0.0
• Total computation pay	\$436,971,384	\$427,440,530	2.2%
• Average computation pay	85,883	83,713	2.6%
• Account balances	382,198,948	352,375,747	8.5%
• Total active vested members	3,661	3,704	-1.2%
Active members (excluding DROP):			
• Number	4,812	4,786	0.5%
• Average age	39.0	38.8	0.2
• Average years of service	11.5	11.6	-0.1
• Total computation pay	\$410,752,408	\$396,849,741	3.5%
• Average computation pay	85,360	82,919	2.9%
Active members (DROP only):			
• Number	276	320	-13.8%
• Average age	58.3	58.0	0.3
• Average years of service	31.8	31.2	0.6
• Total computation pay	\$26,218,976	\$30,590,788	-14.3%
• Average computation pay	94,996	95,596	-0.6%
• DROP account balances	113,584,279	135,389,840	-16.1%
Inactive vested members			
• Number	233	241	-3.3%
• Average age	41.7	41.5	0.2
• Average monthly benefit	\$1,219	\$1,243	-1.9%
Inactive nonvested members due a refund			
• Number	462	442	4.5%
• Accumulated contribution balance	\$1,986,450	\$1,739,548	14.2%

Section 3: Supplemental Information

Retired members:			
• Number in pay status	3,786	3,719	1.8%
• Average age	67.9	67.7	0.2
• Average monthly benefit	\$4,919	\$4,905	0.3%
Disabled members:			
• Number in pay status	116	121	-4.1%
• Average age	69.1	68.4	0.7
• Average monthly benefit	\$3,619	\$3,612	0.2%
Beneficiaries:			
• Number in pay status	1,169	1,163	0.5%
• Average age	72.9	73.2	-0.3
• Average monthly benefit	\$2,408	\$2,319	3.8%
Beneficiaries with DROP only:			
• Number	125	107	16.8%

Section 3: Supplemental Information

Exhibit B: Total Members in Active Service as of December 31, 2021 by Age, Years of Service, and Average Pay

Age	Years of Service									
	Total	0-4	5-9	10-14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	190	189	1	--	--	--	--	--	--	--
	\$64,273	\$64,225	\$73,263	--	--	--	--	--	--	--
25 - 29	719	615	104	--	--	--	--	--	--	--
	\$69,342	\$67,920	\$77,754	--	--	--	--	--	--	--
30 - 34	846	401	376	69	--	--	--	--	--	--
	\$76,827	\$68,473	\$82,457	\$94,692	--	--	--	--	--	--
35 - 39	938	158	253	467	60	--	--	--	--	--
	\$87,145	\$68,993	\$82,904	\$94,438	\$96,060	--	--	--	--	--
40 - 44	752	43	109	264	263	72	1	--	--	--
	\$92,282	\$67,973	\$81,965	\$93,151	\$97,973	\$98,538	\$85,801	--	--	--
45 - 49	684	18	27	124	184	283	48	--	--	--
	\$96,264	\$73,876	\$83,791	\$91,777	\$95,599	\$100,276	\$102,160	--	--	--
50 - 54	566	2	12	45	86	149	197	75	--	--
	\$96,389	\$38,645	\$86,336	\$93,021	\$94,938	\$99,173	\$99,999	\$88,207	--	--
55 - 59	304	1	2	16	37	37	79	104	28	--
	\$97,398	\$72,394	\$91,960	\$92,868	\$93,177	\$98,756	\$98,534	\$97,405	\$101,816	--
60 - 64	69	--	1	4	10	9	8	23	12	2
	\$97,843	--	\$91,960	\$93,280	\$92,028	\$98,162	\$96,361	\$98,756	\$101,450	\$111,321
65 - 69	14	--	--	3	1	1	1	1	4	3
	\$96,775	--	--	\$95,066	\$89,078	\$89,136	\$86,631	\$95,492	\$101,907	\$100,564
70 & over	6	--	--	--	--	--	--	--	1	5
	\$108,876	--	--	--	--	--	--	--	\$94,305	\$111,791
Total	5,088	1,427	885	992	641	551	334	203	45	10
	\$85,883	\$67,744	\$82,087	\$93,688	\$96,322	\$99,594	\$99,793	\$94,151	\$101,560	\$108,329

Section 3: Supplemental Information

Police Members in Active Service as of December 31, 2021 by Age, Years of Service, and Average Pay

Age	Years of Service									
	Total	0-4	5-9	10-14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	140	140	--	--	--	--	--	--	--	--
	\$64,194	\$64,194	--	--	--	--	--	--	--	--
25 - 29	448	378	70	--	--	--	--	--	--	--
	\$69,261	\$67,788	\$77,219	--	--	--	--	--	--	--
30 - 34	494	203	255	36	--	--	--	--	--	--
	\$77,285	\$68,112	\$82,072	\$95,108	--	--	--	--	--	--
35 - 39	533	59	137	290	47	--	--	--	--	--
	\$88,434	\$68,492	\$81,794	\$94,495	\$95,422	--	--	--	--	--
40 - 44	450	31	53	141	181	43	1	--	--	--
	\$91,719	\$67,939	\$82,758	\$92,817	\$96,641	\$95,723	\$85,801	--	--	--
45 - 49	416	14	18	80	109	165	30	--	--	--
	\$94,820	\$72,922	\$83,668	\$91,979	\$95,274	\$97,533	\$102,741	--	--	--
50 - 54	377	1	9	43	57	86	118	63	--	--
	\$94,139	\$3,600	\$86,221	\$92,889	\$95,434	\$96,169	\$98,183	\$86,043	--	--
55 - 59	183	--	--	15	26	22	40	72	8	--
	\$96,455	--	--	\$92,085	\$93,061	\$98,799	\$98,089	\$96,694	\$98,921	--
60 - 64	41	--	--	4	5	8	4	15	4	1
	\$97,418	--	--	\$93,280	\$93,418	\$95,869	\$98,059	\$97,629	\$106,036	\$106,136
65 - 69	6	--	--	1	1	1	--	--	2	1
	\$95,860	--	--	\$90,097	\$89,078	\$89,136	--	--	\$94,966	\$116,918
70 & over	4	--	--	--	--	--	--	--	1	3
	\$102,166	--	--	--	--	--	--	--	\$94,305	\$104,786
Total	3,092	826	542	610	426	325	193	150	15	5
	\$85,436	\$67,324	\$81,564	\$93,625	\$95,721	\$96,951	\$98,805	\$92,314	\$99,983	\$107,482

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Fire Members in Active Service as of December 31, 2021 by Age, Years of Service, and Average Pay

Age	Years of Service									
	Total	0-4	5-9	10-14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	50	49	1	--	--	--	--	--	--	--
	\$64,495	\$64,316	\$73,263	--	--	--	--	--	--	--
25 - 29	271	237	34	--	--	--	--	--	--	--
	\$69,476	\$68,131	\$78,857	--	--	--	--	--	--	--
30 - 34	352	198	121	33	--	--	--	--	--	--
	\$76,183	\$68,843	\$83,270	\$94,239	--	--	--	--	--	--
35 - 39	405	99	116	177	13	--	--	--	--	--
	\$85,448	\$69,291	\$84,214	\$94,345	\$98,364	--	--	--	--	--
40 - 44	302	12	56	123	82	29	--	--	--	--
	\$93,123	\$68,060	\$81,213	\$93,534	\$100,915	\$102,714	--	--	--	--
45 - 49	268	4	9	44	75	118	18	--	--	--
	\$98,505	\$77,213	\$84,038	\$91,412	\$96,071	\$104,113	\$101,191	--	--	--
50 - 54	189	1	3	2	29	63	79	12	--	--
	\$100,877	\$73,690	\$86,681	\$95,863	\$93,963	\$103,274	\$102,712	\$99,573	--	--
55 - 59	121	1	2	1	11	15	39	32	20	--
	\$98,822	\$72,394	\$91,960	\$104,610	\$93,452	\$98,692	\$98,990	\$99,005	\$102,974	--
60 - 64	28	--	1	--	5	1	4	8	8	1
	\$98,465	--	\$91,960	--	\$90,638	\$116,506	\$94,662	\$100,869	\$99,157	\$116,506
65 - 69	8	--	--	2	--	--	1	1	2	2
	\$97,462	--	--	\$97,551	--	--	\$86,631	\$95,492	\$108,847	\$92,388
70 & over	2	--	--	--	--	--	--	--	--	2
	\$122,298	--	--	--	--	--	--	--	--	\$122,298
Total	1,996	601	343	382	215	226	141	53	30	5
	\$86,575	\$68,321	\$82,913	\$93,788	\$97,512	\$103,394	\$101,146	\$99,348	\$102,348	\$109,175

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Exhibit C: Reconciliation of Member Data

	Active Members	Inactive Vested Members ¹	Disabled	Retired Members	Beneficiaries ²	Total
Number as of January 1, 2021	5,106	241	121	3,719	1,163	10,350
• New members	274	N/A	N/A	N/A	N/A	274
• Terminations – with vested rights	-21	21	N/A	N/A	N/A	0
• Terminations – without vested rights	-40	N/A	N/A	N/A	N/A	-40
• Retirements	-147	-17	N/A	164	N/A	0
• New disabilities	0	0	0	N/A	N/A	0
• Deceased	-13	0	-5	-95	-68	-181
• New beneficiaries	N/A	N/A	N/A	N/A	78	78
• Lump sum payouts ³	-79	-6	N/A	N/A	N/A	-85
• Rehire	8	-6	N/A	-2	N/A	0
• Certain period expired	N/A	N/A	N/A	N/A	-4	-4
Number as of January 1, 2022	5,088	233	116	3,786	1,169	10,392

¹ Excludes non-vested terminated members due a refund of contributions.

² Excludes beneficiaries with a DROP only.

³ Members who terminated and requested a refund of member contributions.

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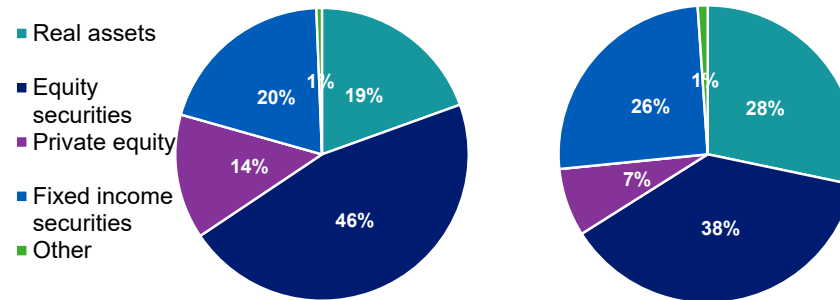
Exhibit D: Summary Statement of Income and Expenses on a Market Value Basis

	Year Ended December 31, 2021	Year Ended December 31, 2020
Net assets at market value at the beginning of the year	\$1,943,700,593	\$2,057,857,317
Contribution income:		
• City contributions	\$165,541,265	\$161,950,183
• Member contributions	58,559,980	57,305,399
• Less administrative expenses	<u>-6,390,829</u>	<u>-6,534,350</u>
<i>Net contribution income</i>	\$217,710,416	\$212,721,232
Investment income:		
• Interest, dividends and other income	\$28,758,381	\$29,937,351
• Recognition of capital appreciation	303,367,916	-30,451,106
• Less investment fees	<u>-11,063,408</u>	<u>-8,413,581</u>
<i>Net investment income</i>	<u>\$321,062,889</u>	<u>-\$8,927,336</u>
Total income available for benefits	\$538,773,305	\$203,793,896
Less benefit payments:		
• Benefit Payments	-\$321,348,320	-\$315,674,779
• Refunds to members	-3,285,148	-2,275,841
<i>Net benefit payments</i>	-\$324,633,468	-\$317,950,620
Change in market value of assets	\$214,139,837	-\$114,156,724
Net assets at market value at the end of the year	\$2,157,840,430	\$1,943,700,593

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Exhibit E: Summary Statement of Plan Assets

	December 31, 2021	December 31, 2020
Cash equivalents and prepaid expenses	\$59,924,644	\$88,290,940
Capital assets	11,745,139	11,986,674
Total accounts receivable	9,925,407	19,113,498
Investments:		
• Equity securities	\$960,008,108	\$694,903,302
• Fixed income securities	416,490,402	469,459,926
• Real assets	405,937,634	520,936,531
• Private equity	287,199,831	136,160,838
• Other	<u>12,828,802</u>	<u>19,964,791</u>
Total investments at market value	\$2,082,464,777	\$1,841,425,388
Total assets	\$2,164,059,967	\$1,960,816,500
Total accounts payable	-6,219,537	-17,115,907
Net assets at market value	\$2,157,840,430	\$1,943,700,593
Net assets at actuarial value	\$2,117,978,431	\$2,127,834,406



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Exhibit F: Development of the Fund through December 31, 2021

Year Ended December 31	City Contributions	Employee Contributions	Net Investment Return ¹	Admin. Expenses ²	Benefit Payments	Market Value of Assets at Year-End	Actuarial Value of Assets at Year-End	Actuarial Value as a Percent of Market Value
2012	\$103,310,264	\$22,490,884	\$292,719,981	\$0	\$203,099,511	\$3,206,364,971	\$3,795,024,584	118.4%
2013	105,711,435	26,044,579	243,514,011	0	218,884,493	3,362,750,503	3,877,321,261	115.3%
2014	109,791,512	28,969,429	-176,940,296	0	245,176,251	3,079,394,897	3,695,273,876	120.0%
2015	114,885,723	25,676,327	-254,829,470	0	285,003,174	2,680,124,303	2,680,124,303	100.0%
2016 ³	119,423,106	25,518,317	159,355,111	9,492,445	825,092,132	2,149,836,260	2,157,799,730	100.4%
2017	126,318,005	32,977,425	98,457,176	8,089,584	296,153,811	2,103,345,471	2,151,039,343	102.3%
2018	149,356,565	49,332,262	42,822,297	5,861,410	297,081,055	2,041,914,130	2,161,899,662	105.9%
2019	155,721,087	52,268,293	124,259,607	6,445,251	309,860,549	2,057,857,317	2,160,125,611	105.0%
2020	161,950,183	57,305,399	-8,927,336	6,534,350	317,950,620	1,943,700,593	2,127,834,406	109.5%
2021	165,541,265	58,559,980	321,062,889	6,390,829	324,633,468	2,157,840,430	2,117,978,431	98.2%

¹ On a market basis, net of investment fees and administrative expenses

² Administrative expenses were subtracted from net investment return prior to the 2016 valuation

³ Unaudited assets were used for the January 1, 2017 actuarial valuation. When the audited financial statements were completed, there were updates to the employer contributions and investment return amounts, resulting in a revision to the market value of assets. Thus, the amounts shown above as of December 31, 2016 differ from the System's and City's Comprehensive Annual Financial Reports. The differences are immaterial to the System's actuarial results.

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Exhibit G: Table of Amortization Bases

Type	Date Established	Initial Period	Initial Amount	Annual Payment ¹	Years Remaining	Outstanding Balance
2020 unfunded liability	01/01/2020	25	\$2,563,846,869	\$164,503,694	23	\$2,564,089,180
Experience loss	01/01/2021	20	163,324,136	11,753,273	19	161,728,267
Change in assumptions	01/01/2021	20	256,721,167	18,474,391	19	254,212,700
Experience loss	01/01/2022	20	65,011,468	4,564,304	20	65,011,468
Change in assumptions	01/01/2022	20	-4,237,706	<u>-297,520</u>	20	<u>-4,237,706</u>
Total				\$198,998,142		\$3,040,803,909

¹ Level percentage of payroll

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Exhibit H: Definition of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Actuarial Accrued Liability for Actives:	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
Actuarial Accrued Liability for Retirees and Beneficiaries:	Actuarial Present Value of lifetime benefits to existing retirees and beneficiaries. This sum takes account of life expectancies appropriate to the ages of the annuitants and the interest that the sum is expected to earn before it is entirely paid out in benefits.
Actuarial Cost Method:	A procedure allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability that are used to determine the actuarially determined contribution.
Actuarial Gain or Loss:	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., assets earn more than projected, salary increases are less than assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results yield actuarial liabilities that are larger than projected.
Actuarially Equivalent:	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
Actuarial Present Value (APV):	<p>The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. Each such amount or series of amounts is:</p> <p>Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)</p> <p>Multiplied by the probability of the occurrence of an event (such as survival, death, disability, withdrawal, etc.) on which the payment is conditioned, and</p> <p>Discounted according to an assumed rate (or rates) of return to reflect the time value of money.</p>
Actuarial Present Value of Future Benefits:	The Actuarial Present Value of benefit amounts expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age, anticipated future compensation, and future service credits. The

Section 3: Supplemental Information

	Actuarial Present Value of Future Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive members entitled to either a refund of member contributions or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
Actuarial Valuation:	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan, as well as Actuarially Determined Contributions.
Actuarial Value of Assets (AVA):	The value of the Plan's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly plans use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the Actuarially Determined Contribution.
Actuarially Determined:	Values that have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the Plan.
Actuarially Determined Contribution (ADC):	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under the Plan's funding policy. The ADC consists of the Employer Normal Cost and the Amortization Payment.
Amortization Method:	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.
Amortization Payment:	The portion of the pension plan contribution, or ADC, that is intended to pay off the Unfunded Actuarial Accrued Liability.
Assumptions or Actuarial Assumptions:	The estimates upon which the cost of the Plan is calculated, including: <u>Investment return</u> - the rate of investment yield that the Plan will earn over the long-term future; <u>Mortality rates</u> - the rate or probability of death at a given age for employees and retirees; <u>Retirement rates</u> - the rate or probability of retirement at a given age or service; <u>Disability rates</u> - the rate or probability of disability retirement at a given age;

Section 3: Supplemental Information

	<p><u>Withdrawal rates</u> - the rate or probability at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement;</p> <p><u>Salary increase rates</u> - the rates of salary increase due to inflation, real wage growth and merit and promotion increases.</p>
Closed Amortization Period:	A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 20 years, it is 19 years at the end of one year, 18 years at the end of two years, etc. See Open Amortization Period.
Decrements:	Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or withdrawal.
Defined Benefit Plan:	A retirement plan in which benefits are defined by a formula based on the member's compensation, age and/or years of service.
Defined Contribution Plan:	A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.
Employer Normal Cost:	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
Experience Study:	A periodic review and analysis of the actual experience of the Plan that may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified based on recommendations from the Actuary.
Funded Ratio:	The ratio of the Actuarial Value of Assets (AVA) to the Actuarial Accrued Liability (AAL). Plans sometimes also calculate a market funded ratio, using the Market Value of Assets (MVA), rather than the AVA.
GASB 67 and GASB 68:	Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 68 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 67 sets the rules for the systems themselves.
Investment Return:	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.
Net Pension Liability (NPL):	The Net Pension Liability is equal to the Total Pension Liability minus the Plan Fiduciary Net Position.

Section 3: Supplemental Information

Normal Cost:	The portion of the Actuarial Present Value of Future Benefits and expenses allocated to a valuation year by the Actuarial Cost Method. Any payment with respect to an Unfunded Actuarial Accrued Liability is not part of the Normal Cost (see Amortization Payment). For pension plan benefits that are provided in part by employee contributions, Normal Cost refers to the total of member contributions and employer Normal Cost unless otherwise specifically stated.
Open Amortization Period:	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. If the initial period is set as 30 years, the same 30-year period is used in each future year in determining the Amortization Period.
Plan Fiduciary Net Position:	Market value of assets.
Total Pension Liability (TPL):	The actuarial accrued liability under the entry age normal cost method and based on the blended discount rate as described in GASB 67 and 68.
Unfunded Actuarial Accrued Liability:	The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative, in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus or an Overfunded Actuarial Accrued Liability.
Valuation Date or Actuarial Valuation Date:	The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

Section 4: Actuarial Valuation Basis

Exhibit I: Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions	The information and analysis used by the Board in selecting each assumption that has a significant effect on the valuation is shown in the Experience Study Report for the five-year period ended December 31, 2019, with subsequent changes related to updated capital market assumptions.																	
Net Investment Return:	6.50% The net investment return assumption was chosen by the System's Board of Trustees, with input from the actuary. This assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the portfolio's asset classes, as well as the System's target asset allocation.																	
Salary Increases:	<table><tr><th rowspan="2">Year</th><th rowspan="2">Officers</th><th colspan="2">Rate (%)</th></tr><tr><th>Corporals, Drivers, Senior Officers & Chiefs</th><th>Sergeants, Lieutenants, Captains, Majors, Deputy Chiefs & Assistant Chiefs</th></tr><tr><td>2020 – 2022</td><td>3.25</td><td>3.00</td><td>2.50</td></tr><tr><td>2023+</td><td>2.50</td><td>2.50</td><td>2.50</td></tr></table> <p>The salary scale assumption is based on the City's pay plan, along with analysis completed in conjunction with an Experience Study Report for the five-year period ended December 31, 2019 and the 2019 Meet and Confer Agreement.</p>				Year	Officers	Rate (%)		Corporals, Drivers, Senior Officers & Chiefs	Sergeants, Lieutenants, Captains, Majors, Deputy Chiefs & Assistant Chiefs	2020 – 2022	3.25	3.00	2.50	2023+	2.50	2.50	2.50
Year	Officers	Rate (%)																
		Corporals, Drivers, Senior Officers & Chiefs	Sergeants, Lieutenants, Captains, Majors, Deputy Chiefs & Assistant Chiefs															
2020 – 2022	3.25	3.00	2.50															
2023+	2.50	2.50	2.50															
Payroll Growth:	2.50%, used to amortize the unfunded actuarial accrued liability as a level percentage of payroll.																	
Cost-of-Living Adjustments:	<p><i>Prior to October 1, 2073: 0.00%</i></p> <p><i>Beginning October 1, 2073: 1.50%, on original benefit</i></p> <p>The assumption for the year the COLA begins is updated periodically and set equal to the year the System is projected to be 70% funded on a market value basis after the COLA is reflected.</p> <p>The COLA assumption will automatically be updated as needed to remain five percentage points less than the net investment return assumption.</p>																	

Section 4: Actuarial Valuation Basis

Funding Projections:

Payroll Growth:

For purposes of projecting the System's funded status to project when the System will reach 70% funded on a market value basis (and therefore meet COLA requirements), City contributions beginning January 1, 2025 are assumed to be 34.50% of the City's Hiring Plan projections. Beginning in 2038, after the end of the City's Hiring Plan projection, payroll is assumed to increase by 2.50%.

City's Hiring Plan Payroll Projection (in millions)

Year	Payroll	Year	Payroll
2017	\$372	2028	\$525
2018	364	2029	545
2019	383	2030	565
2020	396	2031	581
2021	408	2032	597
2022	422	2033	614
2023	438	2034	631
2024	454	2035	648
2025	471	2036	666
2026	488	2037	684
2027	507		

Market Value Asset Returns: -13.00% in 2022 and 6.50% annually thereafter

Administrative Expenses:

\$7,000,000 per year, payable monthly (equivalent to \$6,783,022 at the beginning of the year) or 1% of computation pay, if greater (previously, \$8,500,000)

Section 4: Actuarial Valuation Basis

Mortality Rates:

Healthy pre-retirement: Pub-2010 Public Safety Employee Amount-Weighted Mortality Table, set forward five years for males, projected generationally using Scale MP-2019

Healthy annuitants and dependent spouses: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019

Healthy contingent beneficiaries: Pub-2010 Public Safety Contingent Survivor Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019

Disabled annuitants: Pub-2010 Public Safety Disabled Retiree Amount-Weighted Mortality Table, set forward four years for males and females, projected generationally using Scale MP-2019

The tables above, with adjustments as shown and projected to the measurement date, reasonably reflect the mortality experience of the System as of the measurement date. The mortality tables are then generationally projected using Scale MP-2019 to anticipate future mortality improvement.

Annuitant Mortality Rates:

Age	Rate (%) ¹			
	Healthy		Disabled	
	Male	Female	Male	Female
55	0.306	0.231	0.670	0.643
60	0.508	0.399	1.078	0.976
65	0.881	0.690	1.732	1.481
70	1.568	1.191	2.893	2.248
75	2.826	2.057	5.057	3.552
80	5.103	3.552	8.308	6.134
85	9.135	6.134	14.238	10.592
90	15.860	10.592	22.306	17.403

¹ Mortality rates shown for base table.

Section 4: Actuarial Valuation Basis

Mortality and Disability Rates Before Retirement:

Age	Rate (%)			
	Mortality ¹		Disabled ²	
	Male	Female	Male	Female
20	0.037	0.016	0.010	0.010
25	0.041	0.020	0.015	0.015
30	0.047	0.027	0.020	0.020
35	0.059	0.036	0.025	0.025
40	0.082	0.049	0.030	0.030
45	0.120	0.067	0.035	0.035
50	0.175	0.091	0.040	0.040
55	0.264	0.123	--	--
60	0.410	0.168	--	--

¹ Mortality rates shown for base table

² 100% of disabilities are assumed to be service-related

Section 4: Actuarial Valuation Basis

Withdrawal Rates Before Retirement:

Years of Service	Rate (%)	
	Police	Fire
0	20.0	10.0
1	5.5	5.5
2	5.5	5.5
3	5.5	5.5
4	5.5	5.5
5	5.5	5.5
6	3.5	5.5
7	3.5	1.0
8	3.5	1.0
9	3.5	1.0
10	3.5	1.0
11-14	2.0	1.0
15-24	1.0	1.0
25 & over	0.0	0.0

Section 4: Actuarial Valuation Basis

Retirement Rates:

DROP Active Members

Age	Rate (%)	
	Police	Fire
Under 50	1.00	0.75
50	10.00	0.75
51	15.00	0.75
52-53	15.00	10.00
54	25.00	10.00
55-57	25.00	15.00
58-62	30.00	40.00
63	40.00	50.00
64	50.00	50.00
65 & over	100.00	100.00

100% retirement rate after ten years in DROP.

Section 4: Actuarial Valuation Basis

Retirement Rates (continued):	Non-DROP Active Members		
	Rate (%)		
	Age	Member hired prior to March 1, 2011 with at least 20 years of service as of September 1, 2017	Member hired prior to March 1, 2011 with less than 20 years of service as of September 1, 2017 & Members hired on or after March 1, 2011
	Under 50	1.0	1.0
	50-51	8.0	2.0
	52	10.0	2.0
	53	15.0	2.0
	54	20.0	2.0
	55	35.0	2.0
	56-57	40.0	2.0
	58-60	75.0	25.0
	61	75.0	50.0
	62	100.0	100.0
	100% retirement rate once benefit multiplier hits 90% maximum.		
Weighted Average Retirement Age	Age 58, determined as follows: The weighted average retirement age for each participant is calculated as the sum of the product of each potential current or future retirement age times the probability of surviving from current age to that age and then retiring at that age, assuming no other decrements. The overall weighted retirement age is the average of the individual retirement ages based on all the active participants included in the January 1, 2022 actuarial valuation.		
Retirement Rates for Inactive Vested Participants:	Terminated vested members who terminated prior to September 1, 2017 are assumed to retire at age 50 Terminated vested members who terminated on or after September 1, 2017 are assumed to retire at age 58 75% of members who terminated prior to age 40 are assumed to take a lump sum cash out at age 40		
DROP Utilization:	No members are assumed to elect to enter the DROP		
Interest on DROP Accounts:	2.75% on account balances as of September 1, 2017, payable upon retirement 0.00% on account balances accrued after September 1, 2017		
DROP Payment Period:	Based on expected lifetime as of the later of September 1, 2017 or retirement date. Expected lifetime determined based on an 85% male/15% female blend of the current healthy annuitant mortality tables.		

Section 4: Actuarial Valuation Basis

DROP Annuitization Interest:	2.75%. Based on United States Department of Commerce Daily Treasury Yield Curve Rates for durations between 5 and 30 years.
Actuarial Equivalence:	Actuarial equivalence for optional forms of benefit payments is based on an 85% male/15% female blend of the current healthy annuitant mortality tables, along with an interest rate of 6.50%
Unknown Data for Members:	Same age and service as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Family Composition:	75% of participants are assumed to be married. Females are assumed to be three years younger than males. The youngest child is assumed to be ten years old.
Survivor Benefit Election:	Married participants are assumed to receive the non-reduced Joint and Survivor annuity form of payment. Non-married participants are assumed to have no beneficiaries and receive a Life Only annuity.
Actuarial Value of Assets:	Set to market value of assets as of December 31, 2015. Thereafter, market value of assets less unrecognized returns in each of the last five years beginning with 2016. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial Cost Method:	Entry Age Actuarial Cost Method. Entry Age is the age at the time the member commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis, with Normal Cost determined using the plan of benefits applicable to each participant. Actuarial Liability is allocated by salary.
Amortization Methodology:	The unfunded actuarial accrued liability as of January 1, 2020 is amortized on a closed, 25-year period. Beginning January 1, 2021, each year's gains and losses are amortized over a closed, 20-year period. Amortization is on a level-percentage-of-pay basis.
Justification for Change in Actuarial Assumptions and Methods:	<p>Based on past experience and future expectations, the following actuarial assumptions were changed:</p> <ul style="list-style-type: none"> • The annual administrative expense assumption was lowered from \$8,500,000 to \$7,000,000 • The ad-hoc COLA assumption was lowered from 2.00% to 1.50%. • The COLA assumption will automatically be updated as needed to remain five percentage points less than the net investment return assumption. • The ad-hoc COLA assumption was updated to begin October 1, 2073 based on the updated projection of the unfunded actuarial accrued liability; last year, the COLA was assumed to begin October 1, 2069.

Section 4: Actuarial Valuation Basis

Exhibit II: Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year:	January 1 through December 31
Plan Status:	Ongoing

Members whose Participation Began Before March 1, 2011

Average Computation Pay:	<p>Benefit Earned Prior to September 1, 2017:</p> <ul style="list-style-type: none"> 36 consecutive months that reflect the highest civil service rank held by a member, plus Educational Incentive Pay, Longevity Pay and City Service Incentive Pay <p>Benefit Earned Beginning September 1, 2017:</p> <ul style="list-style-type: none"> 60 consecutive months that reflect the highest civil service rank held by a member, plus Educational Incentive Pay, Longevity Pay and City Service Incentive Pay
Normal Retirement:	<p>Benefit Earned Prior to September 1, 2017:</p> <ul style="list-style-type: none"> <i>Age Requirement:</i> 50 <i>Service Requirement:</i> 5 <i>Amount:</i> Greater of 3.0% of Average Computation Pay times years of Pension Service (maximum 96.0%) and \$2,200 per month. The \$2,200 per month minimum benefit is prorated if the Member retires with less than 20 years of service. <p>Benefit Earned Beginning September 1, 2017:</p> <ul style="list-style-type: none"> <i>Age Requirement:</i> 58 <i>Service Requirement:</i> 5 <i>Amount:</i> Greater of 2.5% of Average Computation Pay times years of Pension Service (maximum 90.0%) and \$2,200 per month. The \$2,200 per month minimum benefit is prorated if the Member retires with less than 20 years of service.

Section 4: Actuarial Valuation Basis

20 and Out Reduced Retirement:

If Eligible as of September 1, 2017:

- *Age Requirement:* None
- *Service Requirement* 20 years
- *Amount:* 20 & Out Multiplier times 36-month (Table 1 Benefit) or 60-month (Table 2 Benefit) Average Computation Pay times years of Pension Service

Benefit Accrued Before September 1, 2017 20 & Out Table 1		Benefit Accrued Beginning September 1, 2017 20 & Out Table 2	
Age	20 & Multiplier	Age	20 & Multiplier
45 & under	2.00%	53 & under	2.00%
46	2.25%	54	2.10%
47	2.50%	55	2.20%
48	2.75%	56	2.30%
49	2.75%	57	2.40%
50 & above	3.00%	58 & above	2.50%

If Not Eligible as of September 1, 2017:

- *Age Requirement:* None
- *Service Requirement* 20 years
- *Amount:* 20 & Out Multiplier times 60-month Average Computation Pay times years of Pension Service

20 & Out Table 2	
Age	20 & Multiplier
53 & under	2.00%
54	2.10%
55	2.20%
56	2.30%
57	2.40%
58 & above	2.50%

Section 4: Actuarial Valuation Basis

Early Retirement:	<ul style="list-style-type: none"> • If at least age 45 as of September 1, 2017 and less than age 50 • <i>Age Requirement:</i> 45 • <i>Service Requirement:</i> 5 • <i>Amount:</i> Normal pension accrued prior to September 1, 2017 plus the benefit accrued based on the 20 & Out Table 2 for service beginning September 1, 2017, reduced by 2/3 of 1% for each whole month by which the benefit commencement date precedes age 50.
Non-Service-Connected Disability:	<ul style="list-style-type: none"> • <i>Eligibility:</i> Injury or illness (lasting more than 90 days) not related to or incurred while in the performance of the member's job, preventing the member from performing their departmental duties. • <i>Amount:</i> 3% of Average Computation Pay for service earned prior to September 1, 2017 and the applicable benefit multiplier from 20 & Out Table 2 times Average Computation Pay for service earned beginning September 1, 2017
Service-Connected Disability:	<ul style="list-style-type: none"> • <i>Eligibility:</i> Injury or illness (lasting more than 90 days) obtained while on duty in the performance of the member's job. • <i>Amount:</i> 3% of Average Computation Pay for service earned prior to September 1, 2017 and the applicable benefit multiplier from 20 & Out Table 2 times Average Computation Pay for service earned beginning September 1, 2017; if the member has less than 20 years of service, the benefit will be calculated as if they had 20 years at the time of disability.
Benefit Supplement:	<ul style="list-style-type: none"> • <i>Age Requirement:</i> 55 • <i>Service Requirement:</i> 20 years, waived if member is receiving a service-connected disability • <i>Amount:</i> 3% of the total monthly benefit (including any applicable COLA's) payable to the Member when the Member attains age 55. The benefit supplement shall not be less than \$75 per month. • Beginning September 1, 2017, only those annuitants and their survivors already receiving the supplement will be eligible to maintain their current supplement, which will not change ongoing; no additional retirees will be eligible for the supplement. Survivors who were age 55 on September 1, 2017 and were not receiving the Benefit Supplement because the members were still alive will be eligible for the Benefit Supplement upon the members death.
Termination Benefit:	<ul style="list-style-type: none"> • <i>With less than five years of pension service:</i> Upon request, the member's contributions will be returned without interest • <i>With at least five years of pension service:</i> The member may either withdraw contributions or leave contributions in the Plan and receive a monthly benefit to commence no earlier than the member's earliest eligibility for retirement benefits.
Pre-Retirement Death Benefit:	<ul style="list-style-type: none"> • <i>While in active service:</i> The greater of 50% of the Member's accrued benefit or a benefit based on 20 years of service. The benefit may not exceed 45% of Average Computation Pay. • <i>After leaving active service, with fewer than five years:</i> A lump sum benefit equal to the return of member contributions without interest • <i>After leaving active service, with at least five years:</i> 50% of the Member's accrued benefit, with no early retirement reduction, or a refund of member contributions

Section 4: Actuarial Valuation Basis

Post-Retirement Death Benefit:	<ul style="list-style-type: none"> 50% or 100% of the pension the Member was receiving at the time of their death, depending on the form of joint and survivor annuity chosen; if there are no qualifying survivors, no further benefits will be paid
Qualified Surviving Children Benefit:	<ul style="list-style-type: none"> 50% of the pension the Member was receiving at the time of their death, divided equally among the children, paid until the youngest child is 19 years old or for life if the child becomes disabled prior to age 23
Minimum Survivor Benefit:	<ul style="list-style-type: none"> \$1,100 per month, not to exceed the actual amount the Member was receiving upon their death. If there are no Qualified Surviving Children, the minimum benefit to a spouse who is a Qualified Survivor shall be \$1,200 per month. If the Member had less than 20 years of Pension Service, the minimum benefit will be prorated based on actual years of Pension Service.
Special Survivor Benefit	<ul style="list-style-type: none"> <i>Eligibility:</i> Upon leaving active service or joining DROP: a) the Member was at least 55 years old with at least 20 years of pension service, or b) the sum of the Member's age plus Pension Service was at least 78; and Has no Qualified Surviving Children or disabled children currently eligible for survivor benefits; and Whose Qualified Surviving Spouse is at least 55 years old. The Qualified Surviving Spouse does not have to be 55 years old at the time of the Member's death. <i>Amount:</i> Once all the eligibility conditions are met, the amount the Qualified Surviving Spouse will receive increases from 50% of the Member's pension benefit to a percentage of the Member's pension benefit based on the Member's applicable benefit multiplier times the number of years of Pension Service the Member worked.
Survivor Benefit if No Qualified Surviving Spouse:	<ul style="list-style-type: none"> A lump sum that is the actuarial equivalent of 120 monthly payments of the greater of: 50% of the Member's pension benefit at the time of their death, or a benefit based on 20 years of the Member's service if death occurs while in active service.
DROP:	<ul style="list-style-type: none"> <i>Eligibility:</i> Members in active service who are retirement eligible may elect to enter the Deferred Retirement Option Plan (DROP). <i>Distribution:</i> The DROP account balance will be paid over the expected future lifetime of annuitants. <i>Interest:</i> Based on United States Department of Commerce Daily Treasury Yield Curve Rates for durations between 5 and 30 years; interest rate is based on the expected lifetime of the members at the time they retire. Interest is only paid on DROP account balances as of September 1, 2017.

Section 4: Actuarial Valuation Basis

Members whose Participation Began On or After March 1, 2011

Average Computation Pay:	<ul style="list-style-type: none"> 60 consecutive months that reflects the highest civil service rank held by a member plus Educational Incentive Pay plus Longevity Pay plus City Service Incentive Pay 														
Normal Retirement:	<ul style="list-style-type: none"> <i>Age Requirement:</i> 58 <i>Service Requirement:</i> 5 <i>Amount:</i> 2.5% of Average Computation Pay for each year of Pension Service, maximum 90% The minimum monthly benefit is \$110 times the number of years of Pension Service at retirement, but not greater than \$2,200. 														
Early Retirement:	<ul style="list-style-type: none"> <i>Age Requirement:</i> 53 <i>Service Requirement:</i> 5 <i>Amount:</i> Normal pension accrued, reduced by 2/3 of 1% for each whole month by which the benefit commencement date precedes the normal retirement date. 														
20 and Out Reduced Retirement:	<ul style="list-style-type: none"> <i>Age Requirement:</i> None <i>Service Requirement:</i> 20 years <i>Amount:</i> 20 & Out Multiplier times Average Computation Pay times years of Pension Service <table border="1"> <caption>20 & Out Table 2</caption> <thead> <tr> <th>Age</th><th>20 & Multiplier</th></tr> </thead> <tbody> <tr> <td>53 & under</td><td>2.00%</td></tr> <tr> <td>54</td><td>2.10%</td></tr> <tr> <td>55</td><td>2.20%</td></tr> <tr> <td>56</td><td>2.30%</td></tr> <tr> <td>57</td><td>2.40%</td></tr> <tr> <td>58 & above</td><td>2.50%</td></tr> </tbody> </table>	Age	20 & Multiplier	53 & under	2.00%	54	2.10%	55	2.20%	56	2.30%	57	2.40%	58 & above	2.50%
Age	20 & Multiplier														
53 & under	2.00%														
54	2.10%														
55	2.20%														
56	2.30%														
57	2.40%														
58 & above	2.50%														
Non-Service-Connected Disability:	<ul style="list-style-type: none"> <i>Eligibility:</i> Injury or illness (lasting more than 90 days) not related to or incurred while in the performance of the member's job, preventing the member from performing their departmental duties. <i>Amount:</i> The Member's accrued benefit, but not less than a pro-rated minimum benefit. 														
Service-Connected Disability:	<ul style="list-style-type: none"> <i>Eligibility:</i> Injury or illness (lasting more than 90 days) obtained while on duty in the performance of the member's job. <i>Amount:</i> The greater of 50% of Average Computation Pay and the Member's accrued benefit; if the member has less than 20 years of service, the benefit will be calculated as if they had 20 years of service at the time of disability. 														

Section 4: Actuarial Valuation Basis

Termination Benefit:	<ul style="list-style-type: none"> • <i>With less than five years of pension service:</i> Upon request, the member's contributions will be returned without interest • <i>With at least five years of pension service:</i> The member may either withdraw contributions or leave contributions in the Plan and receive a monthly benefit to commence no earlier than the member's earliest eligibility for retirement benefits. Retirement benefit is equal to the accrued benefit as of the date of termination.
Pre-Retirement Death Benefit:	<ul style="list-style-type: none"> • <i>While in active service:</i> The greater of 50% of the Member's accrued benefit or a benefit based on 20 years of service. The benefit may not exceed 45% of Average Computation Pay. • <i>After leaving active service, with fewer than five years:</i> A lump sum benefit equal to the return of member contributions without interest • <i>After leaving active service, with at least five years:</i> 50% of the Member's accrued benefit, with no early retirement reduction, or a refund of member contributions
Post-Retirement Death Benefit:	<ul style="list-style-type: none"> • 50% or 100% of the pension the Member was receiving at the time of their death, depending on the form of joint and survivor annuity chosen; if there are no qualifying survivors, no further benefits will be paid
Qualified Surviving Children Benefit:	<ul style="list-style-type: none"> • 50% of the pension the Member was receiving at the time of their death, divided equally among the children, paid until the youngest child is 19 years old or for life if the child becomes disabled prior to age 23
Minimum Survivor Benefit:	<ul style="list-style-type: none"> • \$1,100 per month, not to exceed the actual amount the Member was receiving upon their death. If there are no Qualified Surviving Children, the minimum benefit to a spouse who is a Qualified Survivor shall be \$1,200 per month. If the Member had less than 20 years of Pension Service, the minimum benefit will be prorated based on actual years of Pension Service.
Special Survivor Benefit	<ul style="list-style-type: none"> • <i>Eligibility:</i> Upon leaving active service or joining DROP: a) the Member was at least 55 years old with at least 20 years of pension service, or b) the sum of the Member's age plus Pension Service was at least 78; and Has no Qualified Surviving Children or disabled children currently eligible for survivor benefits; and Whose Qualified Surviving Spouse is at least 55 years old. The Qualified Surviving Spouse does not have to be 55 years old at the time of the Member's death. • <i>Amount:</i> Once all the eligibility conditions are met, the amount the Qualified Surviving Spouse will receive increases from 50% of the Member's pension benefit to a percentage of the Member's pension benefit based on the Member's applicable benefit multiplier times the number of years of Pension Service the Member worked.
Survivor Benefit if No Qualified Surviving Spouse:	<ul style="list-style-type: none"> • A lump sum that is the actuarial equivalent of 120 monthly payments of the greater of: 50% of the Member's pension benefit at the time of their death, or a benefit based on 20 years of the Member's service if death occurs while in active service.

Section 4: Actuarial Valuation Basis

DROP:	<ul style="list-style-type: none"> • <i>Eligibility:</i> Members in active service who are retirement eligible may elect to enter the Deferred Retirement Option Plan (DROP). • <i>Distribution:</i> The DROP account balance will be paid over the expected future lifetime of annuitants. • <i>Interest:</i> Based on United States Department of Commerce Daily Treasury Yield Curve Rates for durations between 5 and 30 years; interest rate is based on the expected lifetime of the members at the time they retire. Interest is only paid on DROP account balances as of September 1, 2017.
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All Members

Cost of Living:	The Board may grant an ad hoc COLA based on the actual market return over the prior five years less 5%, not to exceed 4% of the base benefit, if, after granting a COLA, the funded ratio on a market value of assets basis is no less than 70%.
Member Contributions:	13.5% of computation pay for all members
City Contributions:	The City will contribute 34.5% of computation payroll each year. However, in no case shall the City's total contribution amount be less than: \$5,173,000 for the biweekly pay periods beginning with the first biweekly pay period that begins after September 1, 2017 and ends on the last day of the first biweekly pay period that ends after December 31, 2017; \$5,344,000 for the following 26 pay periods; \$5,571,000 for the following 26 pay periods; \$5,724,000 for the following 26 pay periods; \$5,882,000 for the following 26 pay periods; \$6,043,000 for the following 26 pay periods; \$5,812,000 for the following 26 pay periods; and \$6,024,000 for the following 26 pay periods. An additional 1/26th of \$13 Million will be paid biweekly beginning with the first biweekly pay period that begins after September 1, 2017 and ending with the last biweekly pay period that ends after December 31, 2024.
Forms of Benefits:	50% or 100% Joint and Survivor Pension

Section 5: GASB Information

Exhibit 1: Net Pension Liability

The components of the net pension liability at December 31, 2021 were as follows:

Total pension liability	\$5,163,731,692
Plan fiduciary net position	2,157,840,430
Net pension liability	3,005,891,262
Plan fiduciary net position as a percentage of the total pension liability	41.79%

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Real Rate of return	4.00%
Investment rate of return	6.50%, net of pension plan investment expense, including inflation

Other assumptions used to determine the total pension liability are based on the results of an experience study for the period January 1, 2015 through December 31, 2019 and are detailed in *Section 4, Exhibit I* of this report.

Section 5: GASB Information

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension Plan's target asset allocation as of December 31, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return ¹
Global Equity	55%	6.40%
Emerging Market Equity	5%	8.50%
Private Equity	5%	10.40%
Short-Term Investment Grade Bonds	6%	0.00%
Investment Grade Bonds	4%	0.40%
High Yield Bonds	4%	2.60%
Bank Loans	4%	2.10%
Emerging Markets Debt	4%	2.80%
Real Estate	5%	3.90%
Natural Resources	5%	4.57%
Cash	3%	-0.10%
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed City contributions will be made in accordance with the provisions of House Bill 3158, including statutory minimums through 2024 and 34.50% of computation pay thereafter. Members are expected to contribute 13.50% of computation pay. For cash flow purposes, projected payroll is based on 90% of the City's Hiring Plan payroll projections through 2037, increasing by 2.50% per year thereafter. This payroll projection is used for cash flow purposes only and does not impact the Total Pension Liability. The normal cost rate for future members is assumed to be 15.55% for all years. Based on these assumptions, the System's fiduciary net position was projected to

¹ The real rates of return are provided by Segal Marco Advisors and are net of inflation.

Section 5: GASB Information

be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Actuarial cost method: In accordance with GASB 67, the Total Pension Liability for active members is valued as the total present value of benefits once they enter the DROP. For the funding valuation, the liability for these members accumulates from their entry age until they are assumed to leave active service.

Section 5: GASB Information

Exhibit 2: Discount rate sensitivity

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability, calculated using the discount rate of 6.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.50%) or one-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount (6.50%)	1% Increase (7.50%)
Net pension liability	\$3,619,927,078	\$3,005,891,262	\$2,495,744,587

Section 5: GASB Information

Exhibit 3: Schedule of Changes in Net Pension Liability

	2021	2020
Total pension liability		
• Service cost	\$69,962,845	\$56,244,288
• Interest	326,951,204	324,046,016
• Change of benefit terms	0	0
• Differences between expected and actual experience	-26,683,292	70,547,951
• Changes of assumptions	-4,238,016	257,524,962
• Benefit payments, including refunds of employee contributions	<u>-324,633,468</u>	<u>-317,950,620</u>
Net change in total pension liability	\$41,359,273	\$390,412,597
Total pension liability – beginning	<u>5,122,372,419</u>	<u>4,731,959,822</u>
Total pension liability – ending (a)	<u>\$5,163,731,692</u>	<u>\$5,122,372,419</u>
Plan fiduciary net position		
• Contributions – employer	\$165,541,265	\$161,950,183
• Contributions – employee	58,559,980	57,305,399
• Net investment income	321,062,889	-8,927,336
• Benefit payments, including refunds of employee contributions	-324,633,468	-317,950,620
• Administrative expense	<u>-6,390,829</u>	<u>-6,534,350</u>
Net change in plan fiduciary net position	\$214,139,837	-\$114,156,724
Plan fiduciary net position – beginning	<u>1,943,700,593</u>	<u>2,057,857,317</u>
Plan fiduciary net position – ending (b)	<u>\$2,157,840,430</u>	<u>\$1,943,700,593</u>
Net pension liability – ending (a) – (b)	<u>\$3,005,891,262</u>	<u>\$3,178,671,826</u>
Plan fiduciary net position as a percentage of the total pension liability	41.79%	37.95%
Covered payroll	\$436,971,384	\$427,440,530
Net pension liability as percentage of covered payroll	687.89%	743.65%

Notes to Schedule:

Benefit changes: None.

Change of Assumptions: The assumption changes in 2020 include lowering the discount rate from 7.00% to 6.50% and updating the expected COLA start date from October 1, 2063 to October 1, 2069. The assumption changes in 2021 include lowering the COLA from 2.00% to 1.50% and updating the expected COLA start date from October 1, 2069 to October 1, 2073.

Section 5: GASB Information

Exhibit 4: Schedule of Employer Contributions

Year Ended December 31	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions ¹	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015 ²	--	\$114,885,723	--	\$383,006,330	30.00%
2016	\$261,859,079	119,345,000	\$142,514,079	365,210,426	32.68%
2017	168,865,484	126,318,005	42,547,479	357,414,472	35.34%
2018	157,100,128	149,356,565	7,743,563	346,036,690	43.16%
2019	152,084,297	155,721,087	-3,636,790	363,117,415	42.88%
2020	185,428,764	161,950,183	23,478,581	396,954,743	40.80%
2021	221,285,746	165,541,265	55,744,481	427,440,530	38.73%

Notes to Schedule:

Methods and assumptions used to establish "actuarially determined contribution" rate for year ended December 31, 2021; these are not the same assumptions used in the January 1, 2022 actuarial valuation or for the Total Pension Liability measured as of December 31, 2021:

Valuation date	Actuarially determined contribution is calculated using a January 1, 2021 valuation date as of the beginning of the fiscal year in which contributions are reported
Actuarial cost method	Entry age
Amortization method	25-year level percent of payroll for UAL as of January 1, 2020, 20-year level percent of payroll for changes to the UAL thereafter, using 2.50% annual increases
Remaining amortization period	63 years as of January 1, 2021
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Investment rate of return	6.50%, including inflation, net of pension plan investment expense

¹ The City's contributions are based on statutory rates set by State law and not Actuarially Determined Contributions

² The Actuarially Determined Contribution was not directly calculated as a dollar amount by the prior actuary for 2015.

Section 5: GASB Information

Inflation rate	2.50%
Projected salary increases	Inflation plus merit increases, varying by group and year
Retirement rates	Group-specific rates based on age
Cost of living adjustments	2.00% simple increases starting October 1, 2073
Mortality:	
<i>Pre-retirement</i>	Pub-2010 Public Safety Employee Amount-Weighted Mortality Table, set forward five years for males, projected generationally using Scale MP-2019
<i>Healthy annuitant and dependent spouses</i>	Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019
<i>Healthy contingent beneficiaries</i>	Pub-2010 Public Safety Contingent Survivor Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019
<i>Disabled</i>	Pub-2010 Public Safety Disabled Retiree Amount-Weighted Mortality Table, set forward four years for males and females, projected generationally using Scale MP-2019
Other information	See <i>Section 4</i> of the January 1, 2021 actuarial valuation for a full outline of assumptions. See <i>Exhibit 2</i> of this section for the history of changes to plan provisions and assumptions over the last two years
DROP Utilization	0% of Police and Fire members are assumed to elect to enter DROP
Interest on DROP Accounts	Beginning January 1, 2018, 2.75% payable upon retirement on active account balances as of September 1, 2017

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Appendix C

802 GOVERNMENT CODE

GOVERNMENT CODE

TITLE 8. PUBLIC RETIREMENT SYSTEMS

SUBTITLE A. PROVISIONS GENERALLY APPLICABLE TO PUBLIC RETIREMENT SYSTEMS

CHAPTER 802. ADMINISTRATIVE REQUIREMENTS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 802.001. DEFINITIONS. In this chapter:

(1) "Board" means the State Pension Review Board.

(1-a) "Defined contribution plan" means a plan provided by the governing body of a public retirement system that provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant's account, and any income, expenses, gains and losses, and any forfeitures of accounts of other participants that may be allocated to the participant's account.

(2) "Governing body of a public retirement system" means the board of trustees, pension board, or other public retirement system governing body that has the fiduciary responsibility for assets of the system and has the duties of overseeing the investment and expenditure of funds of the system and the administration of benefits of the system.

(3) "Public retirement system" means a continuing, organized program of service retirement, disability retirement, or death benefits for officers or employees of the state or a political subdivision, or of an agency or instrumentality of the state or a political subdivision, other than:

(A) a program providing only workers' compensation benefits;

(B) a program administered by the federal government;

(C) an individual retirement account or individual retirement annuity within the meaning of Section 408, or a retirement bond within the meaning of Section 409, of the Internal Revenue Code of 1986 (26 U.S.C. Sections 408, 409);

(D) a plan described by Section 401(d) of the Internal Revenue Code of 1986 (26 U.S.C. Section 401);

(E) an individual account plan consisting of an annuity contract described by Section 403(b) of the Internal Revenue Code of 1986 (26 U.S.C. Section 403);

(F) an eligible state deferred compensation plan described by Section 457(b) of the Internal Revenue Code of 1986 (26 U.S.C. Section 457); or

(G)(i) in Sections [802.104](#) and [802.105](#) of this chapter, a program for which benefits are administered by a life insurance company; and

(ii) in the rest of this chapter, a program for which the only funding agency is a life insurance company.

(4) "System administrator" means a person designated by the governing body of a public retirement system to supervise the day-to-day affairs of the public retirement system.

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Amended by Acts 1981, 67th Leg., 1st C.S., p. 195, ch. 18, Sec. 1, eff. Nov. 10, 1981; Acts 1985, 69th Leg., ch. 143, Sec. 2, eff. Sept. 1, 1985. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.001 and amended by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 1991, 72nd Leg., ch. 624, Sec. 11, eff. Sept. 1, 1991.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 140 (H.B. [13](#)), Sec. 3, eff. May 24, 2013.

Acts 2013, 83rd Leg., R.S., Ch. 1152 (S.B. [200](#)), Sec. 8, eff. September 1, 2013.

Sec. 802.002. EXEMPTIONS. (a) Except as provided by Subsection (b), the Employees Retirement System of Texas, the Teacher Retirement System of Texas, the Texas County and District Retirement System, the Texas Municipal Retirement System, and the Judicial Retirement System of Texas Plan Two are exempt from Sections [802.101](#)(a), [802.101](#)(b), [802.101](#)(d), [802.102](#), [802.103](#)(a), [802.103](#)(b), [802.2015](#), [802.2016](#), [802.202](#), [802.203](#), [802.204](#), [802.205](#), [802.206](#), and [802.207](#). The Judicial Retirement System of Texas Plan One is exempt from all of Subchapters B and C except Sections [802.104](#) and [802.105](#). The optional retirement program governed by Chapter [830](#) is exempt from all of Subchapters B and C except Section [802.106](#).

(b) If a public retirement system or program that is exempt under Subsection (a) is required by law to make an actuarial valuation of the assets of the system or program and publish actuarial information about the system or program, the actuary making the valuation and the governing body publishing the information must include the information required by Section [802.101](#)(b).

(c) Notwithstanding any other law, a defined contribution plan is exempt from Sections [802.101](#), [802.1012](#), [802.1014](#), [802.103](#), [802.104](#), and [802.202](#)(d). This subsection may not be construed to exempt any plan from Section [802.105](#) or [802.106](#)(h).

(d) Notwithstanding any other law, a retirement system that is organized under the Texas Local Fire Fighters Retirement Act (Article [6243e](#), Vernon's Texas Civil Statutes) for a fire department consisting exclusively of volunteers as defined by that Act is exempt from Sections [802.101](#), [802.1012](#), [802.1014](#), [802.102](#), [802.103](#), [802.104](#), and [802.202](#)(d). This subsection may not be construed to exempt any plan from Section [802.105](#) or [802.106](#)(h).

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Amended by Acts 1981, 67th Leg., 1st C.S., p. 196, ch. 18, Sec. 2, eff. Nov. 10, 1981; Acts 1985, 69th Leg., ch. 143, Sec. 3, eff. Sept. 1, 1985; Acts 1985, 69th Leg., ch. 602, Sec. 2, Sept. 1, 1985. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.002 and amended by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 1152 (S.B. [200](#)), Sec. 9, eff. September 1, 2013.

Acts 2015, 84th Leg., R.S., Ch. 940 (H.B. [3310](#)), Sec. 2, eff. June 18, 2015.

Sec. 802.003. WRIT OF MANDAMUS. (a) Except as provided by Subsection (b), if the governing body of a public retirement system fails or refuses to comply with a requirement of this chapter that applies to it, a person residing in the political subdivision in which the members of the governing body are officers may file a motion, petition, or other appropriate pleading in a district court having jurisdiction in a county in which the political subdivision is located in whole or in part, for a writ of mandamus to compel the governing body to comply with the applicable requirement.

(b) If the governing body of the Employees Retirement System of Texas, the Teacher Retirement System of Texas, the Texas Municipal Retirement System, or the Texas County and District Retirement System fails or refuses to comply with a requirement of this chapter that applies to it, any resident of the state may file a pleading in a district court in Travis County to compel the governing body to comply with the applicable requirement.

(c) If the prevailing party in an action under this section is other than the governing body of a public retirement system, the court may award reasonable attorney's fees and costs of suit.

(d) The State Pension Review Board may file an appropriate pleading, in the manner provided by this section for filing by an individual, for the purpose of enforcing a requirement of Subchapter B or C, other than a requirement of Section [802.101](#)(a), [802.101](#)(d), [802.102](#), [802.103](#)(a), or [802.104](#).

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Amended by Acts 1981, 67th Leg., 1st C.S., p. 196, ch. 18, Sec. 3, eff. Nov. 10, 1981. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.003 and amended by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

SUBCHAPTER B. STUDIES AND REPORTS

Sec. 802.101. ACTUARIAL VALUATION. (a) The governing body of a public retirement system shall employ an actuary, as a full-time or part-time employee or as a consultant, to make a valuation at least

once every three years of the assets and liabilities of the system on the basis of assumptions and methods that are reasonable in the aggregate, considering the experience of the program and reasonable expectations, and that, in combination, offer the actuary's best estimate of anticipated experience under the program. The valuation must include a recommended contribution rate needed for the system to achieve and maintain an amortization period that does not exceed 30 years.

(b) On the basis of the valuation, the actuary shall make recommendations to the governing body of the public retirement system to ensure the actuarial soundness of the system. The actuary shall define each actuarial term and enumerate and explain each actuarial assumption used in making the valuation. This information must be included either in the actuarial study or in a separate report made available as a public record.

(c) The governing body of a public retirement system shall file with the State Pension Review Board a copy of each actuarial study and each separate report made as required by law.

(d) An actuary employed under this section must be a fellow of the Society of Actuaries, a member of the American Academy of Actuaries, or an enrolled actuary under the Employee Retirement Income Security Act of 1974 (29 U.S.C. Section 1001 et seq.).

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Amended by Acts 1981, 67th Leg., 1st C.S., p. 196, ch. 18, Sec. 4, eff. Nov. 10, 1981; Acts 1985, 69th Leg., ch. 143, Sec. 4, eff. Sept. 1, 1985. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.101 and amended by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

Amended by:

Acts 2015, 84th Leg., R.S., Ch. 940 (H.B. [3310](#)), Sec. 3, eff. June 18, 2015.

Sec. 802.1012. AUDITS OF ACTUARIAL VALUATIONS, STUDIES, AND REPORTS. (a) In this section, "governmental entity" means a unit of government that is the employer of active members of a public retirement system.

(b) Except as provided by Subsection (k), this section applies only to a public retirement system with total assets the book value of which, as of the last day of the preceding fiscal year, is at least \$100 million.

(c) Every five years, the actuarial valuations, studies, and reports of a public retirement system most recently prepared for the retirement system as required by Section [802.101](#) or other law under this title or under Title 109, Revised Statutes, must be audited by an independent actuary who:

(1) is engaged for the purpose of the audit by the governmental entity; and

(2) has the credentials required for an actuary under Section [802.101](#)(d).

(d) Before beginning an audit under this section, the governmental entity and the independent actuary must agree in writing to maintain the confidentiality of any nonpublic information provided by the public retirement system for the audit.

(e) Before beginning an audit under this section, the independent actuary must meet with the manager of the pension fund for the public retirement system to discuss the appropriate assumptions to use in conducting the audit.

(f) Not later than the 30th day after completing the audit under Subsection (c), the independent actuary shall submit to the public retirement system for purposes of discussion and clarification a preliminary draft of the audit report that is substantially complete.

(g) The independent actuary shall:

(1) discuss the preliminary draft of the audit report with the governing body of the public retirement system; and

(2) request in writing that the retirement system, on or before the 30th day after the date of receiving the preliminary draft, submit to the independent actuary any response that the retirement system wants to accompany the final audit report.

(h) The independent actuary shall submit to the governmental entity the final audit report that includes the audit results and any response received from the public retirement system:

(1) not earlier than the 31st day after the date on which the preliminary draft is submitted to the retirement system; and

(2) not later than the 60th day after the date on which the preliminary draft is submitted to the retirement system.

(i) At the first regularly scheduled open meeting after receiving the final audit report, the governing body of the governmental entity shall:

(1) include on the posted agenda for the meeting the presentation of the audit results;

(2) present the final audit report and any response from the public retirement system; and

(3) provide printed copies of the final audit report and the response from the public retirement system for individuals attending the meeting.

(j) The governmental entity shall:

(1) maintain a copy of the final audit report at its main office for public inspection;

(2) submit a copy of the final audit report to the public retirement system and the State Pension Review Board not later than the 30th day after the date the final audit report is received by the governmental entity; and

(3) pay all costs associated with conducting the audit and preparing and distributing the report under this section.

(k) This section does not apply to the Employees Retirement System of Texas, the Teacher Retirement System of Texas, the Texas County and District Retirement System, the Texas Municipal Retirement System, or the Judicial Retirement System of Texas Plan Two.

Added by Acts 2007, 80th Leg., R.S., Ch. 733 (H.B. [2664](#)), Sec. 1, eff. September 1, 2007.

Sec. 802.1014. ACTUARIAL EXPERIENCE STUDY. (a) In this section, "actuarial experience study" means a study in which actuarial assumptions are reviewed in light of relevant experience factors, important trends, and economic projections with the purpose of determining whether actuarial assumptions require adjustment.

(b) Except as provided by Subsection (c), a public retirement system that conducts an actuarial experience study shall submit to the board a copy of the actuarial experience study before the 31st day after the date of the study's adoption.

(b-1) Except as provided by Subsection (c), a public retirement system that has assets of at least \$100 million shall conduct once every five years an actuarial experience study and shall submit to the board a copy of the actuarial experience study before the 31st day after the date of the study's adoption.

(c) This section does not apply to the Employees Retirement System of Texas, the Teacher Retirement System of Texas, the Texas County and District Retirement System, the Texas Municipal Retirement System, or the Judicial Retirement System of Texas Plan Two.

Added by Acts 2013, 83rd Leg., R.S., Ch. 1152 (S.B. [200](#)), Sec. 10, eff. September 1, 2013.

Amended by:

Acts 2015, 84th Leg., R.S., Ch. 940 (H.B. [3310](#)), Sec. 4, eff. June 18, 2015.

Sec. 802.102. AUDIT. The governing body of a public retirement system shall have the accounts of the system audited at least annually by a certified public accountant in accordance with generally accepted auditing standards. A general audit of a governmental entity, as defined by Section [802.1012](#), does not satisfy the requirement of this section.

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Amended by Acts 1985, 69th Leg., ch. 143, Sec. 5, eff. Sept. 1, 1985. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.102 by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 1152 (S.B. [200](#)), Sec. 11, eff. September 1, 2013.

Sec. 802.1024. CORRECTION OF ERRORS. (a) Except as provided by Subsection (b), if an error in the records of a public retirement system results in a person receiving more or less money than the person is entitled to receive under this subtitle, the retirement system shall correct the error and so far as practicable adjust any future payments so that the actuarial equivalent of the benefit to which the person is entitled is paid. If no future payments are due, the retirement system may recover the overpayment in any manner that would be permitted for the collection of any other debt.

(a-1) On discovery of an error described by Subsection (a), the public retirement system shall as soon as practicable, but not later than the 90th day after the date of discovery, give written notice of the error to the person receiving an incorrect amount of money. The notice must include:

- (1) the amount of the correction in overpayment or underpayment;
- (2) how the amount of the correction was calculated;
- (3) a brief explanation of the reason for the correction;
- (4) a statement that the notice recipient may file a written complaint with the retirement system if the recipient does not agree with the correction;
- (5) instructions for filing a written complaint; and
- (6) a payment plan option if no future payments are due.

(a-2) Except as provided by this subsection and Section [802.1025](#), the public retirement system shall begin to adjust future payments or, if no future payments are due, institute recovery of an overpayment of benefits under Subsection (a) not later than the 90th day after the date the notice required by Subsection (a-1) is delivered by certified mail, return receipt requested. If the system does not receive a signed receipt evidencing delivery of the notice on or before the 30th day after the date the notice is mailed, the system shall mail the notice a second time by certified mail, return receipt requested. Except as provided by Section [802.1025](#), not later than the 90th day after the date the second notice is mailed, the system shall begin to adjust future payments or, if no future payments are due, institute recovery of an overpayment of benefits.

(b) Except as provided by Subsection (c), a public retirement system:

- (1) may correct the overpayment of benefits to a person entitled to receive payments from the system by the method described by Subsection (a) only for an overpayment made during the three years preceding the date the system discovers or discovered the overpayment;
- (2) may not recover from the recipient any overpayment made more than three years before the discovery of the overpayment; and

(3) may not recover an overpayment if the system did not adjust future payments or, if no future payments are due, institute recovery of the overpayment within the time prescribed by Subsection (a-2) or Section [802.1025](#).

(c) Subsection (b) does not apply to an overpayment a reasonable person should know the person is not entitled to receive.

Added by Acts 2003, 78th Leg., ch. 416, Sec. 1, eff. June 20, 2003.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 1164 (H.B. [155](#)), Sec. 1, eff. June 15, 2007.

Sec. 802.1025. COMPLAINT PROCEDURE. (a) Not later than the 20th day after the date of receiving notice under Section [802.1024](#)(a-1) or, if applicable, the second notice under Section [802.1024](#)(a-2), the notice recipient may file a written complaint with the retirement system. The recipient shall include any available supporting documentation with the complaint.

(b) Not later than the 30th day after the date of receiving a complaint under Subsection (a), the retirement system shall respond in writing to the complaint by confirming the amount of the proposed correction or, if the retirement system determines the amount of the proposed correction is incorrect, by modifying the amount of the correction. If the retirement system modifies the amount of the correction, the response must include:

- (1) how the modified correction was calculated;
- (2) a brief explanation of the reason for the modification; and
- (3) a payment plan option if no future payments are due.

(c) Subject to Subsection (d), if a complaint is filed under this section, the retirement system may not adjust future payments or recover an overpayment under Section [802.1024](#) until:

- (1) the 20th day after the date the notice recipient receives the response under Subsection (b), if the recipient does not file an administrative appeal by that date; or
- (2) the date a final decision by the retirement system is issued, if the recipient files an administrative appeal before the date described by Subdivision (1).

(d) If the retirement system has begun the adjustment of future payments or the recovery of an overpayment under Section [802.1024](#)(a-2), the system shall discontinue the adjustment of future payments or the recovery of the overpayment beginning with the first pay cycle occurring after the date the complaint is received by the system. The system may not recommence the adjustment of future payments or the recovery of an overpayment until the date described by Subsection (c)(1) or (2), as

applicable. If a complaint is resolved in favor of the person filing the complaint, not later than the 30th day after the date of the resolution, the system shall pay the person the appropriate amount.

(e) A person whose complaint is not resolved under this section must exhaust all administrative procedures provided by the retirement system. Not later than the 30th day after the date a final administrative decision is issued by the retirement system, a person aggrieved by the decision may appeal the decision to an appropriate district court.

Added by Acts 2007, 80th Leg., R.S., Ch. 1164 (H.B. [155](#)), Sec. 2, eff. June 15, 2007.

Sec. 802.103. ANNUAL FINANCIAL REPORT. (a) The governing body of a public retirement system shall publish an annual financial report showing the financial condition of the system as of the last day of the fiscal year covered in the report. The report must include:

(1) the financial statements and schedules examined in the most recent audit performed as required by Section [802.102](#);

(2) a statement of opinion by the certified public accountant as to whether or not the financial statements and schedules are presented fairly and in accordance with generally accepted accounting principles;

(3) a listing, by asset class, of all direct and indirect commissions and fees paid by the retirement system during the system's previous fiscal year for the sale, purchase, or management of system assets; and

(4) the names of investment managers engaged by the retirement system.

(b) The governing body of a public retirement system shall, before the 211th day after the last day of the fiscal year under which the system operates, file with the State Pension Review Board a copy of each annual financial report it makes as required by law.

(c) Repealed by Acts 2013, 83rd Leg., R.S., Ch. 1152 (S.B. 200), Sec. 17, eff. September 1, 2013, and Ch. 1316 (S.B. 220), Sec. 4.01(1), eff. June 14, 2013.

(d) A general audit of a governmental entity, as defined by Section [802.1012](#), does not satisfy the requirement of this section.

(e) The board may adopt rules necessary to implement this section.

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Amended by Acts 1981, 67th Leg., 1st C.S., p. 196, ch. 18, Sec. 5, 6, eff. Nov. 10, 1981; Acts 1985, 69th Leg., ch. 143, Sec. 5, eff. Sept. 1, 1985; Acts 1987, 70th Leg., ch. 126, Sec. 1, eff. May 20, 1987. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.103 and amended by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 1152 (S.B. [200](#)), Sec. 12, eff. September 1, 2013.

Acts 2013, 83rd Leg., R.S., Ch. 1152 (S.B. [200](#)), Sec. 17, eff. September 1, 2013.

Acts 2013, 83rd Leg., R.S., Ch. 1316 (S.B. [220](#)), Sec. 4.01(1), eff. June 14, 2013.

Acts 2019, 86th Leg., R.S., Ch. 578 (S.B. [322](#)), Sec. 2, eff. June 10, 2019.

Sec. 802.104. REPORT OF MEMBERS AND RETIREES. Each public retirement system annually shall, before the 211th day after the last day of the fiscal year under which the system operates, submit to the board a report containing the number of members and number of retirees of the system as of the last day of the immediately preceding fiscal year.

Added by Acts 1981, 67th Leg., 1st C.S., p. 196, ch. 18, Sec. 7, eff. Nov. 10, 1981. Amended by Acts 1985, 69th Leg., ch. 143, Sec. 5, eff. Sept. 1, 1985. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.104 by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 1991, 72nd Leg., ch. 624, Sec. 12, eff. Sept. 1, 1991.

Sec. 802.105. REGISTRATION. (a) Each public retirement system shall, before the 91st day after the date of its creation, register with the State Pension Review Board.

(b) A registration form submitted to the board must include:

- (1) the name, mailing address, and telephone number of the public retirement system;
- (2) the names and occupations of the chairman and other members of its governing body;
- (3) a citation of the law under which the system was created;
- (4) the beginning and ending dates of its fiscal year; and
- (5) the name of the administrator of the system and the person's business mailing address and telephone number if different from those of the retirement system.

(c) A public retirement system shall notify the board of changes in information required under Subsection (b) before the 31st day after the day the change occurs.

Added by Acts 1981, 67th Leg., 1st C.S., p. 196, ch. 18, Sec. 7, eff. Nov. 10, 1981. Amended by Acts 1985, 69th Leg., ch. 143, Sec. 5, eff. Sept. 1, 1985. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.105 and amended by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

Sec. 802.106. INFORMATION TO MEMBER OR ANNUITANT. (a) When a person becomes a member of a public retirement system, the system shall provide the person:

- (1) a summary of the benefits from the retirement system available to or on behalf of a person who retires or dies while a member or retiree of the system;
 - (2) a summary of procedures for claiming or choosing the benefits available from the retirement system; and
 - (3) a summary of the provisions for employer and employee contributions, withdrawal of contributions, and eligibility for benefits, including any right to terminate employment and retain eligibility.
- (b) A public retirement system shall distribute to each active member and retiree a summary of any significant change that is made in statutes or ordinances governing the retirement system and that affects contributions, benefits, or eligibility. A distribution must be made before the 271st day after the day the change is adopted.
- (c) A public retirement system annually shall provide to each active member a statement of the amounts of the member's accumulated contributions and total accumulated service credit on which benefits may be based and to each annuitant a statement of the amount of payments made to the annuitant by the system during the preceding 12 months.
- (d) A public retirement system shall provide to each active member and annuitant a summary of the financial condition of the retirement system, if the actuary of the system determines, based on a computation of advanced funding of actuarial costs, that the financing arrangement of the system is inadequate. The actuarial determination must be disclosed to members and annuitants at the time annual statements are next provided under Subsection (c) after the determination is made. An actuary who makes a determination under this subsection must have at least five years of experience working with one or more public retirement systems and be a fellow of the Society of Actuaries, a member of the American Academy of Actuaries, or an enrolled actuary under the Employees Retirement Income Security Act of 1974 (29 U.S.C. Section 1001 et seq.).
- (e) A member not currently contributing to a particular public retirement system is entitled on written request to receive from that system a copy of any document required by this section to be furnished to a member who is actively contributing.
- (f) The governing body of a public retirement system composed of participating subdivisions or municipalities may provide one copy of any document it prepares under this section to each affected participating subdivision or municipality. Each participating subdivision or municipality shall distribute the information contained in the document to its employee members and annuitants, as applicable.
- (g) Information required by this section may be contained, at the discretion of the public retirement system providing the information, in one or more separate documents. The information must be stated to the greatest extent practicable in terms understandable to a typical member of the public retirement system.

(h) A public retirement system shall submit to the board copies of the summarized information required by Subsections (a) and (b) before the 31st day after the date of publication or the date a change is adopted, as appropriate.

Added by Acts 1981, 67th Leg., 1st C.S., p. 196, ch. 18, Sec. 7, eff. Nov. 10, 1981. Amended by Acts 1985, 69th Leg., ch. 143, Sec. 6, eff. Sept. 1, 1985. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.106 and amended by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 1152 (S.B. [200](#)), Sec. 13, eff. September 1, 2013.

Sec. 802.107. GENERAL PROVISIONS RELATING TO REPORTS AND CONTACT INFORMATION. (a) A public retirement system shall maintain for public review at its main office and at such other locations as the retirement system considers appropriate copies of the most recent edition of each type of report or other information required by this chapter to be submitted to the State Pension Review Board.

(b) Information required by this chapter to be submitted to the State Pension Review Board may be contained in one or more documents but must be submitted within the period provided by the provision requiring the information.

(c) A public retirement system shall post on a publicly available Internet website:

(1) the name, business address, and business telephone number of a system administrator of the public retirement system; and

(2) a copy of the most recent edition of each report and other written information that is required by this chapter or Chapter [801](#) to be submitted to the board.

(d) A public retirement system that maintains a website or for which a website is maintained shall prominently post a link on that website to the information required by Subsection (c). All other public retirement systems shall:

(1) prominently post the information required by Subsection (c) on a website that is maintained by the governing body of the political subdivision of which members of the public retirement system are officers or employees; or

(2) post the information required by Subsection (c) on a publicly available website that is maintained by a state agency.

(e) A report or other information posted under Subsection (c) must remain posted until replaced with a more recently submitted edition of the report or information.

Added by Acts 1985, 69th Leg., ch. 143, Sec. 7, eff. Sept. 1, 1985. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.1061 by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 140 (H.B. [13](#)), Sec. 4, eff. May 24, 2013.

Acts 2013, 83rd Leg., R.S., Ch. 140 (H.B. [13](#)), Sec. 5, eff. May 24, 2013.

Sec. 802.108. REPORT OF INVESTMENT RETURNS AND ASSUMPTIONS. (a) A public retirement system shall, before the 211th day after the last day of its fiscal year, submit to the board an investment returns and actuarial assumptions report that includes:

- (1) gross investment returns and net investment returns for each of the most recent 10 fiscal years;
- (2) the rolling gross and rolling net investment returns for the most recent 1-year, 3-year, and 10-year periods;
- (3) the rolling gross and rolling net investment return for the most recent 30-year period or the gross and net investment return since inception of the system, whichever period is shorter;
- (4) the assumed rate of return used in the most recent actuarial valuation; and
- (5) the assumed rate of return used in each of the most recent 10 actuarial valuations.

(b) For purposes of this section, "net investment return" means the gross investment return minus investment expenses. The net investment return may be calculated as the money-weighted rate of return as required by generally accepted accounting principles. The period basis for each report of investment returns under this section must be the fiscal year of the public retirement system submitting the report.

(c) If any information required to be reported by a public retirement system under Subsection (a) is unavailable, the governing body of the public retirement system shall, before the 211th day after the last day of the public retirement system's fiscal year, submit to the board a letter certifying that the information is unavailable, providing a reason for the unavailability of the information, and agreeing to timely submit the information to the board if it becomes available.

Added by Acts 2013, 83rd Leg., R.S., Ch. 140 (H.B. [13](#)), Sec. 6, eff. May 24, 2013.

Sec. 802.1085. BIENNIAL REPORT ON INVESTMENT RETURNS OF CERTAIN PUBLIC RETIREMENT SYSTEMS. (a) This section applies only to the:

- (1) Employees Retirement System of Texas; and

(2) Teacher Retirement System of Texas.

(b) Not later than December 31 of each even-numbered year, the governing body of a public retirement system shall submit to the governor, the lieutenant governor, and each member of the legislature a report that details and compares the assumed rate of return and the annualized actual time-weighted rate of return achieved by the system for the most recent 1-year, 5-year, 10-year, and 20-year fiscal periods. The report must include:

(1) for each period, an estimate of what the market value of the invested assets of the fund would have been as of the most recent fiscal year end had the system achieved the applicable assumed rate of return; and

(2) a comparison of each estimate described by Subdivision (1) and the actual market value of the invested assets in the fund as of the most recent fiscal year end.

(c) The report required by this section may be combined with any other report required by law.

Added by Acts 2021, 87th Leg., R.S., Ch. 570 (S.B. [483](#)), Sec. 1, eff. September 1, 2021.

Sec. 802.109. INVESTMENT PRACTICES AND PERFORMANCE REPORTS. (a) Except as provided by Subsection (e) and subject to Subsections (c) and (k), a public retirement system shall select an independent firm with substantial experience in evaluating institutional investment practices and performance to evaluate the appropriateness, adequacy, and effectiveness of the retirement system's investment practices and performance and to make recommendations for improving the retirement system's investment policies, procedures, and practices. Each evaluation must include:

(1) a summary of the independent firm's experience in evaluating institutional investment practices and performance and a statement that the firm's experience meets the experience required by this subsection;

(2) a statement indicating the nature of any existing relationship between the independent firm and the public retirement system and confirming that the firm and any related entity are not involved in directly or indirectly managing the investments of the system;

(3) a list of the types of remuneration received by the independent firm from sources other than the public retirement system for services provided to the system;

(4) a statement identifying any potential conflict of interest or any appearance of a conflict of interest that could impact the analysis included in the evaluation due to an existing relationship between the independent firm and:

(A) the public retirement system; or

(B) any current or former member of the governing body of the system; and

(5) an explanation of the firm's determination regarding whether to include a recommendation for each of the following evaluated matters:

(A) an analysis of any investment policy or strategic investment plan adopted by the retirement system and the retirement system's compliance with that policy or plan;

(B) a detailed review of the retirement system's investment asset allocation, including:

(i) the process for determining target allocations;

(ii) the expected risk and expected rate of return, categorized by asset class;

(iii) the appropriateness of selection and valuation methodologies of alternative and illiquid assets; and

(iv) future cash flow and liquidity needs;

(C) a review of the appropriateness of investment fees and commissions paid by the retirement system;

(D) a review of the retirement system's governance processes related to investment activities, including investment decision-making processes, delegation of investment authority, and board investment expertise and education; and

(E) a review of the retirement system's investment manager selection and monitoring process.

(b) The governing body of a public retirement system may determine additional specific areas to be evaluated under Subsection (a) and may select particular asset classes on which to focus, but the first evaluation must be a comprehensive analysis of the retirement system's investment program that covers all asset classes.

(c) In selecting an independent firm to conduct the evaluation described by Subsection (a), a public retirement system:

(1) subject to Subdivision (2), may select a firm regardless of whether the firm has an existing relationship with the retirement system; and

(2) may not select a firm that directly or indirectly manages investments of the retirement system.

(d) A public retirement system shall conduct the evaluation described by Subsection (a):

(1) once every three years, if the total assets of the retirement system as of the last day of the preceding fiscal year were at least \$100 million; or

(2) once every six years, if the total assets of the retirement system as of the last day of the preceding fiscal year were at least \$30 million and less than \$100 million.

(e) A public retirement system is not required to conduct the evaluation described by Subsection (a) if the total assets of the retirement system as of the last day of the preceding fiscal year were less than \$30 million.

(e-1) Not later than the 30th day after the date an independent firm completes an evaluation described by Subsection (a), the independent firm shall:

- (1) submit to the public retirement system for purposes of discussion and clarification a substantially completed preliminary draft of the evaluation report; and
- (2) request in writing that the system, on or before the 30th day after the date the system receives the preliminary draft, submit to the firm:
 - (A) a description of any action taken or expected to be taken in response to a recommendation made in the evaluation; and
 - (B) any written response of the system that the system wants to accompany the final evaluation report.
- (f) The independent firm shall file the final evaluation report, including the evaluation results and any response received from the public retirement system, with the governing body of the system:
 - (1) not earlier than the 31st day after the date on which the preliminary draft is submitted to the system; and
 - (2) not later than the later of:
 - (A) the 60th day after the date on which the preliminary draft is submitted to the system; or
 - (B) May 1 in the year following the year in which the system is evaluated under Subsection (a).
 - (g) Not later than the 31st day after the date the governing body of a public retirement system receives a report of an evaluation under this section, the governing body shall submit the report to the board.
 - (h) A governmental entity that is the employer of active members of a public retirement system evaluated under Subsection (a) may pay all or part of the costs of the evaluation. The public retirement system shall pay any remaining unpaid costs of the evaluation.
 - (i) The board shall submit an investment performance report to the governor, the lieutenant governor, the speaker of the house of representatives, and the legislative committees having principal jurisdiction over legislation governing public retirement systems in the biennial report required by Section [801.203](#). The report must compile and summarize the information received under this section by the board during the preceding two fiscal years.
 - (j) Repealed by Acts 2021, 87th Leg., R.S., Ch. 141 (H.B. [1585](#)), Sec. 20(1), eff. May 26, 2021.
 - (k) The following reports may be used by the applicable public retirement systems to satisfy the requirement for a report of an evaluation under this section:
 - (1) an investment report under Section 10A, Article 6243g-4, Revised Statutes;
 - (2) an investment report under Section 2D, Chapter 88 (H.B. 1573), Acts of the 77th Legislature, Regular Session, 2001 (Article [6243h](#), Vernon's Texas Civil Statutes); and
 - (3) a report on a review conducted on the retirement system's investments under Section 2B, Article 6243e.2(1), Revised Statutes.
 - (l) The board may adopt rules necessary to implement this section.

Added by Acts 2019, 86th Leg., R.S., Ch. 578 (S.B. [322](#)), Sec. 3, eff. June 10, 2019.

Amended by:

Acts 2021, 87th Leg., R.S., Ch. 141 (H.B. [1585](#)), Sec. 20(1), eff. May 26, 2021.

Acts 2021, 87th Leg., R.S., Ch. 1033 (H.B. [3898](#)), Sec. 2, eff. September 1, 2021.

SUBCHAPTER C. ADMINISTRATION OF ASSETS

Sec. 802.201. ASSETS IN TRUST. The governing body of a public retirement system shall hold or cause to be held in trust the assets appropriated or dedicated to the system, for the benefit of the members and retirees of the system and their beneficiaries.

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.201 by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

Sec. 802.2011. FUNDING POLICY. (a) In this section:

(1) "Funded ratio" means the ratio of a public retirement system's actuarial value of assets divided by the system's actuarial accrued liability.

(2) "Governmental entity" has the meaning assigned by Section [802.1012](#).

(3) "Statewide retirement system" means:

(A) the Employees Retirement System of Texas, including a retirement system administered by that system;

(B) the Teacher Retirement System of Texas;

(C) the Texas County and District Retirement System;

(D) the Texas Emergency Services Retirement System; and

(E) the Texas Municipal Retirement System.

(b) The governing body of a public retirement system and, if the system is not a statewide retirement system, its associated governmental entity shall:

(1) jointly, if applicable:

(A) develop and adopt a written funding policy that details a plan for achieving a funded ratio of the system that is equal to or greater than 100 percent; and

(B) timely revise the policy to reflect any significant changes to the policy, including changes required as a result of formulating and implementing a funding soundness restoration plan, including a revised funding soundness restoration plan, under Section [802.2015](#) or [802.2016](#);

(2) maintain for public review at its main office a copy of the policy;

(3) file a copy of the policy and each change to the policy with the board not later than the 31st day after the date the policy or change, as applicable, is adopted; and

(4) post a copy of the most recent edition of the policy on a publicly available Internet website in accordance with Section [802.107](#)(c)(2).

(c) For purposes of Subsection (b)(1)(B), the written funding policy must outline any automatic contribution or benefit changes designed to prevent having to formulate a revised funding soundness restoration plan under Section [802.2015](#)(d), including any automatic risk-sharing mechanisms that have been implemented, the adoption of an actuarially determined contribution structure, and other adjustable benefit or contribution mechanisms.

(d) The board may adopt rules necessary to implement this section.

Added by Acts 2019, 86th Leg., R.S., Ch. 453 (S.B. [2224](#)), Sec. 1, eff. September 1, 2019.

Amended by:

Acts 2021, 87th Leg., R.S., Ch. 1033 (H.B. [3898](#)), Sec. 3, eff. September 1, 2021.

Sec. 802.2015. FUNDING SOUNDNESS RESTORATION PLAN. (a) In this section:

(1) "Funded ratio" has the meaning assigned by Section [802.2011](#).

(2) "Governmental entity" has the meaning assigned by Section [802.1012](#).

(b) This section applies to a public retirement system and its associated governmental entity other than a public retirement system and its associated governmental entity subject to Section [802.2016](#).

(c) A public retirement system shall notify the associated governmental entity in writing if the system receives an actuarial valuation indicating that the system's actual contributions are not sufficient to amortize the unfunded actuarial accrued liability within 30 years. The governing body of the public retirement system and the governing body of the associated governmental entity shall jointly formulate a funding soundness restoration plan under Subsection (e) if the system's actuarial valuation shows that the system's expected funding period:

(1) has exceeded 30 years for three consecutive annual actuarial valuations, or two consecutive annual actuarial valuations in the case of a system that conducts the valuations every two or three years; or

(2) effective September 1, 2025:

(A) exceeds 40 years; or

(B) exceeds 30 years and the funded ratio of the system is less than 65 percent.

(d) Except as provided by Subsection (d-1), the governing body of a public retirement system and the governing body of the associated governmental entity that have an existing funding soundness restoration plan under Subsection (e) shall formulate a revised funding soundness restoration plan under Subsection (e-1) if the system becomes subject to Subsection (c) before the 10th anniversary of the date prescribed by Subsection (e)(2)(A) or (B), as applicable.

(d-1) The governing body of a public retirement system and the governing body of the associated governmental entity are not subject to Subsection (d) if:

(1) the system's actuarial valuation shows that the system's expected funding period exceeds 30 years but is less than or equal to 40 years; and

(2) the system is:

(A) adhering to an existing funding soundness restoration plan that was formulated before September 1, 2025; or

(B) implementing a contribution rate structure that uses or will ultimately use an actuarially determined contribution structure and the system's actuarial valuation shows that the system is expected to achieve full funding.

(e) A funding soundness restoration plan formulated under this section must:

(1) be developed by the public retirement system and the associated governmental entity in accordance with the system's governing statute;

(2) be designed to achieve a contribution rate that will be sufficient to amortize the unfunded actuarial accrued liability within 30 years not later than the later of:

(A) the second anniversary of the valuation date stated in the actuarial valuation that required formulation of the plan under this subsection; or

(B) September 1, 2025;

(3) be based on actions agreed to be taken by the system and entity that were approved by the respective governing bodies of both the system and the entity before the plan was adopted; and

(4) be adopted at open meetings of the respective governing bodies of the system and the entity not later than the second anniversary of the date the actuarial valuation that required application of this subsection was adopted by the governing body of the system.

(e-1) A revised funding soundness restoration plan formulated under this section must:

(1) be developed by the public retirement system and the associated governmental entity in accordance with the system's governing statute;

(2) be designed to achieve a contribution rate that will be sufficient to amortize the unfunded actuarial accrued liability within 25 years not later than the second anniversary of the valuation date stated in the actuarial valuation that required formulation of a revised plan under this subsection;

(3) be based on actions, including automatic risk-sharing mechanisms, an actuarially determined contribution structure, and other adjustable benefit or contribution mechanisms, agreed to be taken by the system and entity that were approved by the respective governing bodies of both the system and the entity before the plan was adopted; and

(4) be adopted at open meetings by the respective governing bodies of the system and the entity not later than the second anniversary of the date the actuarial valuation that required application of this subsection was adopted by the governing body of the system.

(e-2) Not later than the 90th day after the date on which the plan is adopted by both the governing body of the system and the governing body of the associated governmental entity, a system may submit to the board an actuarial valuation required under Section [802.101](#)(a) or other law that shows the combined impact of all changes to a funding soundness restoration plan adopted under this section, including a revised funding soundness restoration plan adopted under Subsection (e-1). If a system does not provide an actuarial valuation to the board in accordance with this subsection, the board may request that the system provide a separate analysis of the combined impact of all changes to a funding soundness restoration plan adopted under this section not later than the 90th day after the date the board makes the request. An actuarial valuation or separate analysis conducted under this subsection must include:

(1) an actuarial projection of the public retirement system's expected future assets and liabilities between the valuation date described by Subsection (e)(2)(A) or (e-1)(2), as applicable, and the date at which the plan is expected to achieve full funding; and

(2) a description of all assumptions and methods used to perform the analysis which must comply with actuarial standards of practice.

(e-3) The associated governmental entity may pay all or part of the costs of the separate analysis required under Subsection (e-2). The public retirement system shall pay any costs for the analysis not paid by the associated governmental entity.

(e-4) A funding soundness restoration plan adopted under this section, including a revised funding soundness restoration plan adopted under Subsection (e-1), may not include actions that are subject to future approval by the governing bodies of either the public retirement system or the associated governmental entity.

(f) A public retirement system and the associated governmental entity required to formulate a funding soundness restoration plan under this section, including a revised funding soundness restoration plan, shall provide a report to the board on progress made by the system and entity in formulating the plan, including a draft of any plan and a description of any changes under consideration for inclusion in a plan, not later than the first anniversary of the date of the actuarial valuation that required formulation of the

plan under Subsection (e) or (e-1) and each subsequent six-month period until the plan is submitted to the board under this section.

(g) Each public retirement system that formulates a funding soundness restoration plan as provided by this section shall submit a copy of that plan to the board and any change to the plan not later than the 31st day after the date on which the plan is adopted by both the governing body of the system and the governing body of the associated governmental entity or the date the change is agreed to.

(h) The board may adopt rules necessary to implement this section.

Added by Acts 2015, 84th Leg., R.S., Ch. 940 (H.B. [3310](#)), Sec. 5, eff. June 18, 2015.

Amended by:

Acts 2021, 87th Leg., R.S., Ch. 1033 (H.B. [3898](#)), Sec. 4, eff. September 1, 2021.

Sec. 802.2016. FUNDING SOUNDNESS RESTORATION PLAN FOR CERTAIN PUBLIC RETIREMENT SYSTEMS.

(a) In this section:

(1) "Funded ratio" has the meaning assigned by Section [802.2011](#).

(2) "Governmental entity" has the meaning assigned by Section [802.1012](#).

(b) This section applies only to a public retirement system that is governed by Article 6243i, Revised Statutes, and its associated governmental entity.

(c) A public retirement system shall notify the associated governmental entity in writing if the system receives an actuarial valuation indicating that the system's actual contributions are not sufficient to amortize the unfunded actuarial accrued liability within 30 years. The governing body of the associated governmental entity shall formulate a funding soundness restoration plan under Subsection (e) if the system's actuarial valuation shows that the system's expected funding period:

(1) has exceeded 30 years for three consecutive annual actuarial valuations, or two consecutive annual actuarial valuations in the case of a system that conducts the valuations every two or three years; or

(2) effective September 1, 2025:

(A) exceeds 40 years; or

(B) exceeds 30 years and the funded ratio of the system is less than 65 percent.

(d) Except as provided by Subsection (d-1), the governing body of an associated governmental entity that has an existing funding soundness restoration plan under Subsection (e) shall formulate a revised funding soundness restoration plan under Subsection (e-1) if the system becomes subject to Subsection (c) before the 10th anniversary of the date prescribed by Subsection (e)(2)(A) or (B), as applicable.

(d-1) The associated governmental entity is not subject to Subsection (d) if:

(1) the system's actuarial valuation shows that the system's expected funding period exceeds 30 years but is less than or equal to 40 years; and

(2) the system is:

(A) adhering to an existing funding soundness restoration plan that was formulated before September 1, 2025; or

(B) implementing a contribution rate structure that uses or will ultimately use an actuarially determined contribution structure and the system's actuarial valuation shows that the system is expected to achieve full funding.

(e) A funding soundness restoration plan formulated under this section must:

(1) be developed in accordance with the public retirement system's governing statute by the associated governmental entity;

(2) be designed to achieve a contribution rate that will be sufficient to amortize the unfunded actuarial accrued liability within 30 years not later than the later of:

(A) the second anniversary of the valuation date stated in the actuarial valuation that required formulation of the plan under this subsection; or

(B) September 1, 2025;

(3) be based on actions, including automatic risk-sharing mechanisms, an actuarially determined contribution structure, and other adjustable benefit or contribution mechanisms, agreed to be taken by the system and entity that were approved by the governing body of the associated governmental entity before the plan was adopted; and

(4) be adopted at an open meeting of the governing body of the associated governmental entity not later than the second anniversary of the date the actuarial valuation that required application of this subsection was adopted by the governing body of the system.

(e-1) A revised funding soundness restoration plan formulated under this section must:

(1) be developed by the associated governmental entity in accordance with the system's governing statute;

(2) be designed to achieve a contribution rate that will be sufficient to amortize the unfunded actuarial accrued liability within 25 years not later than the second anniversary of the valuation date stated in the actuarial valuation that required formulation of a revised plan under this subsection;

(3) be based on actions agreed to be taken by the system and entity that were approved by the governing body of the associated governmental entity before the plan was adopted; and

(4) be adopted at an open meeting of the governing body of the associated governmental entity not later than the second anniversary of the date the actuarial valuation that required application of this subsection was adopted by the governing body of the system.

(e-2) Not later than the 90th day after the date on which the plan is adopted by the governing body of the associated governmental entity, a system may submit to the board an actuarial valuation required under Section [802.101](#)(a) or other law that shows the combined impact of all changes to a funding soundness restoration plan adopted under this section, including a revised funding soundness restoration plan adopted under Subsection (e-1). If a system does not provide an actuarial valuation to the board in accordance with this subsection, the board may request that the system provide a separate analysis of the combined impact of all changes to a funding soundness restoration plan adopted under this section not later than the 90th day after the date the board makes the request. An actuarial valuation or the separate analysis conducted under this subsection must include:

(1) an actuarial projection of the public retirement system's expected future assets and liabilities between the valuation date described by Subsection (e)(2)(A) or (e-1)(2), as applicable, and the date at which the plan is expected to achieve full funding; and

(2) a description of all assumptions and methods used to perform the analysis which must comply with actuarial standards of practice.

(e-3) The associated governmental entity may pay all or part of the costs of the separate analysis required under Subsection (e-2). The public retirement system shall pay any costs for the analysis not paid by the associated governmental entity.

(e-4) A funding soundness restoration plan adopted under this section, including a revised funding soundness restoration plan adopted under Subsection (e-1), may not include actions that are subject to future approval by the governing body of the associated governmental entity.

(f) An associated governmental entity required to formulate a funding soundness restoration plan under this section, including a revised funding soundness restoration plan, shall provide a report to the board on progress made by the associated governmental entity in formulating the plan, including a draft of any plan and a description of any changes under consideration for inclusion in a plan, not later than the first anniversary of the date of the actuarial valuation that required formulation of the plan under Subsection (e) or (e-1) and each subsequent six-month period until the plan is submitted to the board under this section.

(g) An associated governmental entity that formulates a funding soundness restoration plan as provided by this section shall submit a copy of that plan to the board and any change to the plan not later than the 31st day after the date on which the plan is adopted by the governing body of the associated governmental entity or the date the change is formulated.

(h) The board may adopt rules necessary to implement this section.

Added by Acts 2015, 84th Leg., R.S., Ch. 940 (H.B. [3310](#)), Sec. 5, eff. June 18, 2015.

Amended by:

Acts 2021, 87th Leg., R.S., Ch. 1033 (H.B. [3898](#)), Sec. 5, eff. September 1, 2021.

Sec. 802.202. INVESTMENT OF SURPLUS. (a) The governing body of a public retirement system is responsible for the management and administration of the funds of the system.

(b) When, in the opinion of the governing body, a surplus of funds exists in accounts of a public retirement system over the amount needed to make payments as they become due within the next year, the governing body shall deposit all or as much of the surplus as the governing body considers prudent in a reserve fund for investment.

(c) The governing body shall determine the procedure it finds most efficient and beneficial for the management of the reserve fund of the system. The governing body may directly manage the investments of the system or may choose and contract for professional investment management services.

(d) The governing body of a public retirement system shall:

(1) develop and adopt a written investment policy;

(2) maintain for public review at its main office a copy of the policy;

(3) file a copy of the policy with the State Pension Review Board not later than the 90th day after the date the policy is adopted; and

(4) file a copy of each change to the policy with the State Pension Review Board not later than the 90th day after the change is adopted.

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.202 by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989; Acts 1993, 73rd Leg., ch. 373, Sec. 1, eff. Aug. 30, 1993.

Sec. 802.203. FIDUCIARY RESPONSIBILITY. (a) In making and supervising investments of the reserve fund of a public retirement system, an investment manager or the governing body shall discharge its duties solely in the interest of the participants and beneficiaries:

(1) for the exclusive purposes of:

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

(B) defraying reasonable expenses of administering the system;

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

- (3) by diversifying the investments of the system to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
- (4) in accordance with the documents and instruments governing the system to the extent that the documents and instruments are consistent with this subchapter.
- (b) In choosing and contracting for professional investment management services and in continuing the use of an investment manager, the governing body must act prudently and in the interest of the participants and beneficiaries of the public retirement system.
- (c) A trustee is not liable for the acts or omissions of an investment manager appointed under Section [802.204](#), nor is a trustee obligated to invest or otherwise manage any asset of the system subject to management by the investment manager.
- (d) An investment manager appointed under Section [802.204](#) shall acknowledge in writing the manager's fiduciary responsibilities to the fund the manager is appointed to serve.
- (e) The investment standards provided by Subsection (a) and the policies, requirements, and restrictions adopted under Section [802.204](#)(c) are the only standards, policies, or requirements for, or restrictions on, the investment of funds of a public retirement system by an investment manager or by a governing body during a 90-day interim between professional investment management services. Any other standard, policy, requirement, or restriction provided by law is suspended and not applicable during a time, and for 90 days after a time, in which an investment manager is responsible for investment of a reserve fund. If an investment manager has not begun managing investments of a reserve fund before the 91st day after the date of termination of the services of a previous investment manager, the standards, policies, requirements, and restrictions otherwise provided by law are applicable until the date professional investment management services are resumed.

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Amended by Acts 1981, 67th Leg., 1st C.S., p. 198, ch. 18, Sec. 8, 9, eff. Nov. 10, 1981. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.203 and amended by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

Sec. 802.204. INVESTMENT MANAGER. (a) The governing body of a public retirement system may appoint investment managers for the system by contracting for professional investment management services with one or more organizations, which may include a bank if it has a trust department, that are in the business of managing investments.

(b) To be eligible for appointment under this section, an investment manager must be:

- (1) registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.);
- (2) a bank as defined by that Act; or
- (3) an insurance company qualified to perform investment services under the laws of more than one state.

(c) In a contract made under this section, the governing body shall specify any policies, requirements, or restrictions, including criteria for determining the quality of investments and for the use of standard rating services, that the governing body adopts for investments of the system.

(d) A political subdivision of which members of the public retirement system are officers or employees may pay all or part of the cost of professional investment management services under a contract under this section. Any cost not paid directly by a political subdivision is payable from funds of the public retirement system.

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Amended by Acts 1981, 67th Leg., 1st C.S., p. 199, ch. 18, Sec. 10, eff. Nov. 10, 1981. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.204 and amended by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

Sec. 802.205. INVESTMENT CUSTODY ACCOUNT. (a) If the governing body of a public retirement system contracts for professional investment management services, it also shall enter into an investment custody account agreement designating a bank, depository trust company, or brokerage firm to serve as custodian for all assets allocated to or generated under the contract.

(b) Under a custody account agreement, the governing body of a public retirement system shall require the designated custodian to perform the duties and assume the responsibilities for funds under the contract for which the agreement is established that are performed and assumed, in the absence of a contract, by the custodian of system funds.

(c) A political subdivision of which members of the retirement system are officers or employees may pay all or part of the cost of custodial services under a custody account agreement under this section. Any cost not paid directly by a political subdivision is payable from funds of the public retirement system.

(d) If the governing body enters into a contract under Subsection (a) with a brokerage firm, the firm must:

- (1) be a broker-dealer registered with the Securities and Exchange Commission;
- (2) be a member of a national securities exchange;
- (3) be a member of the Securities Investor Protection Corporation;
- (4) be registered with the State Securities Board; and
- (5) maintain net regulatory capital of at least \$200 million.

(e) A brokerage firm contracted with for custodial services under this section may not have discretionary authority over the retirement system's assets in the firm's custody.

(f) A brokerage firm that provides custodial services under Subsection (a) must provide insurance against errors, omissions, mysterious disappearance, or fraud in an amount equal to the amount of the assets the firm holds in custody.

(g) A brokerage firm that provides consulting advice, custody of assets, or other services to a public retirement system under this chapter shall discharge its duties solely in the interest of the public retirement system in accordance with Section [802.203](#).

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.205 by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 1991, 72nd Leg., ch. 621, Sec. 1, eff. Sept. 1, 1991; Acts 2003, 78th Leg., ch. 916, Sec. 1, eff. June 20, 2003.

Sec. 802.206. EVALUATION OF INVESTMENT SERVICES. (a) The governing body of a public retirement system may at any time and shall at frequent intervals monitor the investments made by any investment manager for the system. The governing body may contract for professional evaluation services to fulfill this requirement.

(b) A political subdivision of which members of the retirement system are officers or employees may pay all or part of the cost of professional evaluation services under a contract under this section. Any cost not paid directly by a political subdivision is payable from funds of the public retirement system.

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.206 by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

Sec. 802.207. CUSTODY AND USE OF FUNDS. (a) An investment manager other than a bank having a contract with a public retirement system under Section [802.204](#) may not be a custodian of any assets of the reserve fund of the system.

(b) When demands of the public retirement system require, the governing body shall withdraw from a custodian of system funds money for use in paying benefits to members and other beneficiaries of the system and for other uses authorized by this subchapter and approved by the governing body.

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.207 and amended by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

SUBCHAPTER D. ACTUARIAL ANALYSIS OF LEGISLATION

Sec. 802.301. ACTUARIAL IMPACT STATEMENTS. (a) Except as provided by Subsection (g), a bill or resolution that proposes to change the amount or number of benefits or participation in benefits of a public retirement system or that proposes to change a fund liability of a public retirement system is required to have attached to it an actuarial impact statement as provided by this section.

(b) An actuarial impact statement required by this section must:

(1) summarize the actuarial analysis prepared under Section [802.302](#) for the bill or resolution accompanying the actuarial impact statement;

(2) identify and comment on the reasonableness of each actuarial assumption used in the actuarial analysis under Subdivision (1); and

(3) include other information determined necessary by board rule.

(c) The board is primarily responsible for preparing a required actuarial impact statement under this section.

(d) A required actuarial impact statement must be attached to the bill or resolution:

(1) before a committee hearing on the bill or resolution is held; and

(2) at the time it is reported from a legislative committee of either house for consideration by the full membership of a house of the legislature.

(e) An actuarial impact statement must remain with the bill or resolution to which it is attached throughout the legislative process, including the process of submission to the governor.

(f) A bill or resolution for which an actuarial impact statement is required is exempt from the requirement of a fiscal note as provided by Chapter [314](#).

(g) An actuarial impact statement is not required for a bill or resolution that proposes to have an economic effect on a public retirement system only by providing new or increased administrative duties.

(h) The board shall provide to the Legislative Budget Board a copy of any actuarial impact statement required under this section.

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.301 and amended by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 1991, 72nd Leg., ch. 624, Sec. 13, eff. Sept. 1, 1991.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 1312 (S.B. [59](#)), Sec. 44, eff. September 1, 2013.

Sec. 802.302. PREPARATION OF ACTUARIAL ANALYSIS. (a) The board shall request a public retirement system affected by a bill or resolution as described by Section [802.301\(a\)](#) to provide the board with an actuarial analysis.

(b) An actuarial analysis required by this section must be prepared by an actuary who is a fellow of the Society of Actuaries, a member of the American Academy of Actuaries, or an enrolled actuary under the Employees Retirement Income Security Act of 1974 (29 U.S.C. Section 1001 et seq.).

(c) A public retirement system that receives a request under Subsection (a) must provide the board with an actuarial analysis on or before the 21st day after the date of the request, if the request relates to a bill or resolution introduced for consideration during a regular legislative session.

(d) The board shall adopt deadlines for the provision under this section of an actuarial analysis that relates to a bill or resolution introduced for consideration during a called legislative session. The deadlines must be designed to provide the most complete information practicable in a timely manner.

(e) The board may prepare an actuarial analysis for a public retirement system that receives a request under Subsection (a) and does not provide the board with an actuarial analysis within the required period under Subsection (c) or (d).

(f) The public retirement system may reimburse the board's costs incurred in preparing an actuarial analysis under Subsection (e).

(g) For each actuarial analysis that a public retirement system prepares, the board shall have a second actuary:

(1) review the actuarial analysis accompanying the bill or resolution; and

(2) comment on the reasonableness of each actuarial assumption used in the public retirement system's actuarial analysis.

(h) Even if a public retirement system prepares an actuarial analysis under Subsection (c) or (d), the board may have a second actuary prepare a separate actuarial analysis.

(i) A public retirement system is not prohibited from providing to the legislature any actuarial analysis or information that the system determines necessary or proper.

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.302 and amended by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 1991, 72nd Leg., ch. 624, Sec. 14, eff. Sept. 1, 1991.

Sec. 802.3021. STATE PENSION REVIEW BOARD ACTUARY. An actuary who reviews or prepares an actuarial analysis for the board must have at least five years of experience as an actuary working with

one or more public retirement systems and must be a fellow of the Society of Actuaries, a member of the American Academy of Actuaries, or an enrolled actuary under the Employees Retirement Income Security Act of 1974 (29 U.S.C. Section 1001 et seq.).

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.207 and amended by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989. Redesignated from Sec. 802.302(c) and amended by Acts 1991, 72nd Leg., ch. 624, Sec. 14, eff. Sept. 1, 1991.

Sec. 802.303. CONTENTS OF ACTUARIAL ANALYSIS. (a) An actuarial analysis must show the economic effect of the bill or resolution on the public retirement system affected, including a projection of the annual cost to the system of implementing the legislation for at least 10 years. If the bill or resolution applies to more than one public retirement system, the cost estimates in the analysis may be limited to each affected state-financed public retirement system and each affected public retirement system in a city having a population of 200,000 or more.

(b) An actuarial analysis must include a statement of the actuarial assumptions and methods of computation used in the analysis and a statement of whether or not the bill or resolution, if enacted, will make the affected public retirement system actuarially unsound or, in the case of a system already actuarially unsound, more unsound.

(c) The projection of the effect of the bill or resolution on the actuarial soundness of the system must be based on a computation of advanced funding of actuarial costs.

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.303 by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

Sec. 802.304. COST OF ACTUARIAL ANALYSIS. The state may not pay the cost of a required actuarial analysis that is prepared for a public retirement system not financed by the state, except that a sponsor of the bill or resolution for which the analysis is prepared may pay the cost of preparation out of funds available for the sponsor's personal or office expenses.

Acts 1981, 67th Leg., p. 1876, ch. 453, Sec. 1, eff. Sept. 1, 1981. Renumbered from Vernon's Ann.Civ.St. Title 110B, Sec. 12.304 by Acts 1989, 71st Leg., ch. 179, Sec. 1, eff. Sept. 1, 1989.

Sec. 802.305. REPORTS, ANALYSES, AND ACTUARIAL IMPACT STATEMENTS FOR CERTAIN BILLS AND RESOLUTIONS. (a) The board may request a state-financed public retirement system to provide the board with:

(1) a report listing and totalling the actuarial effect of all public retirement bills and resolutions that have been presented in public hearings in either house of the legislature during the current legislative session and that affect the state-financed public retirement system; or

(2) an analysis of the actuarial effect of all public retirement bills and resolutions that have been passed by at least one house of the legislature during the current legislative session and that affect the state-financed public retirement system, assuming that each bill and resolution becomes law.

(b) A state-financed public retirement system that receives a request under Subsection (a) must provide the board with the requested report or analysis on or before the 21st day after the date of the request, if the request is made during a regular legislative session. If the state-financed public retirement system does not provide the board with the requested report or analysis within the 21-day period, the board may prepare the requested report or analysis.

(c) If the board prepares a requested report or analysis under Subsection (b), the state-financed public retirement system may reimburse the board's costs incurred in preparing the requested report or analysis.

(d) Even if a public retirement system prepares a required report or analysis under Subsection (b), the board may have a second actuary prepare a separate report or analysis.

(e) On or before the 70th day before the last possible day of each regular session of the legislature, the board shall provide the presiding officer of the committee responsible for retirement legislation in each house of the legislature an actuarial impact statement listing and totalling for each state-financed public retirement system the actuarial effect of all public retirement bills and resolutions that have been presented in public hearings in either house of the legislature during that legislative session and that affect that state-financed public retirement system.

(f) On or before the 30th day before the last possible day of each regular session of the legislature, the board shall provide the presiding officer of the committee responsible for retirement legislation in each house of the legislature an actuarial impact statement analyzing for each state-financed public retirement system the actuarial effect of all public retirement bills and resolutions that have been passed by at least one house of the legislature during that legislative session and that affect that state-financed public retirement system, assuming that each of the bills and resolutions becomes law.

(g) The board also shall provide the statements required by Subsections (e) and (f) during a called legislative session.

(h) The board shall adopt deadlines for the provision under this section of a report, analysis, or actuarial impact statement that relates to a bill or resolution introduced for consideration during a called legislative session. The deadlines must be designed to provide the most complete information practicable in a timely manner.

(i) In this section:

(1) "Public retirement bill or resolution" means a bill or resolution that proposes to change the amount or number of benefits or participation in benefits of a state-financed public retirement system or that proposes to change a fund liability of a state-financed public retirement system.

(2) "State-financed public retirement system" means the Employees Retirement System of Texas, including the law enforcement and custodial officer supplemental retirement fund, or the Teacher Retirement System of Texas.

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Added by Acts 1991, 72nd Leg., ch. 624, Sec. 15, eff. Sept. 1, 1991.

Appendix D

DPFP's Contractor's Statement of Ethics Policy



D A L L A S
POLICE & FIRE
PENSION SYSTEM



CONTRACTOR'S STATEMENT OF ETHICS

As amended through December 14, 2017

**DALLAS POLICE & FIRE PENSION SYSTEM AND
SUPPLEMENTAL POLICE AND FIRE PENSION PLAN
OF THE CITY OF DALLAS, TEXAS**

CONTRACTOR'S STATEMENT OF ETHICS

Adopted January 11, 1996

As amended through December 14, 2017

I. SCOPE AND OBJECTIVES

The Board of Trustees (the "Board") of the Dallas Police and Fire Pension System and the Supplemental Police and Fire Pension Plan of the City of Dallas, Texas (collectively referred to as the "System") adopts and shall enforce this Statement of Ethics to serve as guidance to the System as well as to persons who provide, or actively seek to provide, goods or services to the System (referred to herein as "Contractors"). This Statement of Ethics will apply to all Contractors in the performance of their respective duties and activities and is intended to instill and maintain a high level of confidence in the relationship between the System and the Contractors, as well as maintaining the confidence of the general public and government officials in the System, its Board and the Contractors.

This Statement of Ethics will provide assistance in clarifying certain obligations of the Contractors in carrying out their duties and obligations. Contractors are always expected to obey applicable law and to file any reports that may be required by Texas or Federal statutes. Should there be any conflict between this Statement of Ethics and state law, the state law will prevail.

Contractors must be honest in their dealings with the System and such other persons with whom they have dealings in the course of involvement in the System's matters, and must be loyal to the System to the extent such loyalty is not in conflict with other legal duties which are perceived to take precedence, provided in the event of any perceived conflict the Contractor shall advise the Executive Director in writing of same.

II. DEFINITIONS

- A. Business Relationship** – means any employment relationship or any other commercial connection between two or more parties that results in taxable income, other than investment income, to one or more of the parties. However, a Business Relationship does not arise as a result of one or more transactions conducted at a price and subject to the same terms available to the public or a transaction that is subject to rate or fee regulations by a government entity.

- B. **Contractor** – means any person, whether an individual, partnership, corporation or other organization that provides, or actively seeks to provide goods or services to the System or any System Representative to be used in the performance of the System's functions. Services means skilled or unskilled labor or professional services, including but not limited to, custodianship of funds, management of investments, advice with regard to investments and/or investment manager(s), maintenance of official records, the provision of professional advice and other System related services.
- C. **Employee** – means any employee of the System.
- D. **Family Member** – means a parent, child (whether or not a minor), spouse, step child, mother-in-law, father-in-law, son-in-law or daughter-in-law.
- E. **Fiduciary** – means any person who: (i) exercises any discretionary control over the management of the System or any authority or control over the management, investment or disposition of the System's Assets; (ii) renders investment advice for a fee or other compensation, directly or indirectly, or has any authority or responsibility to do so; (iii) has any discretionary authority or discretionary responsibility in the administration of the System in the determination, application, approval or denial of benefits; or (iv) has been designated by the Board as a Fiduciary and has agreed to such designation in the performance of certain duties for or on behalf of the System. It is, however, recognized that the System's attorneys, actuary and accountant do not exercise the type of discretion or control over the management of the System that would make them Fiduciaries for purposes of this definition.
- F. **Gift** – anything of tangible value given without adequate consideration, which shall include, but not be limited to, any payment of cash, or receipt of goods or services, or anything expressly included as a gift by applicable law, except a Gift that (A) is food, lodging, transportation, or entertainment and is accepted as a guest, (B) has a value of less than \$50 (including taxes), or (C) is an honorarium speaking at a conference or event that only includes meals, lodging and transportation. A Gift is accepted as a guest if the person or representative of the entity providing the Gift is present.
- G. **Investment Income** – means dividends, capital gain or interest generated from: (i) a personal or business checking account, share draft or share account or similar account; or (ii) a personal or business investment, or (iii) a personal or business loan.

- H. Substantial Interest** – means: (i) ownership of ten percent or more of the voting stock, shares, or equity interest of an entity or investment; (ii) ownership of ten percent or more of the fair market value of an entity or investment; or (iii) receipt of ten percent or more of gross income in any twelve-month period from an entity or investment. With regard to real property, a Substantial Interest is an equitable or legal ownership with a fair market value of \$2,500 or more. A person is considered to have a Substantial Interest in an entity or investment if a Family Member of that person has a Substantial Interest in that entity or investment.
- I. System Representative** – means any Trustee, Investment Advisory Committee member, Employee, Contractor or agent of the System.
- J. Trustee** – includes any person who has been elected or appointed as a Trustee of the System under Article 6243a-1 of the Revised Civil Statutes of Texas and has agreed, by acceptance or act, to serve as a Trustee of the System.

III. GENERAL DUTIES

- A.** The System is to be administered solely in the interest of the System's members, pensioners and their qualified survivors for the exclusive purpose of providing benefits to such members, pensioners and eligible survivors, and defraying reasonable expenses of the System, in a manner that ensures the sustainability of the System for purposes of providing current and future benefits to members and their beneficiaries.
- B.** All Contractors must comply with all applicable laws, maintain proper ethical standards of behavior, and be honest in their dealings with the System, its members, pensioners and eligible survivors, other Contractors, and government officials.

If there is a question concerning the applicability of this Statement of Ethics to the duties or activities of a Contractor, such Contractor must disclose the facts concerning the contemplated activity to the Board for the Board's review and approval.

IV. PROHIBITED CONDUCT

- A.** No Contractor will make any Gift or campaign contribution, or offer to make any Gift or campaign contribution or pay anything of substantial value, to any Trustee, person who is running for a position as a Trustee, Employee or Family Member of any of the foregoing.



IV. PROHIBITED CONDUCT (continued)

- B.** The Contractor will not lend money to any Trustee, any person who is running for a position as a Trustee, any Employee or Family Member of any of the foregoing, unless such Contractor is normally engaged in such lending in the usual course of its business; and then only if such loan or credit is generally available to the public and the terms of such loan are those customarily offered to others under similar circumstances to finance usual and customary activities.

V. EXERCISE OF DUTIES

- A.** In making or participating in decisions, subject to its contractual obligations and limitations thereupon, the Contractor may be obliged to make a determination that the particular course of action is reasonably designed, either standing alone or as part of the overall objectives of the System, to further the purposes of the System.
- B.** A Contractor (1) in which a System Representative holds a Substantial Interest, (2) that holds a Substantial Interest in another Contractor or in an entity in which the System invests or with respect to which the System otherwise does business, (3) who has a Business Relationship or a personal relationship with any System Representative, including a Business Relationship with an entity that employs a System Representative or Family Member of the foregoing or in which a Trustee or Employee or Family Member of the foregoing has an ownership interest, or (4) that employs a Trustee, Employee or Family Member of the foregoing must fully and promptly report such interest or employment to the Executive Director. Upon receipt of such information, the Executive Director will as promptly as practicable apprise the Board of the facts involved. For purposes of the above, a Contractor holds a Substantial Interest in another Contractor or entity if a management-level employee of the Contractor holds the Substantial Interest.
- C.** No Contractor will knowingly participate in the breach of any duty by another System Representative or participate in concealing such breach. If a Contractor has knowledge of such a breach or a prospective breach, such Contractor has a duty to notify the Executive Director of same in writing.

- D.** Subject to Article VIII below, it is understood that Contractors may communicate with Trustees or Employees to provide information believed to be pertinent to a matter relating to the System. In light of the preceding, Contractors acknowledge that (1) no remark of any Trustee can be construed as any commitment to any person or firm regarding his or her vote or the Board's ultimate decision and (2) Trustees and Employees will, as accurately as possible, relay information they receive from Contractor(s) to the full Board to permit full and open consideration of the subject matter of such information.

VI. CONCURRENT BUSINESS RELATIONSHIPS

It is recognized that one or more Contractors may have other clients in common and may also render arms-length services to another Contractor. If such relationships are not intended to influence either Contractor with regard to the System, they will not be in violation of this Statement of Ethics; provided, however, that the existence and nature of such Business Relationship (including any economic relationship which bears upon the services rendered to the System) is disclosed to the Executive Director in writing.

VII. TRAVEL AND RELATED EXPENSES

- A.** It is the general policy of the Board that the expenses of travel, lodging and meals for Trustees and Employees traveling on business of the System will be paid by the System, and a Contractor may pay for such expenses only when (1) it is the general practice of the Contractor to pay such expenses for other public retirement systems and (2) such travel is pre-approved by the Board. Contractors must not provide anything of material value to a Trustee or Employee for the purpose of attending any conference, convention, seminar or other business meeting except for the payment of the travel or related expense as provided above and generally provided and available entertainment events sponsored at such conferences, conventions, seminars or other business meetings. *De minimis* promotional materials may be accepted by Trustees and Employees attending such events. However, door prizes are treated as Gifts and will be subject to the reporting requirements of Section IX.B. below.
- B.** Notwithstanding anything elsewhere herein, a Trustee or Employee is prohibited from accepting any Gift, meal or travel expenses from a Contractor where the clear purpose of such expense is to affect the determination of the selection of a new Contractor or to affect the determination of the assignment or continuation of, or additional business to, an existing Contractor.



VIII. MISCELLANEOUS – BIDS AND PROPOSALS

- A.** Other than communications required in conducting the existing business of the System or conversations at a social event, a Contractor must not knowingly have direct or indirect contact with Trustees once the Board has decided to obtain bids or proposals for services typically provided by the Contractor.
- B.** A Contractor must not provide meals or entertain a Trustee or Employee during the bid and proposal period for the Contractor.
- C.** If necessary to properly conduct the bid process, the Contractor may have conversations with Employees regarding such bid process. Questions concerning the bid and proposal process will be addressed in accordance with Board-approved procedures. It is strongly recommended that all such communications be made in writing. Copies of such writings will, generally, be given to all other bidding prospective Contractors by the System.

IX. CONTRACTS AND REPORTING REQUIREMENTS

- A.** All contracts with Contractors, by affixing this Statement of Ethics as an exhibit thereto, will include a requirement that thereafter records will be maintained and filed annually with the System which reflect:
 - 1.** any finder's fees, commissions or similar payments, made to anyone whatsoever as consideration for the placement of business with the Contractor;
 - 2.** any Gift offered or tendered to a System Representative; and
 - 3.** the extent, amount and placement of any business, other than directed brokerage placed in accordance with a resolution adopted by the Board in open meeting, which was in any way associated with the party's relationship with the System.
- B.** In addition to the annual filing described in A, above, a Contractor or agent of a Contractor may be required to file information with the System as provided by Local Government Code Section 176. Contractor agrees to comply with the requirements of such section. This Statement of Ethics will, by being affixed to all contractual agreements with Contractors, be incorporated into all such contractual agreements and will be referenced in each request for proposals issued by the Board.



- C. To the extent a Contractor is a Fiduciary, the contract shall acknowledge such status and such Contractor will conform its conduct to appropriate Fiduciary Standards.

X. ADOPTION

The foregoing Statement of Ethics, which is subject to modification as deemed appropriate, from time to time by the Board of Trustees, was adopted by the Board of Trustees of the System at its meeting of January 11, 1996, and has been amended from time to time by the Board of Trustees of the System.

APPROVED on December 14, 2017 by the Board of Trustees on the Dallas Police and Fire Pension System.

[signature]

William F. Quinn
Chairman

Attested:

[signature]

Kelly Gottschalk
Executive Director

