

AUSTIN FIREFIGHTERS RELIEF AND RETIREMENT FUND

Effective September 1, 2025

**Article 6243e.1.
Vernon's Civil Statutes**

Art. 6243e.1. FIREFIGHTERS RELIEF AND RETIREMENT FUND IN
CITIES OF 950,000 TO 1,050,000.

ARTICLE 1. GENERAL PROVISIONS

Sec. 1.01. APPLICABILITY. This Act applies only to a municipality having a population of more than 950,000 and less than 1,050,000.

Sec. 1.02. DEFINITIONS. In this Act:

(1) "Accumulated contributions" means all sums of money, including interest, if applicable, credited to the individual account of a member or former firefighter, as shown on the books and records of the fund.

(1-a) "Actuarial accrued liability" means the portion of the actuarial present value of projected benefits of the fund attributed to past periods of member service based on the cost method used in the risk sharing valuation study prepared under Section 10.05 or 10.06 of this Act, as applicable.

(2) "Actuarial equivalent" means a benefit that, at the time that it begins being paid, has the same present value as the benefit it replaces, based on the recommendations of the board's actuary.

(2-a) "Actuarial value of assets" means the value of the fund's assets as calculated using the asset smoothing method used in the risk sharing valuation study prepared under Section 10.05 or 10.06 of this Act, as applicable.

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

(2-c) "Amortization period" means:

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

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

(2-d) "Amortization rate" means, for a given calendar year, the percentage rate determined by:

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

(B) subtracting the municipal legacy contribution amount for the same calendar year, as determined in the risk sharing valuation study prepared under Section 10.05 or 10.06 of this Act, as applicable, from the sum under Paragraph (A) of this subdivision; and

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

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

(3) "Board of trustees" or "board" means the board of trustees of the fund under this Act, unless the context requires otherwise.

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

(5) "Compensation" means a firefighter's monthly salary, excluding overtime pay, any temporary pay in higher classifications, educational incentive pay, assignment pay, Christmas Day bonus pay, and pay for automobile and clothing allowances.

(5-a) "Corridor" means the range of municipal contribution rates that are:

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

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

(5-b) "Corridor margin" means five percentage points.

(5-c) "Corridor midpoint" means the projected municipal contribution rate specified for each calendar year for 30 years as provided by the initial risk sharing valuation study under

Section 10.05 of this Act, rounded to the nearest hundredths decimal place.

(6) "Dependent child" or "dependent children" means a deceased member's unmarried children under the age of 22, other than a child who has been determined by the board of trustees not to have been dependent on the deceased member.

(6-a) "DROP" means the deferred retirement option plan under Article 8 of this Act.

(6-b) "DROP participant" means a member who is participating in the DROP.

(6-c) "DROP period" means the period between the effective date of a member's election to participate in DROP and the actual date of the member's retirement from the fire department, subject to the seven-year limitation prescribed by Section 8.02 of this Act.

(6-d) "Employer normal cost rate" means, for a given calendar year, the normal cost rate minus the applicable firefighter contribution rate determined under Section 10.011 of this Act.

(6-e) "Estimated municipal contribution rate" means, for a given calendar year, a municipal contribution rate equal to the sum of the municipal normal cost rate and the amortization rate of the liability layers, as applicable, excluding the legacy liability layer, and before adjustments to the rate under Section 10.07 or 10.08 of this Act, as applicable.

(7) "Fire department" means a regularly organized fire department of a city to which this Act applies.

(8) "Firefighter" means a commissioned civil service and Texas state-certified member of a fire department.

(8-a) "Five-year investment return" means the average money-weighted rate of return of the fund, based on a rolling five-year basis and net of investment expenses, for the applicable five-year period.

(9) "Fund" means the firefighters relief and retirement fund existing pursuant to this Act.

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

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

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

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

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

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

(10) "Internal Revenue Code" means the Internal Revenue Code of 1986.

(10-a) "Legacy liability" means the unfunded actuarial accrued liability determined as of December 31, 2024, and for each subsequent calendar year, adjusted as follows:

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

(B) adjusted by the assumed rate of return adopted by the board of trustees for the calendar year ending December 31, 2024.

(10-b) "Level percent of payroll method" means the amortization method that defines the amount of the liability layer recognized each calendar year as a level percent of pensionable payroll until the amount of the liability layer remaining is reduced to zero.

(10-c) "Liability gain layer" means a liability layer that decreases the unfunded actuarial accrued liability.

(10-d) "Liability layer" means:

(A) the legacy liability established in the initial risk sharing valuation study under Section 10.05 of this Act; or

(B) for calendar years after December 31, 2024, the amount that the fund's unfunded actuarial accrued liability

increases or decreases, as applicable, due to the unanticipated change for the calendar year as determined in each subsequent risk sharing valuation study prepared under Section 10.06 of this Act.

(10-e) "Liability loss layer" means a liability layer that increases the unfunded actuarial accrued liability. For purposes of this Act, the legacy liability is a liability loss layer.

(10-f) "Maximum municipal contribution rate" means, for a given calendar year, the rate equal to the corridor midpoint plus the corridor margin.

(11) "Member" means any firefighter or retiree included in a fund under this Act.

(11-a) "Minimum municipal contribution rate" means, for a given calendar year, the rate equal to the corridor midpoint minus the corridor margin.

(11-b) "Municipal contribution rate" means, for a given calendar year, a percentage rate equal to the sum of the employer normal cost rate and the amortization rate, as adjusted under Section 10.07 or 10.08 of this Act, if applicable.

(11-c) "Municipal legacy contribution amount" means, for each calendar year, a predetermined payment amount expressed in dollars in accordance with a payment schedule amortizing the legacy liability for the calendar year ending December 31, 2024, that is included in the initial risk sharing valuation study under Section 10.05 of this Act.

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

(11-e) "Payoff year" means the year a liability layer is fully amortized under the amortization period.

(11-f) "Pensionable payroll" means the compensation of all members in active service for a calendar year or pay period, as applicable.

(11-g) "Projected pensionable payroll" means the estimated pensionable payroll for the calendar year beginning 12 months after the date of the risk sharing valuation study prepared under Section 10.05 or 10.06 of this Act, as applicable, at the time of calculation by:

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

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

(12) "Retiree" means a person who has retired under Article 5 or 6 of this Act and is receiving or is entitled to receive an annuity from the fund.

(13) "Spouse" means an individual to whom a member is legally married under Subtitle A, Title 1, Family Code, or a comparable law of another jurisdiction, provided that, in the case of an informal marriage in this state, the marriage must be evidenced by a declaration of informal marriage recorded in accordance with Subchapter [E](#), Chapter [2](#), Family Code.

(13-a) "Unanticipated change" means, with respect to the unfunded actuarial accrued liability in each subsequent risk sharing valuation study prepared under Section 10.06 of this Act, the difference between:

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

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

(13-b) "Unfunded actuarial accrued liability" means the difference between the actuarial accrued liability and the actuarial value of assets.

Sec. 1.03. CONTINUED EXISTENCE. A firefighters relief and retirement fund is continued in existence in each municipality to which this Act applies. The name of the fund shall be the

name of the municipality, followed by the words "firefighters relief and retirement fund."

Sec. 1.031. OPERATING NAME. The board of trustees may by rule adopt a name under which the fund may operate other than the name prescribed by Section 1.03 of this Act.

Sec. 1.04. EXEMPTION FROM EXECUTION. All retirement annuity payments, other benefit payments, and a member's accumulated contributions are unassignable and are exempt from execution, garnishment, attachment, and state and local taxation.

Sec. 1.05. AGREEMENT MAY NOT SUPERSEDE THIS ACT. Notwithstanding Section [143.307](#), Local Government Code, an agreement between a public employer and an association under Subchapter [I](#), Chapter [143](#), Local Government Code, may not supersede or preempt any provision of this Act and may not increase, diminish, or qualify any right, benefit, privilege, or obligation under this Act.

ARTICLE 2. ADMINISTRATION

Sec. 2.01. RESPONSIBILITY. Each fund established under this Act is a trust. The board of trustees is responsible for the administration of the fund.

Sec. 2.015. FUND QUALIFICATION. This Act shall be construed, and the fund shall be administered, in a manner that maintains the qualified status of the fund under Section 401(a) of the Internal Revenue Code.

Sec. 2.02. COMPOSITION OF BOARD. (a) The board of trustees is composed of:

- (1) the mayor of the municipality or a member of the governing body of the municipality designated by the mayor;
- (2) the chief financial officer of the municipality or a person designated by the chief financial officer;
- (3) four members of the fund to be selected by vote of the firefighters and retirees in the manner provided by this Act; and

(4) one member of the public selected and appointed by the governing body of the municipality in accordance with Section 2.025 of this Act.

(b) The board of trustees may by rule specify the number of elected members of the board of trustees under Subsection (a) of this section who must be firefighters or retirees.

Sec. 2.025. APPOINTED PUBLIC MEMBER OF BOARD. (a) To serve on the board under Section 2.02(a)(4) of this Act, a person:

(1) must:

(A) be a qualified voter;

(B) be a resident and have been a resident of the municipality for the five-year period preceding the date of the appointment; and

(C) have demonstrated experience in the field of finance or investments; and

(2) may not be:

(A) a current or former employee or officer of the municipality;

(B) a current or former employee of the fund or a current or former member of the board of trustees; or

(C) a current or former member or beneficiary of the fund.

(b) A member of the board of trustees under Section 2.02(a)(4) of this Act:

(1) holds office for a term of four years; and

(2) serves during the term for which the member was appointed and until the member's successor is selected and has qualified, unless a vacancy results because of death, resignation, or removal.

(c) A vacancy on the board of trustees in the position under Section 2.02(a)(4) of this Act shall be filled in the same manner as the original appointment.

Sec. 2.03. ELECTED MEMBERS OF BOARD. (a) The elected members of the board of trustees shall be elected and hold office in accordance with this section.

(b) Between November 1 of each year and the first Monday in January of the following year, the board of trustees shall hold an election to elect one member of the board of trustees. If only one firefighter or retiree is nominated for a position under Subsection (c) of this section, instead of holding an election, the board of trustees may appoint the sole nominated candidate at the first board meeting in January. The board shall adopt procedures for the appointment of a sole nominated candidate under this subsection. A board member appointed under this subsection is considered elected for purposes of this Act.

(c) Each election is by secret ballot on a date and using a method the board of trustees determines. Only persons who have been nominated may be listed on the ballot. Nominations:

(1) may be made in person, by mail, by telephone, or by any other method approved by the board of trustees; and

(2) must be received between September 1 and September 15.

(c-1) Nominations or elections may be conducted by electronic means.

(d) The board of trustees shall certify the results of each election. A newly elected board member takes office at the first board meeting in January.

(e) The elected members of the board of trustees hold office for staggered terms of four years, with the term of one trustee expiring each year. Elected members of the board of trustees shall serve during the term for which they are elected and until their successors are elected and have qualified, unless a vacancy results because of death, resignation, or removal.

(f) A vacancy in the position of an elected member of the board of trustees shall be filled for the remainder of that person's term at an election to be held on a date selected by the board of trustees that must be within 60 days after the date of the event that caused the vacancy.

(g) The firefighter or retiree receiving the highest number of votes cast in an election under this section is elected,

except that if no person receives a majority of the votes cast, a runoff election shall be held between the two persons receiving the highest number of votes. A runoff election is held on a date determined by the board of trustees, and the person receiving the higher number of votes in the runoff election is elected.

(h) The administrative expenses of an election under this section may be paid from the assets of the fund. Assets of the fund may not be used to pay campaign expenses incurred by or for a candidate. Administrative office supplies and equipment belonging to the fund may not be used to assist any candidate or person seeking to assist a candidate for a position on the board of trustees.

Sec. 2.04. COMPENSATION. A member of the board of trustees may not receive compensation for service on the board.

Sec. 2.05. OFFICERS. The board shall elect annually from its membership a chair to serve as the presiding officer and a vice-chair to serve as the alternate presiding officer who shall preside in the absence or disability of the chair.

Sec. 2.06. QUORUM AND VOTING. Each member of the board of trustees is entitled to one vote. A majority vote of members of the board of trustees attending a meeting at which a quorum is present is necessary for a decision of the board. A resolution or order of the board of trustees must be made by a vote recorded in the minutes of its proceedings.

Sec. 2.07. MEETINGS; MINUTES. The board of trustees shall hold regular meetings not fewer than four times each calendar year at a time and place that it designates and may hold special meetings on the call of the presiding officer or alternate presiding officer. The board of trustees shall keep accurate minutes of its meetings and records of its proceedings.

Sec. 2.08. ADMINISTRATION OF FUNDS. The board of trustees shall:

(1) keep separate from all other municipal funds all money and other assets it receives for the benefit of the fund;

(2) keep a record of all claims, receipts, and disbursements and make disbursements only by such persons as the board of trustees designates; and

(3) publish annually a report containing a balance sheet showing the financial and actuarial condition of the fund, a statement showing receipts and disbursements during the year covered by the report, and such additional matters as may be determined appropriate by the board of trustees.

Sec. 2.09. DETERMINATION BY BOARD. (a) The board of trustees is authorized to hear and determine all matters regarding:

(1) eligibility of any person to participate in a fund under this Act;

(2) eligibility of any person to receive a service, disability, or survivor's benefit and the amount of that benefit;

(3) whether a child or a parent of a deceased member was dependent on the member for financial support; and

(4) any other determinations related to the administration of the fund.

(b) All determinations made by the board of trustees shall be final and binding.

Sec. 2.10. TESTIMONY. The board of trustees may compel witnesses to attend and testify before it regarding all matters related to the fund in the same manner as is provided for taking of testimony before notaries public, and its presiding officer and alternate presiding officer have the authority to administer oaths to witnesses.

Sec. 2.11. RULEMAKING. The board of trustees shall adopt rules and perform reasonable activities it considers necessary or desirable for the efficient administration of the fund and to maintain the qualified status of the fund under Section 401(a) of the Internal Revenue Code.

Sec. 2.12. GIFT, GRANT, OR BEQUEST. The board of trustees may accept for the use and benefit of the fund a gift, grant, or bequest of money or securities from any source.

Sec. 2.13. CONFIDENTIALITY OF INFORMATION ABOUT MEMBERS, RETIREES, ANNUITANTS, OR BENEFICIARIES. (a) Information contained in records in the custody of the fund concerning an individual member, retiree, annuitant, or beneficiary is confidential and not subject to public disclosure under Chapter [552](#), Government Code, and may not be disclosed in a form identifiable with a specific individual unless:

(1) the information is disclosed to:

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

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

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

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

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

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

(c) A determination and disclosure under Subsection (a) may be made without notice to the individual member, retiree, annuitant, or beneficiary.

Sec. 2.14. PROCESS FOR EXPERIENCE STUDIES AND CHANGES TO ACTUARIAL ASSUMPTIONS. (a) At least once every five years, the board of trustees shall have the board's actuary conduct an

experience study to review the actuarial assumptions and methods adopted by the board for the purposes of determining the actuarial liabilities and actuarially determined contribution rates of the fund. The fund shall notify the municipality at the beginning of an upcoming experience study by the board's actuary.

(b) In connection with the fund's experience study, the municipality may:

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

(2) have the municipality's actuary review the experience study prepared by the board's actuary; or

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

(c) If the municipality chooses to:

(1) have a separate experience study performed under Subsection (b)(1) of this section, the municipality shall complete the study not later than three months after the date the fund notified the municipality of the fund's intent to conduct an experience study; or

(2) have the municipality's actuary review the fund's experience study under Subsection (b)(2) of this section, the municipality shall complete the review not later than one month after the date the preliminary results of the experience study are presented to the board of trustees.

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 3. MEMBERSHIP

Sec. 3.01. GENERAL REQUIREMENT. A person who begins service as a firefighter in a municipality to which this Act applies and who is not ineligible for membership in the fund becomes a member of the fund as a condition of that person's employment. Each member shall be a group A member or group B member in accordance with Section 3.011.

Sec. 3.011. GROUP A AND GROUP B MEMBERSHIP. Each member of the fund is either a group A member or a group B member as follows:

(1) a member of the fund is a group A member if the member was:

(A) a retiree on December 31, 2025;

(B) employed by the municipality as a firefighter on December 31, 2025; or

(C) terminated from employment with the municipality as a firefighter on or before December 31, 2025, if the member:

(i) has at least 10 years of accumulated service credit; and

(ii) has not:

(a) withdrawn the member's accumulated contributions under Section 9.06 of this Act; or

(b) refunded the member's accumulated contributions under Section 4.04 of this Act; and

(2) a member of the fund is a group B member if the member:

(A) except as provided by Subdivision (1)(C) of this section, became employed by the municipality as a firefighter on or after January 1, 2026; or

(B) otherwise does not satisfy the requirements of a group A member.

Sec. 3.02. APPOINTMENT TO CHIEF. A firefighter who is a member of the fund continues to be a member if the firefighter is appointed to the rank of chief or the rank immediately below chief.

Sec. 3.03. TERMINATION OF MEMBERSHIP. A person ceases to be a member of the fund on the earlier of the date of:

(1) death; or

(2) refund or escheat of the person's contributions while absent from service.

ARTICLE 4. SERVICE CREDIT

Sec. 4.01. GENERAL PROVISION. One month of service credit is earned in the fund for each month in which a member of the fund makes a contribution required under this Act.

Sec. 4.02. MILITARY SERVICE. (a) A member of the fund retains all accumulated service credit and is allowed service credit for each month during which the member leaves employment with the fire department and performs active duty service in the armed forces or the armed forces reserves of the United States or their auxiliaries, except that:

(1) the military service credit may not be for more than five years and the person must return to service with the fire department not later than the 180th day after the date of discharge or release from military service or from

hospitalization continuing after discharge for a period of not more than one year;

(2) the member must leave the member's contributions in the fund during the period of absence;

(3) the member must file a written application with the fund for the military service credit, accompanied by satisfactory proof of the member's military service; and

(4) for military service credit related to military service performed on or after January 1, 2026, the member and the municipality must each deposit to the fund an amount equal to the sum of contributions that would have been contributed to the fund by the member and the municipality, respectively, if the member had remained in active employment with the fire department during the period the claimed military service was performed.

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

Sec. 4.03. FORMER SERVICE. A member of the fund who is absent from service with the fire department for reasons other than military service retains all accumulated service credit for the member's former service with the fire department, but receives no credit for the period of absence, if:

(1) the length of the absence is less than five years; and

(2) the member leaves the member's contributions in the fund during the absence.

Sec. 4.04. OTHER ABSENCE. If a member of the fund who has less than 10 years of service credit in the fund is absent from service with the fire department for at least five years for any reason other than as provided by Section 4.02 of this Act, the

fund shall refund the member's accumulated contributions and cancel the person's credited service.

Sec. 4.05. PERIODS OF DISABILITY. A firefighter may not be granted service credit for time during which the person receives a disability benefit from the fund.

ARTICLE 5. SERVICE RETIREMENT BENEFITS

Sec. 5.01. NORMAL SERVICE RETIREMENT ELIGIBILITY. A member is eligible to retire and receive a normal service retirement annuity if the member:

- (1) has attained the age of 50 years and has at least 10 years of service credit in the fund; or
- (2) has at least 25 years of service credit, regardless of age.

Sec. 5.02. CONTINUED SERVICE. A member who continues to serve actively in the fire department after the date the member becomes eligible to retire shall continue to make contributions to the fund and accrue service credit until the date of actual retirement.

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

- (1) for a group A member, the average of the member's compensation for the 36 months of highest compensation during the group A member's credited service; or
- (2) for a group B member, the average of the member's compensation for the 60 months of highest compensation during the group B member's credited service.

(b) If a member has less than 36 or 60 months of credited service, as applicable, the average monthly salary is computed, as if the member had been employed by the fire department for 36 or 60 months, as applicable, by attributing to a period that is immediately before the member's employment and that is equal to the difference between the number of months the member has been employed by the fire department and 36 or 60 months, as applicable, of compensation the member would have received at the rank the member held when the person became a member.

Sec. 5.04. NORMAL SERVICE RETIREMENT BENEFIT. (a) The service retirement annuity of:

(1) a group A member who retires under Section 5.01 of this Act is a monthly payment that is equal to 3.3 percent of the member's average monthly compensation multiplied by the member's number of years of service credit and any fraction of a year of service credit; or

(2) a group B member who retires under Section 5.01 of this Act is a monthly payment that is equal to three percent of the member's average monthly compensation multiplied by the member's number of years of service credit and any fraction of a year of service credit.

(b) Repealed by Acts 2025, 89th Leg., R.S., Ch. 424 (H.B. [2802](#)), Sec. 57(1), eff. September 1, 2025.

(b-1) Repealed by Acts 2025, 89th Leg., R.S., Ch. 424 (H.B. [2802](#)), Sec. 57(1), eff. September 1, 2025.

(c) Repealed by Acts 2025, 89th Leg., R.S., Ch. 424 (H.B. [2802](#)), Sec. 57(1), eff. September 1, 2025.

Sec. 5.05. EARLY RETIREMENT. (a) A group A member is eligible to retire and receive a normal service retirement annuity if the member, while serving as a firefighter in the fire department:

(1) has attained the age of 45 years and has at least 10 years of service credit in the fund; or

(2) has at least 20 years of service credit, regardless of age.

(b) The retirement annuity of a group A member who retires under this section after September 1, 1997, is the same as for normal service retirement, but may not be increased under Section 9.04 of this Act until the person would have met the requirements of Section 9.041(b) of this Act.

(c) A group B member is not eligible for early retirement under this section.

Sec. 5.06. ELIGIBILITY AFTER 10 YEARS OF SERVICE. (a) A member may terminate employment with the fire department and

later retire and receive a service retirement benefit if, at the time of the member's retirement:

(1) the member has accumulated at least 10 years of service credit in the fund and made required contributions to the fund for at least 10 years;

(2) the member does not withdraw the member's contributions from the fund at the time of or after the termination of employment; and

(3) the member has either attained 50 years of age or would have accumulated at least 25 years of service credit if the member had not terminated employment with the fire department.

(b) The retirement benefit payable to a member on retirement under this section is the service retirement benefit described by Section 5.04 of this Act, computed on the basis of the formula in effect at the time of the member's retirement under this Act.

Sec. 5.07. WITHDRAWAL OF CONTRIBUTIONS. A person who has terminated employment with the fire department and left the person's contributions with the fund under Section 5.06 of this Act may at any time apply for and receive the person's accumulated contributions under Section 9.06 of this Act, with the effect provided by that section. If a person eligible for a refund of contributions elects to have all or a portion of the accumulated contributions paid directly to an eligible retirement plan and specifies the eligible retirement plan to which the contributions are to be paid on a form approved for that purpose by the fund, the fund shall make the payment in the form of a direct trustee-to-trustee transfer but is under no obligation to determine whether the other plan in fact is an eligible retirement plan for that purpose.

ARTICLE 6. DISABILITY RETIREMENT BENEFITS

Sec. 6.01. INITIAL ELIGIBILITY FOR DISABILITY RETIREMENT. A firefighter is eligible to retire and receive a disability retirement annuity if:

(1) application for retirement is made by the member or the member's legal representative;

(2) the medical board certifies that the member is unable to perform the duties of the member's occupation as a firefighter and sends the member's application to the board of trustees; and

(3) the board of trustees approves the disability retirement.

Sec. 6.02. NO REQUIREMENT OF ON-THE-JOB INJURY. To qualify for disability retirement, a person's disability does not have to be incurred in connection with the person's performance of duties as a firefighter and may be incurred while employed by some person or entity other than the fire department.

Sec. 6.03. AMOUNT OF DISABILITY BENEFIT. Subject to adjustment under Section 6.05 or Section 9.04 or 9.042, as applicable, of this Act, the disability retirement benefit payable to a member is the normal service retirement benefit described by Section 5.04 of this Act, but not less than the member would have received after 20 years of service credit.

Sec. 6.04. TERMINATION DURING FIRST 2-1/2 YEARS. If, during the first 2-1/2 years of disability retirement, a retiree recovers to the extent that the person is able to perform the duties of the person's job as a firefighter, the board of trustees may terminate the disability retirement benefit.

Sec. 6.05. CONTINUATION AFTER FIRST 2-1/2 YEARS. After a retiree has received disability retirement benefits from the fund for at least 2-1/2 years, the board of trustees from time to time may review the situation of the person to determine the status of the disability. The board of trustees may ask the medical board for its opinion of the status of the disability. If the board of trustees determines that the person has recovered to the extent that the person is able to be employed, the board of trustees may:

(1) continue to pay the full disability retirement benefit;

(2) pay a reduced disability retirement benefit in an amount commensurate with the person's disability as determined by the board; or

(3) discontinue payment of a disability benefit.

Sec. 6.06. APPLICATION; PHYSICIAN'S STATEMENT; MEDICAL BOARD ACTION. (a) An application for disability retirement must be accompanied by a written statement, on a form approved by the board of trustees, signed by a physician of the member's choice. The member shall pay any costs of or fees for obtaining the physician's statement and shall file the application and statement with the fund. As soon as possible after the application is filed, the medical board shall evaluate the medical and other pertinent information concerning the member's application.

(b) The medical board may require any firefighter to obtain additional medical opinions before issuing a certificate that the member is unable, as a result of physical or mental disability, to perform the duties of the member's occupation as a firefighter. The fund shall pay any costs or fees of examination by a person other than the member's own physician.

(c) A certificate from the medical board may include a finding by that board that the disability is likely to be temporary or is likely to be total and permanent.

(d) The board of trustees at any time may require a person receiving a disability retirement benefit under this Act to appear and undergo a medical examination by a physician selected by the board of trustees or the medical board for that purpose. The result of the examination and report by that physician shall be considered by the board of trustees in determining whether the disability retirement benefit will be continued, increased, if less than the maximum provided by this Act, decreased, or discontinued.

Sec. 6.07. EVIDENCE OF INCOME OF DISABILITY RETIREE. The board of trustees may require a person receiving disability retirement benefits under this Act to provide evidence of annual income. The board of trustees may consider the evidence in any

determination of ability to be employed. The board of trustees may reduce or discontinue disability retirement benefit payments to a person who fails or refuses to produce information which the board of trustees has required under this section.

Sec. 6.08. REINSTATEMENT; SERVICE RETIREMENT ELIGIBILITY.

(a) The board of trustees may reinstate any disability retirement benefit that previously has been terminated or reduced if the disabled firefighter's condition has worsened as a result of the same cause for which the person was previously granted disability retirement.

(b) If a person's disability retirement benefit is reduced or discontinued and the person is or subsequently becomes eligible for service retirement under other provisions of this Act, the person is entitled to the service retirement benefit on meeting all requirements for that benefit, reduced by the amount of any disability retirement benefit that the person continues to receive from the fund.

Sec. 6.09. NO BENEFITS WHILE RECEIVING SALARY. A person may not receive disability retirement benefits for any period during which the person receives full salary or compensation from the fire department, including payments received while on sick leave.

ARTICLE 7. SURVIVOR'S BENEFITS

Sec. 7.01. SURVIVING SPOUSE OF FIREFIGHTER. If a firefighter dies before retirement, regardless of whether the firefighter is a group A or group B member, the firefighter's surviving spouse is entitled to receive an immediate monthly benefit from the fund of 75 percent of the service retirement benefit that the firefighter would have received if the firefighter had retired on the date of death, but not less than 75 percent of the monthly payment the decedent would have received based on 20 years of service credit.

Sec. 7.02. SURVIVING SPOUSE OF GROUP A RETIREE. (a) On the death of a retiree who is a group A member, the retiree's surviving spouse is entitled to receive an immediate monthly

benefit from the fund of 75 percent of the retirement benefit that was being paid to the retiree if the spouse was married to the retiree at the time of the retiree's retirement.

(b) With respect to an informal marriage established in this state, a surviving spouse is considered married to a retiree as of the date a declaration of informal marriage was recorded in accordance with Subchapter E, Chapter 2, Family Code.

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

Sec. 7.03. SURVIVING SPOUSE OF FORMER GROUP A FIREFIGHTER.

(a) An immediate monthly benefit is payable to the surviving spouse of a former firefighter who:

- (1) was a group A member;
- (2) before termination of employment with the fire department had accumulated at least 10 years of service credit in the fund and had made required contributions to the fund for a period of at least 10 years; and
- (3) did not withdraw the member's contributions from the fund at the time of or after the termination of employment.

(b) If the former firefighter died before attaining 50 years of age, the benefit is payable only if the spouse was married to the former firefighter on the date of the former firefighter's termination of employment with the fire department.

(c) If the former firefighter died after attaining 50 years of age, the benefit is payable only if the spouse was married to the former firefighter when the member attained 50 years of age.

(d) The amount of the benefit payable under this section is 75 percent of the retirement benefit the former firefighter either was receiving or was entitled to receive at age 50.

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

Sec. 7.04. DURATION OF SPOUSE'S BENEFIT. The benefit payable to a surviving spouse is payable throughout the surviving spouse's remaining lifetime. A surviving spouse whose

benefit was terminated under this section as it existed before September 1, 1997, is entitled to receive a benefit beginning on the date the surviving spouse files an application for resumption of benefits with the board of trustees, but is not entitled to receive a benefit for the period in which the benefit was terminated under the former law.

Sec. 7.05. SURVIVING CHILDREN'S BENEFIT. (a) On the death of a member who at the time of the member's death was a firefighter, regardless of whether the member is a group A or group B member, or a retired group A member, if there is no surviving spouse, a benefit is payable to the decedent's surviving dependent children, if any. The total monthly benefit payable under this subsection is 75 percent of the monthly payment that the decedent would have received under the service retirement benefit described by Section 5.04 of this Act, but not less than 75 percent of the monthly payment the decedent would have received based on 20 years of service credit. If there is more than one dependent child of the decedent, each dependent child is entitled to receive an equal share of the total monthly payment under this subsection.

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

(c) Payments by the fund to a dependent child under this section shall cease on the earliest of the date of the child's death, marriage, or attainment of age 22.

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

Sec. 7.06. PAYMENTS TO DEPENDENT PARENTS. (a) If a deceased member who was a retired group A member leaves no surviving spouse, no surviving designated beneficiary, and no surviving children entitled to receive a benefit under this Act but is survived by one or more dependent parents, the dependent parent, or one of the surviving parents designated by the board of trustees, is entitled to receive a monthly benefit payment equal to the monthly amount that would have been payable to a surviving spouse of the deceased. All payments under this section cease on the death of the surviving dependent parent.

(b) This section does not apply to the surviving dependent parents of a group B member.

Sec. 7.07. Repealed by Acts 2025, 89th Leg., R.S., Ch. 424 (H.B. [2802](#)), Sec. 57(2), eff. September 1, 2025.

Sec. 7.08. PERSON CAUSING DEATH OF MEMBER OR BENEFICIARY.

(a) A benefit payable on the death of a member or beneficiary may not be paid to a person convicted of causing that death, but instead a benefit is payable as provided by Subsection (c) of this section to a person who would be entitled to the benefit had the convicted person predeceased the decedent. If no person would be entitled to the benefit, the benefit is payable to the decedent's estate.

(b) The fund is not required to pay a benefit under Subsection (a) of this section unless it receives actual notice of the conviction of the person who would have been entitled to the benefits. However, the fund may delay payment of a benefit payable on the death of a member pending the results of a criminal investigation and of legal proceedings relating to the cause of death.

(c) The benefit payable under Subsection (a) of this section is a refund of the member's accumulated contributions

and interest, reduced by any annuity payments that may have been made as a result of the member's retirement.

(d) For the purposes of this section, a person has been convicted of causing the death of a member or beneficiary if the person:

(1) has pleaded guilty or nolo contendere to or has been found guilty by a court of an offense at the trial of which it is established that the person's intentional, knowing, or reckless act or omission resulted in the death of the person who was the member or beneficiary, regardless of whether sentence is imposed or probated; and

(2) has no appeal of the conviction pending and the time provided for appeal has expired.

Sec. 7.09. SURVIVING BENEFICIARY OF CERTAIN UNMARRIED GROUP A MEMBERS. (a) On the death of a member, including a retiree, who is a group A member and, at the time of the member's death, was eligible for retirement but had not retired, a benefit is payable under this section if:

(1) the member designated a beneficiary to receive the benefit payable under this section on a form filed with the fund; and

(2) this Act does not otherwise provide a benefit payable to a surviving spouse or child of the member.

(b) The benefit payable under this section is an immediate monthly benefit from the fund of 75 percent of the amount of the:

(1) retirement benefit that was being paid to the group A member as a retiree; or

(2) normal service retirement benefit that the group A member would have received if the member had retired on the date of death.

(c) If the designated beneficiary of a group A member is 10 or more years younger than the member at the time of the member's death, the amount of the benefit payable under Subsection (b) of this section shall be reduced to the actuarial

equivalent of the benefit that would have been payable if the beneficiary and the member were the same age.

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

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

ARTICLE 8. DEFERRED RETIREMENT OPTION PLAN

Sec. 8.01. MEMBER REMAINING IN ACTIVE SERVICE. In lieu of either leaving active service and beginning to receive a service retirement annuity under Section 5.01 of this Act or remaining in active service and continuing to accrue additional service credit under Section 5.02 of this Act, a member who is eligible to receive a normal service retirement benefit under Section 5.01 of this Act may remain in active service, become a participant in the DROP in accordance with this Act, and defer the beginning of the person's retirement annuity. Once an election to participate in the DROP has been made, the election continues in effect as long as the member remains in active service as a firefighter. When the member leaves active service, the member may apply for a service retirement annuity under Section 5.01 of this Act.

Sec. 8.02. ELECTION TO PARTICIPATE IN DROP. The election to participate in the DROP shall be made in accordance with procedures adopted by the board of trustees. The election may be made at any time on or after the date the member becomes eligible for normal service retirement under Section 5.01 of this Act or early retirement under Section 5.05 of this Act and becomes effective on the first day of the first month after the date of the election. At the same time that a member makes an election to participate in the DROP, the member must agree in writing to terminate service with the fire department on a date not later than the seventh anniversary of the effective date of the election under this section. An agreement to terminate service is binding on the member and the fire department, except that the member may terminate active service at any time before

the date selected. An election to participate in the DROP has no effect on either the municipality's or the member's contributions under Article 10 of this Act.

Sec. 8.03. CREDITS TO MEMBER'S DROP ACCOUNT DURING DROP PERIOD. (a) Each month during a member's DROP period, the board of trustees shall cause an amount equal to the retirement annuity that the member would have received under Section 5.04 of this Act for that month if the member had left active service and been granted a retirement annuity on the effective date of the election under Section 8.02 of this Act to be credited to a separate DROP account maintained within the fund for the benefit of the member.

(b) In addition to the amounts credited under Subsection (a) of this section, the board of trustees shall cause an amount equal to all or a portion of the firefighter's contributions under Section 10.011 of this Act made after the effective date of the election to participate in the DROP to be credited to the member's DROP account as follows:

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

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

(c) Amounts held in a member's DROP account during the DROP period shall be credited with interest on December 31 of each calendar year at a rate equal to:

(1) five percent for a group A member; or

(2) four percent for a group B member.

Sec. 8.031. INTEREST CREDITED AFTER DROP PERIOD. Amounts held in a member's DROP account after the DROP period shall be credited with interest:

(1) if the member is a group A member, for each period:

(A) before January 1, 2026, at the end of each calendar month at a rate equal to one-twelfth of five percent; or

(B) on or after January 1, 2026, on December 31 of each calendar year at a rate equal to five percent; or

(2) if the member is a group B member, on December 31 of each calendar year at a rate equal to:

(A) four percent, if the fund's annual investment return for the preceding calendar year is greater than zero percent; or

(B) two percent, if the fund's annual investment return for the preceding calendar year is equal to or less than zero percent.

Sec. 8.04. ADJUSTMENTS TO CREDITS TO MEMBER'S DROP ACCOUNT. (a) The amount credited to the member's DROP account:

(1) shall be increased by any cost-of-living adjustments under Section 9.04 of this Act that occur during the group A member's DROP period, including adjustments granted before January 1, 2026, but only as to amounts credited to the member's DROP account after a cost-of-living adjustment; and

(2) is subject to the limitations prescribed by Section 9.03 of this Act.

(b) Subsection (a)(1) of this section does not apply to a group B member.

Sec. 8.05. DISTRIBUTIONS FROM MEMBER'S DROP ACCOUNT. (a) On leaving active service as a firefighter and beginning to receive a retirement annuity, a member who participates in the DROP shall begin to receive the amount credited to the person's DROP account under either of the following methods of distribution selected by the member:

(1) a single-payment distribution made at a time selected by the member but not later than April 1 of the year after the member attains 70-1/2 years of age; or

(2) in not more than four payments, which may be equal or unequal as the member may determine, all of which must occur not later than April 1 of the year after the member attains 70-1/2 years of age.

(b) Repealed by Acts 2025, 89th Leg., R.S., Ch. 424 (H.B. [2802](#)), Sec. 57(3), eff. September 1, 2025.

(c) A member may not receive a distribution from the member's DROP account before termination of active service as a firefighter. A member shall notify the fund in writing, on a form that the board of trustees may prescribe, at least 30 days before each distribution made under this section.

(d) The board of trustees may adopt rules that modify the availability of distributions under Subsection (a) of this section, provided that the modifications do not:

(1) impair the distribution rights under that subsection; or

(2) cause distributions to occur later than required under Section 401(a)(9), Internal Revenue Code.

Sec. 8.06. ESTABLISHMENT OF DROP ACCOUNT AT RETIREMENT FOR GROUP A MEMBERS. (a) In lieu of electing to participate in the DROP before actual retirement, a group A member who is eligible for normal service retirement or early retirement and who terminates or has terminated active service as a firefighter may establish a DROP account under this section.

(b) A group A member who is eligible to receive a service retirement benefit under Section 5.06 of this Act may establish a DROP account under this section on retiring under Section 5.06 of this Act.

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

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

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

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

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

(A) Section 8.03 of this Act during the DROP period; or

(B) Section 8.031 of this Act after the DROP period.

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

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

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

(e) If a group A member who did not establish a DROP account under this section but was eligible to do so dies before retirement without leaving a surviving spouse, the surviving dependent children, if any, may elect to participate in the DROP if the dependent children have not received any benefit payments under Section 7.05 of this Act. An election under this subsection must be made by all of the surviving dependent

children of the member, except that the guardian of any child who is younger than 18 years of age at the time of the election makes a binding election for the child. If the surviving dependent children make an election under this subsection:

(1) the board of trustees shall cause to be paid jointly to the dependent children in a lump sum, as soon as administratively possible after the fund receives notice of the election, an amount equal to the credits the member's DROP account would have received, including interest, if the member had established the DROP account after becoming eligible for service retirement, but not less than the credits the DROP account would have received, including interest, based on 20 years of service credit; and

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

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

Sec. 8.07. PAYMENTS FROM DROP ACCOUNT AT MEMBER'S DEATH.

(a) The provisions of Article 7 relating to death benefits of qualified survivors do not apply to amounts credited to a member's DROP account. Instead, a member who participates in the DROP may designate a beneficiary to receive any balance in the member's DROP account at the member's death. The beneficiary designation must be made on a form prescribed by the board of trustees and filed with the fund before the member's death. If the member is married at the time of the designation, designation of a beneficiary other than the member's spouse is valid only if the spouse consents to the designation in writing on the same form that is used to designate the beneficiary. Distributions from a member's DROP account after the death of the member shall be made as provided by this section.

(b) If a member who participates in the DROP dies before distribution of the member's entire DROP account, distributions to the designated beneficiary will begin not more than one year after the date of the member's death and shall be made either as a single-payment distribution of the member's DROP account balance or in not more than four equal annual installments over a period of not more than 37 months.

(c) If the member has not designated a beneficiary to receive distributions from the member's DROP account or if the person so designated does not survive the member by at least 72 hours, the member's DROP account shall be distributed in a single-sum payment as soon as administratively possible after the member's death to any surviving spouse who survives the member by at least 72 hours, if any, or to the member's estate if there is no surviving spouse.

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

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

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

Sec. 8.09. RETIREMENT BENEFIT PAYABLE TO DROP PARTICIPANT.

(a) The retirement benefit payable under Article 5 or 6 of this Act to a person who participates in the DROP:

(1) may not be increased as a result of any increase in the member's compensation that occurs after the effective date of the member's election to participate in the DROP;

(2) shall be increased by any cost-of-living adjustments under Section 9.04 of this Act that occur during the

group A member's DROP period, including adjustments granted before January 1, 2026;

(3) may not be increased for additional service credit after the effective date of the member's election to participate in the DROP; and

(4) is subject to the limitations prescribed by Section 9.03 of this Act.

(b) Subsection (a)(2) of this section does not apply to a group B member.

Sec. 8.10. TERMINATION OR MODIFICATION OF DROP BY FUND. To maintain the actuarial soundness of the fund, the board of trustees may:

(1) reduce the interest paid on DROP accounts or take other action that would reduce the future credits to DROP accounts on or after the effective date of the reduction; or

(2) terminate the deferred retirement option plan for all members who have not at that time established a DROP account.

ARTICLE 9. MISCELLANEOUS PROVISIONS REGARDING BENEFITS

Sec. 9.01. TIME FOR PAYMENT TO RETIRED MEMBERS. Benefits to a person who retires under this Act are payable on the first day of each month beginning with the month following the month in which the person retires.

Sec. 9.02. TIME FOR PAYMENT TO SURVIVORS; PAYMENT TO ESTATE. Benefits to a surviving spouse, dependent child, or dependent parent under this Act are payable on the first day of each month beginning with the month following the month in which the death of the member or former firefighter occurs. After all payments cease, any amount by which the member's or former firefighter's total accumulated contributions at the date of that person's death exceed the amount of all retirement and death benefits paid by the fund as a result of the person's participation in the fund is payable to the estate of the member or former firefighter.

Sec. 9.03. LIMITATION ON PAYMENT OF BENEFITS. (a) If the amount of any benefit payment under this Act would exceed the

limitations provided by Section 415 of the Internal Revenue Code, and the regulations adopted under that section, the board of trustees shall reduce the amount of the benefit as needed to comply with that section.

(b) A person's vested accrued benefit in effect on September 1, 2025, may not be reduced under this section.

Sec. 9.04. COST-OF-LIVING ADJUSTMENTS FOR GROUP A MEMBERS AND SURVIVORS. (a) Subject to this section and Sections 5.05 and 9.041 of this Act, the board of trustees may approve a cost-of-living adjustment for:

- (1) eligible retirees who were group A members; and
- (2) beneficiaries entitled to survivor benefits under this Act after the death of a group A member.

(a-1) The cost-of-living adjustment approved under this section:

- (1) may not exceed the collective adjustment amount calculated in accordance with Subsection (a-2) of this section for a given calendar year;

- (1-a) may be allocated among persons eligible for an adjustment under this section in a manner and in an amount determined by the board of trustees;

- (2) may not take effect earlier than January 1 of the calendar year following the date the board of trustees approves the adjustment, but may take effect at any time during the given calendar year, as determined by the board of trustees; and

- (3) may not reduce a person's benefit to an amount less than the person received when the benefit first was paid to that person.

(a-2) The collective adjustment amount must be:

- (1) except as provided by Subdivision (2) of this subsection, an amount equal to the actuarial value, as determined by the board's actuary based on the interest and mortality assumptions adopted by the board of trustees for the most recent actuarial valuation of the fund, of 1.5 percent multiplied by the total amount of benefits payable in the month immediately preceding the date an adjustment is to take effect

to persons who are eligible to receive an adjustment under this section; and

(2) if applicable, reduced by an amount that the board's actuary determines is necessary to comply with limitations prescribed by this section, except the adjustment under this section may not be reduced to an amount that is less than zero.

(a-3) For purposes of Subsection (a-2) of this section, the applicable determination period is the shorter of:

(1) 12 months; or

(2) the period since the last adjustment under this section.

(a-4) Repealed by Acts 2025, 89th Leg., R.S., Ch. 424 (H.B. [2802](#)), Sec. 57(4), eff. September 1, 2025.

(b) Repealed by Acts 2025, 89th Leg., R.S., Ch. 424 (H.B. [2802](#)), Sec. 57(4), eff. September 1, 2025.

(b-1) Repealed by Acts 2025, 89th Leg., R.S., Ch. 424 (H.B. [2802](#)), Sec. 57(4), eff. September 1, 2025.

(c) The board of trustees may not approve a cost-of-living adjustment for a calendar year:

(1) unless the board's actuary certifies that:

(A) the amortization period of the fund as a whole, after taking into account the cost-of-living adjustment, will not exceed:

(i) 25 years for a cost-of-living adjustment payable beginning in calendar years 2026 through 2035;

(ii) 20 years for a cost-of-living adjustment payable beginning in calendar years 2036 through 2040; or

(iii) 15 years for a cost-of-living adjustment payable beginning in calendar year 2041 or a subsequent calendar year; and

(B) the funded ratio for any year during the remainder of the amortization period of the fund as a whole or

for 10 years, whichever is greater, after taking into account the cost-of-living adjustment, is:

(i) 80 percent or more for a cost-of-living adjustment payable beginning in calendar years 2026 through 2040;

(ii) 85 percent or more for a cost-of-living adjustment payable beginning in calendar years 2041 through 2045; or

(iii) 90 percent or more for a cost-of-living adjustment beginning in calendar year 2046 or a subsequent calendar year;

(2) that begins on the second January 1 following a calendar year in which:

(A) the annual investment return as reported in the fund's annual report for the calendar year is less than zero; or

(B) the five-year investment return as reported in the fund's annual report for the calendar year is less than the fund's assumed rate of return used in the actuarial valuation for the calendar year; or

(3) in which the estimated municipal contribution rate, after taking into account the cost-of-living adjustment, would exceed four percent above the corridor midpoint.

(d) For purposes of Subsection (c)(1) of this section, the board's actuary shall:

(1) use the actuarial valuation dated as of the second December 31 preceding the calendar year in which the cost-of-living adjustment is to take effect, including the unfunded actuarial accrued liability, amortization period, and funded ratio as of that December 31; and

(2) make the certifications required by that subdivision not later than October 31 of the calendar year immediately preceding the calendar year in which the cost-of-living adjustment is to take effect.

(e) Notwithstanding any of the limitations prescribed by this section or Section 9.041 of this Act, the governing body of

the municipality may approve a cost-of-living adjustment for any calendar year in which a cost-of-living adjustment may not otherwise be granted due to the limitations under this section in a manner and in an amount determined by the governing body of the municipality based on a recommendation from the board.

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

(1) in which the member or beneficiary, as applicable, attains 67 years of age; or

(2) that is the fifth anniversary of the member's actual date of retirement from the fire department.

(b) For each calendar year beginning on or after January 1, 2027, a retiree who is a group A member who is receiving an early retirement annuity benefit under Section 5.05 of this Act is not eligible for a cost-of-living adjustment under this Act until January 1 of the calendar year immediately following the year in which the member attains 69 years of age.

Sec. 9.042. COST-OF-LIVING ADJUSTMENT FOR GROUP B MEMBERS AND SURVIVORS. The retirement annuity of a retiree who is a group B member or the survivor benefit of a beneficiary who is receiving survivor benefits under this Act after the death of a group B member must be increased by the group B cost-of-living adjustment percentage each year on a compounding basis beginning on January 1 of the calendar year immediately following the later of the year:

(1) in which the member or beneficiary, as applicable, attains 67 years of age;

(2) that is the fifth anniversary of the member's actual date of retirement from the fire department; or

(3) if applicable, in which the member's DROP account is fully distributed.

Sec. 9.05. NO INTEGRATION WITH SOCIAL SECURITY. A benefit payable under this Act may not be integrated with benefits payable under the federal Social Security Act, as amended (42 U.S.C. Section 301 et seq.), and benefits payable under the Social Security Act may not be taken into account when determining the amount of benefits to which a person is entitled under this Act.

Sec. 9.06. WITHDRAWAL OF CONTRIBUTIONS. (a) A living person who has terminated all employment with the fire department and who has not retired may withdraw, on application, all of the accumulated contributions credited to that person's individual account with the fund in excess of the amount of benefits that the person previously has received from the fund. On withdrawal, the person's account will be closed and all service credit the person has accumulated will be canceled.

(b) If a member dies before retirement and no person is entitled to a survivor's benefit under this Act, the person's estate may, after application, withdraw all of the accumulated contributions credited to that person's individual account with the fund in excess of the amount of benefits that the person previously has received from the fund.

Sec. 9.07. ESCHEAT OF CONTRIBUTIONS. If an application for withdrawal of contributions under Section 9.06 of this Act from or on behalf of a person who has ceased to be an employee of the fire department or the person's estate has not been received by the fund before the seventh anniversary of the termination of the person's employment with the fire department for a reason other than retirement, the person's accumulated contributions shall escheat to the fund. If the person or the person's estate later applies for the contributions, the fund shall refund the contributions regardless of the earlier escheatment.

Sec. 9.08. INSUFFICIENT FUNDS; PRORATED REDUCTION IN BENEFITS. If for any reason the funds available for any purpose covered by this Act become insufficient to pay in full any

benefit payable under this Act, all benefits being paid by the fund shall be reduced pro rata for the time the deficiency exists.

Sec. 9.09. REDUCTION IN BENEFIT PAYMENTS ON REQUEST. If a person receiving a benefit from the fund requests in writing that the amount of the benefit be reduced to a specified monthly amount, the fund will pay the lesser amount specified in the request. If the person subsequently requests in writing that the benefit be increased to any specified amount that does not exceed the amount originally payable, the fund will pay the increased amount specified. If a person receiving a benefit from the fund requests in writing that payment of the benefit be discontinued, the fund shall discontinue payment of the benefit. If the person subsequently requests that payment of the benefit be resumed, the fund shall resume payment of the benefit. Any amounts not paid by the fund pursuant to a request under this section are forfeited to the fund and are not recoverable by any person.

Sec. 9.10. OPTIONAL RETIREMENT ANNUITY. (a) An optional retirement annuity is an annuity that is certified by the board's actuary to be the actuarial equivalent of the annuity provided under Section 5.04 of this Act and the survivor's benefits provided under Article 7 of this Act, as applicable.

(b) Instead of the annuity payable under Section 5.04 of this Act, a member who retires may elect to receive an optional retirement annuity approved by the board of trustees under this section.

(c) The survivor's benefits provided under Article 7 of this Act are not payable on the death of a retiree who elects an optional retirement annuity under this section.

(d) The board of trustees by rule may provide for different forms of optional retirement annuities, including an optional retirement annuity that is payable:

(1) after a member's death throughout the life of a person designated by the member, including an annuity that provides that, if a retiree dies before a fixed number of

monthly annuity payments are made, the remaining number of payments are payable to the retiree's designated beneficiary or, if a designated beneficiary does not exist, to the retiree's estate;

(2) throughout the life of a retiree who is a group A member with no survivor benefit;

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

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

(e) To elect an optional retirement annuity, a member must make the election and designate a beneficiary on a form prescribed by the board of trustees. The member must file the form with the board on or before the effective date of the member's retirement.

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

(g) If a member's spouse has been adjudicated incompetent, the consent required under Subsection (f) of this section may be given by the spouse's guardian.

(h) If a physician determines that a member's spouse is not mentally capable of managing the spouse's affairs, the consent required under Subsection (f) of this section may be given by the member if the member would be qualified to serve as a guardian of the spouse and the board of trustees determines that a guardianship of the estate is not necessary.

(i) Spousal consent under Subsection (f) of this section is not required if the board of trustees determines that:

(1) a spouse does not exist;

- (2) the spouse cannot be located;
- (3) the first anniversary of the marriage will not occur before the date the annuity first becomes payable; or
- (4) a former spouse is entitled to receive a portion of the member's optional retirement benefit under a qualified domestic relations order.

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

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

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

ARTICLE 10. COLLECTION OF CONTRIBUTIONS; INTEREST

Sec. 10.01. MUNICIPAL CONTRIBUTIONS.

(a) Each municipality in which a fire department to which this Act applies is located shall appropriate and contribute to the fund each pay period in accordance with the following:

(1) for all pay periods beginning after September 30, 2012, and before January 1, 2026, an amount equal to 22.05 percent of the compensation of all members during the pay period; and

(2) for all pay periods beginning on or after January 1, 2026, the amount determined in accordance with Subsections (b) and (c) of this section and Sections 10.05, 10.06, 10.07, and 10.08 of this Act, as applicable.

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

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

(2) $1/26$ of the municipal legacy contribution amount for the 2026 calendar year, as determined and adjusted in the initial risk sharing valuation study conducted under Section 10.05 of this Act.

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

(1) the municipal contribution rate for the applicable calendar year, as determined in a subsequent risk sharing valuation study conducted under Section 10.06 of this Act and adjusted under Section 10.07 or 10.08 of this Act, as applicable, multiplied by the pensionable payroll for the applicable pay period; and

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

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

year equals the contribution required under Subsection (b)(2) or (b-1)(2) of this section, as applicable.

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

(1) the municipality shall appropriate and contribute to the fund each pay period at the higher percentage of compensation necessary to make all contributions required and authorized to be made by the municipality under this section; and

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

(d) The governing body of each municipality may authorize the municipality to make an additional contribution to the fund in whatever amount the governing body may determine.

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

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

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

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

Sec. 10.02. PICKUP OF FIREFIGHTER CONTRIBUTIONS. A municipality to which this Act applies shall pick up the firefighter contributions to the fund that are required or authorized pursuant to Section 10.011 of this Act, whichever is

higher. Firefighter contributions will be picked up by a reduction in the monetary compensation of the firefighters. Contributions picked up shall be treated as employer contributions in accordance with Section 414(h)(2) of the Internal Revenue Code for the purpose of determining tax treatment of the amounts under that code. These contributions will be credited to the individual accounts of the firefighters in the fund and shall be treated as the monthly contributions of the firefighters for all purposes of this Act. These contributions are not includable in the gross income of a firefighter until the time that they are distributed or made available to the firefighter or survivors of the firefighter. The board of trustees may at any time, by majority vote, discontinue the pickup of firefighter contributions by the municipality.

Sec. 10.03. CONTRIBUTIONS AND INCOME AS ASSETS OF FUND. All contributions paid to the fund under this article become a part of the assets of the fund. All interest and dividends on investments of the assets of the fund shall be deposited into the fund and are part of it.

Sec. 10.04. INTEREST ON INDIVIDUAL ACCOUNTS. (a) This subsection applies only to a group A member. The fund shall credit interest on December 31 of each year to the account of each firefighter, and of each former firefighter, who has not retired in an amount equal to five percent of the accumulated contributions, including previously credited interest, on deposit on January 1 of that year. The fund may not pay interest on a firefighter's or former firefighter's contributions for any period that is more than five calendar years after the date of termination of employment. This subsection expires December 31, 2025.

(a-1) Beginning January 1, 2026, a group A member is not entitled to interest on amounts credited to the member's individual account.

(b) A group B member is not entitled to interest on amounts credited to the member's individual account for any period.

Sec. 10.05. INITIAL RISK SHARING VALUATION STUDY. (a) The fund shall cause the board's actuary to prepare an initial risk sharing valuation study that is dated as of December 31, 2024, in accordance with this section.

(b) The initial risk sharing valuation study must:

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

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

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

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

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

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

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

on January 1, 2025, to the rate equal to the sum of the estimated municipal contribution rate for the calendar year that begins on January 1, 2026, and the rate of pensionable payroll equal to the municipal legacy contribution amount for January 1, 2026, determined as if there was no phase-in of the increase to the municipal legacy contribution amount. The phase-in must reflect approximately one-third of the increase each year over the three-year phase-in period.

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

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

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

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

Sec. 10.06. SUBSEQUENT RISK SHARING VALUATION STUDIES.

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

(b) Each risk sharing valuation study must:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(G) the municipal contribution rate will be calculated each calendar year without inclusion of the legacy liability.

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

(d) The municipality and the board of trustees may agree on a written transition plan for resetting the corridor midpoint, firefighter contribution rate, and municipal contribution rate:

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

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

(e) Subject to Section 2.14 of this Act, the board may by rule adopt actuarial principles other than those required under Subsection (b) (5) of this section, provided the actuarial principles:

(1) are consistent with actuarial standards of practice;

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

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

Sec. 10.07. ADJUSTMENT TO MUNICIPAL CONTRIBUTION RATE IF ESTIMATED MUNICIPAL CONTRIBUTION RATE LOWER THAN CORRIDOR

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

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

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

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

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

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

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

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

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

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

Sec. 10.09. INCREASED FIREFIGHTER CONTRIBUTION RATE IF ESTIMATED MUNICIPAL CONTRIBUTION RATE GREATER THAN MAXIMUM MUNICIPAL CONTRIBUTION RATE. (a) This section governs the determination of the firefighter contribution rate applicable in a calendar year under Section 10.011 of this Act if the

estimated municipal contribution rate determined under Section 10.06(b)(3) of this Act is greater than the maximum municipal contribution rate.

(b) Except as provided by Subsection (c) of this section, if the estimated municipal contribution rate is greater than the corridor maximum, the firefighter contribution rate will increase by an amount equal to the difference between the following:

- (1) the estimated municipal contribution rate; and
- (2) the maximum municipal contribution rate.

(c) The firefighter contribution rate may not be increased by more than two percentage points under this section.

(d) If the estimated municipal contribution rate is more than two percentage points greater than the maximum municipal contribution rate, the municipality and the board of trustees shall enter into discussions to determine additional funding solutions.

ARTICLE 11. INVESTMENT OF ASSETS

Sec. 11.01. INVESTMENTS. The board of trustees in its sole discretion may invest, reinvest, or change the assets of the fund. The board of trustees shall invest the funds in whatever instruments or investments the board considers prudent. In making investments for the fund, the board of trustees shall discharge its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with such matters would use in the conduct of an enterprise of a similar character and with similar aims.

Sec. 11.02. Repealed by Acts 1997, 75th Leg., ch. 30, Sec. 9, eff. Sept. 1, 1997.

Sec. 11.03. INVESTMENT POLICY. (a) The board of trustees shall adopt and maintain a written investment policy regarding the investment of fund assets.

(b) The board of trustees may not adopt an amendment to the investment policy adopted under this section unless the

proposed amendment is approved by the affirmative vote of the board.

Sec. 11.04. FIDUCIARIES. (a) A person or financial institution is a fiduciary of the fund to the extent that the person or the financial institution:

(1) exercises any discretionary authority or discretionary control over management of the fund or exercises any authority or control over management or disposition of the assets of the fund;

(2) renders or has authority or responsibility to render investment advice for a fee or other compensation, direct or indirect, concerning any money or other property of the fund; or

(3) has any discretionary authority or discretionary responsibility over the administration of the fund.

(b) A fiduciary of the fund may not cause the fund to engage in a transaction if the fiduciary knows or should know that the transaction constitutes a direct or indirect:

(1) sale, exchange, or lease of any property from the fund to a party for less than adequate consideration or from a party to the fund for more than adequate consideration;

(2) loan of money or other extension of credit from the fund to a party without the receipt of adequate security and a reasonable rate of interest or from a party to the fund with provision of excessive security or an unreasonably high rate of interest;

(3) furnishing of goods, services, or facilities from the fund to a party for less than adequate consideration or from a party to the fund for more than adequate consideration; or

(4) transfer to or use by or for the benefit of a party of any assets of the fund for less than adequate consideration.

(c) A fiduciary of the fund may not:

(1) deal with the assets of the fund in the fiduciary's own interest or for the fiduciary's own account;

(2) in the fiduciary's individual or any other capacity act in any transaction involving the fund on behalf of a party whose

interests are adverse to the interests of the fund or the interests of its participants or beneficiaries; or

(3) receive any consideration for the fiduciary's own personal account from any party dealing with the fund in connection with a transaction involving the assets of the fund.

(d) The board of trustees may purchase insurance indemnifying the members of the board of trustees against personal loss or accountability from liability resulting from a member's act or omission as a member of the board of trustees.

ARTICLE 12. OFFICERS, EMPLOYEES, AND PROFESSIONALS

Sec. 12.01. EXECUTIVE DIRECTOR AND EMPLOYEES. The board of trustees shall appoint an executive director who shall administer the fund under the supervision and direction of the board of trustees. The board of trustees shall employ such other employees as are required for the efficient administration of the fund.

Sec. 12.02. LEGAL COUNSEL. The board of trustees shall retain legal counsel for matters affecting the operation of the fund.

Sec. 12.03. ACTUARY. (a) The board of trustees shall engage an actuary who may be the consultant and technical advisor to the board of trustees regarding the operation of the fund and may perform such duties as may be required by the board.

(b) The actuary shall make a valuation at least once every two years of the assets and liabilities of the fund on the basis of assumptions and methods that are reasonable in the aggregate, considering the experience of the fund and reasonable expectations and that, in combination, offer the actuary's best estimate of anticipated experience under the fund.

(c) On the basis of the valuation, the actuary shall make recommendations to the board of trustees to ensure the actuarial soundness of the fund. In making recommendations, 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.

(d) The board of trustees shall file with the State Pension Review Board a copy of each actuarial study and each separate report made as required by law.

(e) An actuary engaged under this section must be a fellow of the Society of Actuaries, a member of the American Academy of Actuaries, or an enrolled actuary under the federal Employee Retirement Income Security Act of 1974 (29 U.S.C. Section 1001 et seq.).

(f) The municipality may pay all or part of the cost of the actuarial services. Any cost not paid directly by the municipality is payable from assets of the fund.

Sec. 12.04. INVESTMENT COUNSELORS AND MANAGERS; CUSTODIAN OF ASSETS. (a) The board of trustees may employ professional investment counselors to advise and assist the board in the investment of the assets of the fund. The investment counseling service must be provided by a nationally known organization whose business functions include rendering continuous investment advisory service to public pension and retirement funds. The municipality may pay the entire cost of this counseling service. If not paid by the municipality, the cost may be paid from the assets of the fund.

(b) The board of trustees shall appoint investment managers for the fund by contracting for professional investment 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.

(c) To be eligible for appointment under Subsection (b) of this section, an investment manager must be:

(1) registered under the federal Investment Advisors Act of 1940 (15 U.S.C. 801b-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.

(d) In a contract made under Subsection (b) of this section, the board 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 board adopts for investments of the fund.

(e) The municipality may pay all or part of the cost of professional investment management services under a contract under Subsection (b) of this section. Any cost not paid directly by the municipality is payable from assets of the fund.

(f) The board of trustees may at any time and shall at frequent intervals monitor the investments made by any investment manager for the fund. The board may contract for professional evaluation services to fulfill this requirement.

(g) The municipality may pay all or part of the cost of professional evaluation services under Subsection (f) of this section. Any cost not paid directly by the municipality is payable from assets of the fund.

(h) The board may enter into an investment custody account agreement designating a state or national bank or a trust company as custodian for all assets allocated to or generated under the investment management contract.

(i) Under the custody account agreement, the board of trustees shall require the designated custodian to perform the duties and assume the responsibilities for assets under the contract for which the agreement is established.

(j) The municipality may pay all or part of the cost of services under a custody account agreement under Subsection (h) of this section. Any cost not paid directly by the municipality is payable from assets of the fund.

(k) An investment manager other than a bank having a contract with the fund under Subsection (b) of this section may not be a custodian of any assets of the fund.

(l) When demands of the fund require, the board shall withdraw from a custodian of fund assets money for use in paying benefits to members and other beneficiaries of the fund and for

reasonable expenses of administering the fund, as approved by the board.

Sec. 12.05. MEDICAL BOARD. The board of trustees may designate a medical board composed of three persons. To be eligible to serve as a member of the medical board, a physician must be licensed to practice medicine in this state and be of good standing in the medical profession. The board of trustees also may designate persons who are not physicians to serve on the medical board. The medical board shall:

(1) review all medical examinations and reports required by this Act;

(2) investigate essential statements and certificates made by or on behalf of a member of the fund in connection with an application for disability retirement; and

(3) report in writing to the board of trustees its conclusions and recommendations on all matters referred to it.

Sec. 12.06. RETIREMENT COUNSELING. The board of trustees may pay for the cost of counseling for members of the fund regarding retirement matters.

Sec. 12.07. AUDITS; ENGAGEMENT OF CERTIFIED PUBLIC ACCOUNTANTS. The board of trustees shall engage a certified public accountant or firm of certified public accountants to perform an audit of the fund at least annually. The municipality may pay the entire cost of an audit. If not paid by the municipality, the cost may be paid from the assets of the fund.

Sec. 12.08. CIVIL ACTIONS FOR MONEY WRONGFULLY PAID OUT OR OBTAINED. The board of trustees may recover by civil action from any offending party or from the party's sureties, if any, any money paid out or obtained from the fund through fraud, misrepresentation, defalcation, theft, embezzlement, or misapplication and may institute, conduct, and maintain the action in the name of the board of trustees for the use and benefit of the fund.

Acts 1975, 64th Leg., p. 412, ch. 183, Sec. 1 to 22, eff. May 13, 1975. Amended by Acts 1979, 66th Leg., p. 525, ch. 248, Sec. 1 to 5, eff. Aug. 27, 1979; Acts 1981, 67th Leg., p. 298, ch. 120, Sec. 1, 2, eff. Sept. 1, 1981; Acts 1981, 67th Leg., p. 591, ch. 237, Sec. 123, eff. Sept. 1, 1981; Acts 1985, 69th Leg., ch. 372, Sec. 1 to 10, eff. Aug. 26, 1985; Acts 1987, 70th Leg., ch. 358, Sec. 1 to 9, eff. Aug. 31, 1987; Acts 1989, 71st Leg., ch. 375, Sec. 37, eff. Sept. 1, 1989; Acts 1989, 71st Leg., ch. 863, Sec. 1 to 10, eff. Sept. 1, 1989; Acts 1991, 72nd Leg., ch. 453, Sec. 1 to 8, eff. Sept. 1, 1991; Acts 1991, 72nd Leg., ch. 597, Sec. 47, eff. Sept. 1, 1991; Acts 1993, 73rd Leg., ch. 69, Sec. 1 to 7, eff. Sept. 1, 1993; Acts 1995, 74th Leg., ch. 282, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 30, Sec. 1 to 9, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 204, Sec. 1, eff. Oct. 1, 1997; Acts 1999, 76th Leg., ch. 177, Sec. 1 to 4, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 601, Sec. 1 to 10, eff. Sept. 1, 2001. Acts 2001, 77th Leg., ch. 669, Sec. 166, eff. Sept. 1, 2001.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 707 (H.B. [2829](#)), Sec. 1, eff. September 1, 2009.

Acts 2009, 81st Leg., R.S., Ch. 707 (H.B. [2829](#)), Sec. 2, eff. September 1, 2009.

Acts 2009, 81st Leg., R.S., Ch. 707 (H.B. [2829](#)), Sec. 3, eff. September 1, 2009.

Acts 2009, 81st Leg., R.S., Ch. 707 (H.B. [2829](#)), Sec. 4, eff. September 1, 2009.

Acts 2009, 81st Leg., R.S., Ch. 707 (H.B. [2829](#)), Sec. 5, eff. September 1, 2009.

Acts 2009, 81st Leg., R.S., Ch. 707 (H.B. [2829](#)), Sec. 6, eff. September 1, 2009.

Acts 2009, 81st Leg., R.S., Ch. 707 (H.B. [2829](#)), Sec. 7, eff. September 1, 2009.

Acts 2009, 81st Leg., R.S., Ch. 707 (H.B. [2829](#)), Sec. 8, eff. September 1, 2009.

Acts 2009, 81st Leg., R.S., Ch. 707 (H.B. [2829](#)), Sec. 9, eff. September 1, 2009.

Acts 2009, 81st Leg., R.S., Ch. 707 (H.B. [2829](#)), Sec. 10, eff. September 1, 2009.

Acts 2011, 82nd Leg., R.S., Ch. 1163 (H.B. [2702](#)), Sec. 192, eff. September 1, 2011.

Acts 2011, 82nd Leg., R.S., Ch. 1354 (S.B. [1286](#)), Sec. 1, eff. September 1, 2011.

Acts 2015, 84th Leg., R.S., Ch. 162 (H.B. [1756](#)), Sec. 1, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 162 (H.B. [1756](#)), Sec. 2, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 162 (H.B. [1756](#)), Sec. 3, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 162 (H.B. [1756](#)), Sec. 4, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 162 (H.B. [1756](#)), Sec. 5, eff. September 1, 2015.

Acts 2023, 88th Leg., R.S., Ch. 644 (H.B. [4559](#)), Sec. 289, eff. September 1, 2023.

Acts 2025, 89th Leg., R.S., Ch. 424 (H.B. [2802](#)), eff. September 1, 2025.