ATTACHMENT 7

Vernon's Ann. Texas Civ. St. Art. 6243q
Art. 6243q. Retirement Health Trust for Firefighters and Police Officers

ARTICLE 1. GENERAL PROVISIONS

Purpose

Sec. 1.01. Because of the lasting health consequences associated with the stressful nature of the professions of firefighting and law enforcement, the purpose of a fund established by this Act is to provide health care benefits for persons who retired on or after October 1, 1989, from a municipal fire or police department to which this Act applies.

Definitions

Sec. 1.02. In this Act:

(1) "Actuary" means an actuary selected by the board to conduct an actuarial study who is a Fellow of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries, or a member of the American Academy of Actuaries.

(1-a) "Annual member payroll" means the amount computed on the first payroll date in June of the applicable fiscal year that equals the product of the base pay plus additional compensation for employment longevity paid to all members for services rendered multiplied by the total number of payroll dates in the fiscal year.

(1-b) "Average member salary" means the amount computed on the first payroll date in June of the applicable fiscal year that equals the quotient of the annual member payroll for the fiscal year divided by the number of members.

(2) "Board" means the board of trustees of a fund established under Section 1.04 of this Act.

(3) "Beneficiary" means a retiree, or the spouse or other eligible dependent of a retiree, who is entitled to receive retiree health benefits under Section 5.01 of this Act.

(4) Repealed by Acts 2025, 89th Leg., ch. 277 (H.B. 3594), § 16, eff. Oct. 1, 2025.

(4-a) "Default rate" means the actuarial assumed rate of return as determined by the fund's actuary.

(5) "Firefighter" means an employee of the fire department who is classified as a firefighter by the personnel department of a municipality to which this Act applies.

(6) "Fund" means the firefighter's and police officer's retiree health care fund of a municipality to which this Act applies.

(6-a) Repealed by Acts 2025, 89th Leg., ch. 277 (H.B. 3594), § 16, eff. Oct. 1, 2025.

(6-b) "Member" means a firefighter or police officer, except as provided by Section 4.011 of this Act.

(6-b-1) "Months of service" means the number of full months of service beginning on the date the firefighter or police officer becomes a member of the fund until the date the firefighter or police officer retires or otherwise terminates employment as a firefighter or police officer, less the number of full months of service during which the member:

(A) was engaged in active service with any uniformed service of the United States and did not purchase credit for that service in accordance with Section 4.023 of this Act;

(B) took other unpaid leave, including unpaid leave described by Section 4.024 of this Act, and did not purchase credit for that leave in accordance with applicable law; or

(C) was placed on unpaid leave by the municipality to which this Act applies.

(6-c) "Payroll date" means the date every other week on which a municipality to which this Act applies pays regular compensation to members.

(6-d) "Pension act" means Chapter 824, Acts of the 73rd Legislature, Regular Session, 1993 (Article 6243o, Vernon's Texas Civil Statutes).

(6-e) "Pension fund" means the firefighters' and police officers' pension fund of a municipality to which the pension act applies.

(7) "Police officer" means an employee of the police department who is classified as a police officer by the personnel department of a municipality to which this Act applies.

(8) "Retiree" means an individual who was a firefighter or police officer who retired under the pension act after September 30, 1989.

(8-a) "Retiree health plan" means the group family health plan for retirees and other beneficiaries:

(A) established under this Act; and

(B) in effect on October 1, 2025.

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

(10) Repealed by Acts 2025, 89th Leg., ch. 277 (H.B. 3594), § 16, eff. Oct. 1, 2025.

Applicability

Sec. 1.03. This Act applies to a paid fire and police department of a municipality with a population of 1.4 million or more but less than 1.7 million.

Fund; Statutory Trust

Sec. 1.04. (a) The firefighters' and police officers' retiree health care fund is established for each municipality to which this Act applies. The fund is a statutory trust and is not a subdivision of government.

(b) The board shall administer and hold in trust the assets of the fund for the exclusive benefit of the beneficiaries of the fund. The board may pay from the fund reasonable administrative expenses incurred in administering the fund.

(c) The fund may not be diverted, transferred, or used for any other purpose inconsistent with this Act and with the instruments governing the fund.

(d) A public or private agency, entity, or authority may not alter or impair any contract made by the board or under the authority or direction of the board.

Exemptions

Sec. 1.05. (a) The health benefits paid or payable by the fund are exempt from garnishment, assignment, attachment, judgments, other legal processes, and inheritance or other taxes established by this state.

(b) Fund assets are exempt from attachment, execution, alienation, and forced sale. A judgment lien or abstract of judgment may not be filed or perfected against the fund on fund assets. A judgment lien or abstract of judgment filed against the fund on fund assets is void.

Construction Of Act

Sec. 1.06. This Act does not provide any benefit that is not specifically provided by this Act.

ARTICLE 2. ADMINISTRATIVE PROVISIONS

Board of Trustees

Sec. 2.01. (a) The fund is governed by a board of trustees consisting of the following nine members:

(1) the mayor of the municipality to which this Act applies or the mayor's designee;

(2) two members of the governing body of the municipality to which this Act applies, appointed by that governing body;

(3) two members of the fund who are firefighters below the rank of fire chief, elected by secret ballot by a majority of the votes cast by the members of the fund who are firefighters;

(4) two members of the fund who are police officers below the rank of police chief, elected by secret ballot by a majority of the votes cast by the members of the fund who are police officers;

(5) a retiree representative of the fire department, elected by secret ballot by a majority of the votes cast by the retirees of the fire department who are beneficiaries of the fund and the surviving spouses of deceased firefighters who are beneficiaries of the fund; and

(6) a retiree representative of the police department, elected by secret ballot by a majority of the votes cast by the retirees of the police department who are beneficiaries of the fund and the surviving spouses of deceased police officers who are beneficiaries of the fund.

(b) The board, through its secretary, shall administer the required elections of the members and retiree trustees. The board shall hold a runoff election between the two candidates receiving the most votes if no candidate receives a majority of the votes cast for a trustee position. On the executive director's certification that a candidate for trustee is eligible for office and is unopposed for election, the board shall certify the candidate as elected to the board.

(c) The fund is independent of the control of the municipality to which this Act applies.

Terms of Trustees

Sec. 2.02. (a) Subject to Subsection (a-1) the mayor of the municipality or the mayor’s designee, serves on the board for the term of the mayor’s office.

(a-1) The mayor may remove and replace the mayor’s designee at the mayor’s discretion.

(b) The two members of the governing body of the municipality to which this Act applies serve on the board for the term of the office to which they were elected or appointed, provided that the term of the member on the board expires on the day the member ceases to be a member of the governing body for any reason.

(c) The two members of the board who are firefighters below the rank of fire chief serve on the board for staggered four-year terms, with one member’s term expiring every two years.

(d) The two members of the board who are police officers below the rank of police chief serve on the board for staggered four-year terms, with one member’s term expiring every two years.

(e) The retiree representatives serve on the board for staggered four-year terms, with one member’s term expiring every two years.

Resignation or Removal of Trustees

Sec. 2.03. (a) A trustee who is a retiree or a member of the fund may resign or may be removed by a vote of the group eligible to elect the trustee.

(b) A petition for removal under this section must be filed with the board within 45 days after the date the first signature on the petition was obtained. A signature is not valid if it is not dated.

(c) A removal election must be held within 90 days after the date the board certifies that a proper petition for a removal election has been signed by at least 20 percent of the persons eligible to vote to elect the trustee. A trustee’s term of service ends on the entry of an order by the board declaring that a majority of the votes cast in a removal election under this section favor removal.

(d) On the date the board enters an order under Subsection (c) of this section, the board shall call a special election to be held not less than 20 and not more than 30 days after that date to fill the vacancy for the unexpired term of the trustee who was removed. The trustee who was removed is not eligible to run in the special election but is eligible to run in all subsequent elections in which the person is otherwise eligible to run.

Officers

Sec. 2.04. (a) The board shall elect a chair, a vice chair, and a secretary from among the trustees.

(b) The board in its discretion may elect other officers of the board.

Employees

Sec. 2.05. The board may employ an executive director and staff to administer the fund.

Meetings; Quorum

Sec. 2.06. (a) The board shall hold regular monthly meetings and special meetings at the call of the chair or on written demand by a majority of the trustees.

(b) Five trustees constitute a quorum. The board may act with the consent of a majority of the trustees who are present at a board meeting at which a quorum is present.

Board Committees

Sec. 2.07. (a) The chair of the board may appoint committees that report to the board.

(b) Only trustees may be appointed to a committee under this section.

(c) A committee must be composed of not fewer than three and not more than four trustees, except as otherwise specifically provided by the board.

(d) Only members of a committee may vote as committee members.

(e) The board may direct staff and advisors to assist the committees.

(f) All trustees may attend committee meetings.

(g) Members of a committee serve at the pleasure of the board.

(h) Permanent or standing committees may be appointed.

ARTICLE 3. GENERAL POWERS AND DUTIES

General Powers and Duties of Board

Sec. 3.01. (a) The board has complete authority and power to:

(1) administer the fund for the exclusive benefit of the beneficiaries of the fund;

(2) disburse benefits or otherwise order payments from the fund;

(3) independently control the fund; and

(4) conduct all litigation on behalf of the fund.

(b) The board may contract with a municipality or other entity to receive the following services:

(1) the administration of benefit claims of beneficiaries, including payment of claims from money in the fund;

(2) the administration of the board's administrative expenses, including payment of the expenses from money in the fund as approved in advance by the board; and

(3) other administrative services approved by the board.

(c) The board shall adopt rules necessary for the board's effective operation, including rules relating to:

(1) the disbursement of the fund's assets; and

(2) the name of the board and the fund.

(d) The board shall take any action necessary to ensure that contributions to the fund and benefits received from the fund are exempt from federal taxes and excluded from a beneficiary's taxable income.

(e) The board shall report annually to the governing body of the municipality regarding the condition of the fund and the receipts and disbursements of the fund.

(f) The board has full discretion and authority to administer the fund and the retiree health plan, construe and interpret this Act and the retiree health plan, correct any defect or omission, reconcile any inconsistency, and perform all other acts necessary to carry out the purpose of this Act and the retiree health plan and administer this Act and the retiree health plan for the greatest benefit of all members in a manner and to the extent that the board considers expedient.

(g) A gathering of any number of trustees to investigate, research, or review prospective or current investments or otherwise attend to the trustees' fiduciary responsibilities, without formal action by the trustees, is not a deliberation or meeting under Chapter 551, Government Code, and is not required to be open to the public.

(h) The trustees of the fund are immune from liability for any action taken or omission made in good faith in the performance of their duties for the fund.

(i) Information contained in a record that is in the custody of the fund concerning a member, former member, retiree, deceased retiree, beneficiary, or alternate payee is confidential under Chapter 552, Government Code. The information may not be disclosed in a form that identifies a specific individual, unless the information is disclosed:

(1) to the individual;

(2) to the individual's spouse, attorney, guardian, executor, administrator, or conservator, or to another person the executive director or the executive director's designee determines from written documentation to be acting in the interest of the individual or the individual's estate;

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

(4) to a government official or employee seeking the information in order to perform the duties of the official or employee; or

(5) under a subpoena.

(j) Subsection (i) of this section does not prevent the disclosure of the status or identity of an individual as a member, former member, retiree, deceased member, deceased retiree, beneficiary, or alternate payee of the fund.

(k) A determination and disclosure under Subsection (i) of this section does not require notice to the member, retiree, beneficiary, or alternate payee.

Authority of Municipality

Sec. 3.02. The municipality has the authority and power to:

(1) contract with the board, as described in Section 3.01(b) of this Act;

(2) provide services through a subcontractor in a contract under Section 3.01(b) of this Act;

(3) take any action necessary to ensure that contributions to the fund and benefits received from the fund are exempt from federal taxes and excluded from a beneficiary's taxable income; and

(4) control the internal functions of the municipality relating to the municipality's interactions with or activities on behalf of the fund.

Sec. 3.03. Repealed by Acts 1999, 76th Leg., ch. 52, § 24(b), eff. Oct. 1, 1999.

Insurance

Sec. 3.04. (a) The board may use fund assets to purchase insurance from any insurer licensed to do business in this state that provides for reimbursement of the fund and any trustee, officer, or employee of the fund for:

(1) liability imposed or damages incurred because of an alleged act, error, or omission committed in the capacity of a fiduciary, officer, or employee; and

(2) costs and expenses incurred in defense of a claim for an alleged act, error, or omission.

(b) The board may not purchase insurance for reimbursement of a trustee, officer, or employee of the fund for liability imposed on the trustee, officer, or employee because of the person's dishonesty, fraud, lack of good faith, or intentional failure to act prudently.

Indemnity

Sec. 3.05. (a) If insurance purchased by the board under Section 3.04 of this Act is unavailable, insufficient, inadequate, or otherwise not in effect, the board may indemnify a trustee, officer, or employee of the fund for liability imposed as damages because of an alleged act, error, or omission committed by the person in the capacity of a fiduciary, officer, or employee and for reasonable costs and expenses incurred in defense of a claim of an alleged act, error, or omission.

(b) The board may not indemnify a trustee, officer, or employee of the fund for liability or expenses incurred because of the person's personal dishonesty, fraud, lack of good faith, or intentional failure to act prudently.

(c) A trustee may not vote on a matter of the trustee's own indemnification or be counted in determining whether a quorum is present for the vote.

(d) The board may adopt a policy establishing a method for presentation, approval, and payment of claims for indemnification.

(e) If insurance purchased by the board under Section 3.04 of this Act is unavailable, insufficient, inadequate, or otherwise not in effect, the board may indemnify a former trustee, officer, or employee of the fund under this section for an alleged act, error, or omission committed by the person in the capacity of a fiduciary, officer, or employee and for reasonable costs and expenses incurred in defense of a claim of an alleged act, error, or omission.

(f) The board may authorize indemnification of a trustee, officer, or employee of the fund, or a former trustee, officer, or employee of the fund under this section regardless of when the alleged act, error, or omission occurred, provided that the person is considered liable for the alleged act, error, or omission in relation to the person's capacity as a current or former trustee, officer, or employee of the fund.

ARTICLE 4. MEMBERSHIP AND CONTRIBUTIONS

Membership

Sec. 4.01. Each member is a member of the fund.

Membership of Fire Chief and Chief of Police

Sec. 4.011. Not later than the 30th day after the date a fire chief or a chief of police of a municipality assumes office, the fire chief or chief of police may make an irrevocable election to not become a member of the fund or to terminate membership in the fund by delivering written notice of such election to the secretary of the board. A fire chief or chief of police who does not make an election under this subsection is considered to have chosen to become or to remain a member of the fund.

Member and Beneficiary Contributions

Sec. 4.02. (a) Subject to Section 4.022 of this Act, there shall be deducted from each member's compensation and contributed to the fund on each payroll date an amount equal to the member contribution amount applicable to the fiscal year in which the payroll date occurs. The member contribution amount applicable to a fiscal year equals the amount obtained by:

(1) multiplying the average member salary for the preceding fiscal year by the percentage equal to 100 percent plus the estimated percentage increase in the annual member payroll from the preceding fiscal year to the fiscal year as determined by the actuary;

(2) multiplying the product computed under Subdivision (1) of this subsection by the percentage applicable to the fiscal year as provided in Subsection (b) of this section; and

(3) dividing the product computed under Subdivision (2) of this subsection by the total number of payroll dates that occur during the fiscal year.

(b) For purposes of Subsections (a)(2) and (d)(2) of this section, the percentage applicable to each fiscal year is:

(1) 2.0 percent for the fiscal year beginning October 1, 2007, and ending September 30, 2008;

(2) 2.7 percent for the fiscal year beginning October 1, 2008, and ending September 30, 2009;

(3) 3.4 percent for the fiscal year beginning October 1, 2009, and ending September 30, 2010;

(4) 4.1 percent for the fiscal year beginning October 1, 2010, and ending September 30, 2011; and

(5) 4.7 percent for the fiscal year beginning October 1, 2011, and all subsequent fiscal years.

(c) Subject to Subsection (d-2) or (e) of this section, to be eligible for health benefits under Section 5.01 of this Act, a service retiree or disability retiree who retired or retires with less than 360 months of service, or the retiree’s surviving spouse in the case of a deceased retiree, shall continue to make monthly contributions in accordance with Subsections (d) and (d-1) of this section to the fund after the date of the retiree’s retirement for the lesser of:

(1) the period in full months preceding the date the retiree becomes or would have become eligible for federal Medicare coverage; or

(2) the period equal to 360 months less the retiree’s months of service achieved on the date of the retiree’s retirement.

(d) The monthly contribution amount required under Subsection (c) of this section applicable to a fiscal year equals an amount obtained by:

(1) multiplying the average member salary for the preceding fiscal year by a percentage equal to 100 percent plus the estimated percentage increase in the annual member payroll from the preceding fiscal year to the fiscal year as determined by the actuary;

(2) multiplying the product computed under Subdivision (1) of this subsection by the percentage applicable to the fiscal year as provided by Subsection (b) of this section; and

(3) dividing the product computed under Subdivision (2) of this subsection by 12.

(d-1) Monthly contributions under Subsection (c) of this section shall be made on or before the last day of each month during the period the contributions are required to be made, beginning on the first month immediately following the month in which the retiree retires. Any required contribution that is not made to the fund on or before the due date shall bear interest at the default rate in effect on the first day of the month in which the contribution is due until the contribution is paid.

(d-2) Instead of the monthly contributions required under Subsection (c) of this section, a retiree, or the retiree’s surviving spouse in the case of a deceased retiree, may elect to pay to the fund a lump-sum payment equal to the monthly retiree contribution amount under Subsection (d) of this section in effect on the date of the retiree’s retirement multiplied by the lesser of:

(1) the number of full months in the period:

(A) beginning on the retiree's date of retirement; and

(B) ending on the date the retiree will attain or would have attained 65 years of age; or

(2) the number of full months following the date of the retiree's retirement which, when added to the retiree's months of service as of the date of retirement, equals:

(A) 360 months; or

(B) if subject to Subsection (e) of this section, 120 months.

(d-3) An election under Subsection (d-2) of this section:

(1) must be:

(A) in writing and made in the form and manner prescribed by the board; and

(B) made before making a lump-sum payment under that subsection; and

(2) is irrevocable.

(d-4) A lump-sum payment to the fund under Subsection (d-2) of this section:

(1) must be made in full on or before the 30th day after the date of the retiree's retirement; and

(2) is not partially or wholly refundable.

(e) A retiree who retired under the pension act as a result of a disability, or the disability retiree's surviving spouse in the case of a deceased disability retiree, is not required to make contributions under Subsection (c) of this section for more than 120 months following the date of the disability retiree's retirement.

(f) This section applies only to members who retire as a service or disability retiree after October 1, 2007, and their surviving spouses.

(g) The municipal contributions to and health benefits paid from the fund are a part of the compensation for services rendered to a municipality to which this Act applies. This Act is considered part of the contract of employment and appointment of the firefighters and police officers of that municipality.

Contributions by a Municipality

Sec. 4.021. (a) Subject to Section 4.022 of this Act, a municipality to which this Act applies shall pay into the fund on each payroll date the municipal contribution amount applicable to the fiscal year in which the payroll date occurs. The municipal contribution amount applicable to a fiscal year equals the amount obtained by:

(1) multiplying the average member salary for the preceding fiscal year by the percentage equal to 100 percent plus the estimated percentage increase in the annual member payroll from the preceding fiscal year to the fiscal year as determined by the actuary;

(2) multiplying the product computed under Subdivision (1) of this subsection by 9.4 percent;

(3) dividing the product computed under Subdivision (2) of this subsection by the total number of payroll dates that occur during the fiscal year; and

(4) multiplying the quotient computed under Subdivision (3) of this subsection by the number of individuals who are members on the payroll date.

(b) The municipal contributions to and health benefits paid from the fund are part of the compensation for services rendered to the municipality. This Act is considered part of the contract of employment and appointment of the firefighters and police officers of that municipality.

Mandatory Adjustments to Retiree Health Plan Contributions, Out-of-Pocket Payments, and Deductibles

Sec. 4.022. (a) Subject to Subsection (b) of this section, if on October 1, 2017, the actuary determines and states in the then most recent actuarial report delivered to the board that the number of years required to fully amortize the unfunded liability of the fund is more than 30 years, the board shall modify the retiree health plan as follows:

(1) the amount of the contributions in effect under Sections 4.02 and 4.021 of this Act shall be increased by a percentage determined by the board not to exceed 10 percent on October 1 of each year, commencing October 1, 2017; and

(2) the maximum deductibles and maximum out-of-pocket payments for each individual in a calendar year and for each family in a calendar year set out in the retiree health plan then in effect shall be increased by a percentage determined by the board not to exceed 10 percent on January 1 of each year, commencing January 1, 2018.

(b) The board is not required to implement additional increases under Subsection (a) of this section if the actuary determines and states in the actuarial report delivered to the board under that subsection that the number of years required to fully amortize the unfunded liability of the fund is 30 years or less.

(c) Except as provided by this section, the board may not change the amount of contributions to the fund by a member under Section 4.02 of this Act or a municipality under Section 4.021 of this Act.

(d) The increases in maximum deductibles and maximum out-of-pocket payments required under Subsection (a)(2) of this section are in addition to the increases required under Section 5.01 of this Act.

Uniformed Service

Sec. 4.023. (a) A member of the fund who enters any uniformed service of the United States may not:

(1) be required to make the contributions required by Section 4.02(a) of this Act while the member is engaged in active service with the uniformed service; or

(2) lose any seniority rights or retirement benefits provided by this Act because of that service.

(b) A member may establish credit for service not established during the period the member was in active service with the uniformed service by paying into the fund an amount equal to the amount the member would have paid during that period if the member had remained on active status in the fire or police department.

(c) The member shall make the payment described by Subsection (b) of this section in full within a period after the member's return to active status in the fire or police department that is equal to three times the amount of time the member was engaged in active service with the uniformed service, except that the maximum period for payment may not exceed five years.

(d) If the member does not comply with Subsections (b) and (c) of this section, the member loses all credit toward the member's months of service for the length of time the member was engaged in active service in any uniformed service.

(e) The amount of credit purchased under this section may not exceed the length of the active service in a uniformed service required to be credited by law.

(f) If the member complies with this section and makes all required payments, a municipality to which this Act applies shall make payment to the fund in an amount equal to the amount the municipality would have paid if the member had remained on active status in the fire or police department during the member's absence while in the uniformed service.

Family and Medical Leave

Sec. 4.024. (a) If a member takes unpaid leave as provided by the Family and Medical Leave Act of 1993 (29 U.S.C. Section 2601 et seq.), that member may elect to establish credit for the leave by making voluntary member contributions to the fund for the entire period the member is on leave in an amount equal to the amount the member would have paid had the member not taken the leave. The contributions must be paid to the fund not later than the 30th day after the date the member returns from that leave.

(b) If a member elects to make voluntary member contributions under Subsection (a) of this section, the fund shall notify the municipality and the municipality shall make payment to the fund in an amount equal to the total municipal contribution amount the municipality would have paid if the member had not taken the leave, and that payment must be made not later than the 60th day after the date the member returns from leave.

(c) If a member does not make the member contributions required within the time prescribed under Subsection (a) of this section, the member may not receive credit toward the member's months of service for the period the member was on unpaid leave.

Members Who Are Married: Conditional Waiver of Eligibility

Sec. 4.025. (a) If spouses are formally married to each other under Chapter 2, Family Code, and are both members of the fund, on the retirement under the pension act of the first of the couple to retire, that retiree may, not later than the 30th day after the retiree's retirement date, elect to conditionally waive eligibility for health and medical benefits under this Act by submitting to the fund written confirmation of that election in the form and manner prescribed by the board.

(b) Subject to Subsection (c) of this section, a retiree who conditionally waives eligibility under Subsection (a) of this section is not required to make contributions to the fund under Section 4.02(c) of this Act following the date the election under Subsection (a) of this section is submitted to and accepted by the fund.

(c) Subject to Subsection (d) of this section, if the marriage of a retiree who has conditionally waived eligibility for benefits under Subsection (a) of this section is dissolved, the retiree may, not later than the 30th day after the date of the dissolution of the marriage, elect to reinstate eligibility for health and medical benefits under this Act by submitting to the fund written confirmation of the election in the form and manner prescribed by the board.

(d) A retiree who makes an election to reinstate eligibility for health and medical benefits under Subsection (c) of this section is only eligible for those benefits if the retiree makes the monthly contributions required under Section 4.02(c) of this Act in the amount applicable under Section 4.02(d) of this Act in the fiscal year in which the contribution is made. The initial contribution is due on the last day of the month immediately following the month in which the election is submitted to and accepted by the fund.

Rights of Beneficiaries and Members; Association

Sec. 4.03. (a) Beneficiaries and members of the fund are entitled to all rights otherwise provided to the beneficiaries or members under any state or federal statute.

(b) This fund is intended to be a voluntary employee's beneficiary association as described by Section 501(c), Internal Revenue Code of 1986 (26 U.S.C. Section 501(c)), and the board has the discretion to take any action necessary to ensure that the fund is classified as such.

ARTICLE 5. RETIREMENT HEALTH BENEFITS

Retirement Health Benefits

Sec. 5.01. (a) A person is eligible to receive health and medical benefits under this Act in accordance with the provisions of the retiree health plan in effect, except as otherwise provided by this Act.

(b) Health and medical benefits shall be provided by the fund to persons who are eligible to receive them under Subsection (a) of this section, in accordance with the provisions of the retiree health plan in effect, except as otherwise provided by this Act.

(c) Repealed by Acts 2025, 89th Leg., ch. 277 (H.B. 3594), § 16, eff. Oct. 1, 2025.

(d) Except as provided by Subsection (d-1) of this section, the board as it considers appropriate may modify the retiree health plan if the modifications adopted at any regular or special meeting of the board do not, in the aggregate, increase the fund's total actuarial unfunded liability, as determined by the actuary. The board has exclusive authority to modify the retiree health plan.

(d-1) The board may modify the retiree health plan to allow a surviving spouse of a deceased retiree to continue to be eligible for coverage under the retiree health plan after the spouse's remarriage regardless of whether that modification increases the fund's total actuarial unfunded liability.

(e) The board may discontinue benefits under this section for any person who does not make the monthly contributions required by Section 4.02(c) or (e) of this Act, as applicable, within the time prescribed by Section 4.02(d-1) of this Act.

(f) On January 1, 2008, the maximum deductible for each individual in a calendar year as set out in the retiree health plan increases from $100 or $200, as applicable, to $500, and the maximum deductible for each family in a calendar year as set out in the retiree health plan increases from $200 or $400, as applicable, to $1,000.

(g) The maximum out-of-pocket, including deductible, payment for each individual for each of the following calendar years as set out in the retiree health plan increases as follows:

(1) on January 1, 2008, from $600 or $700, as applicable, to $1,500;
(2) on January 1, 2009, from $1,500 to $1,600;
(3) on January 1, 2010, from $1,600 to $1,700;
(4) on January 1, 2011, from $1,700 to $1,800; and
(5) on January 1, 2012, from $1,800 to $1,900.

(h) Commencing January 1, 2013, on January 1 of each year the board shall increase the amount of the maximum deductible and out-of-pocket payments established under Subsections (f) and (g) of this section by a percentage equal to the then most recently published annual percentage increase in health care costs as set out in a published index selected by the actuary that reflects annual changes in health care costs. The annual percentage increase provided for by this subsection may not exceed eight percent.

(i) Increases in maximum deductibles and maximum out-of-pocket payments required under this section are in addition to the increases required under Section 4.022(a)(2) of this Act.

(j) The board may require the payment of a premium for coverage of dependent children under the retiree health plan.

(k) Any person entitled to receive health and medical benefits under this Act may unconditionally waive their rights to receive those benefits by executing and delivering to the fund a waiver of their rights in the form and manner prescribed by the board. A person who waives their rights to receive benefits under this subsection is no longer under any circumstances entitled to receive benefits under this Act.

(l) Health and medical benefits provided by the fund under this Act or which may be provided by the fund under this Act do not constitute divisible marital property.

ARTICLE 6. INVESTMENT AND FINANCIAL PROVISIONS

Treasurer's Duties

Sec. 6.01. Repealed by Acts 2007, 80th Leg., ch. 1415, § 19 eff. Oct. 1, 2007.

Accounts and Financial Reports

Sec. 6.02. (a) Accounts of the fund shall be kept as ordered by the board.

(b) The board shall require that monthly financial reports showing all fund receipts and disbursements be prepared and submitted to the board.
Reserve Funds

Sec. 6.03. (a) The board shall determine a reasonably safe amount of surplus necessary to defray reasonable expenses of the fund.

(b) All other assets shall be designated as reserve funds.

(c) Only the board may invest and manage the reserve funds. The reserve funds must be invested and managed for the sole benefit of the beneficiaries.

Investment Powers of Board

Sec. 6.04. (a) The board shall invest the reserve funds in a manner that a prudent investor would invest the funds, considering the purposes, terms, distribution requirements, and other circumstances of an enterprise with a similar character and similar aims.

(b) The board shall diversify the investment of the reserve funds to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so. In determining whether the board has exercised prudence concerning an investment decision, the investment of all assets of the funds, rather than the prudence of a single investment of the funds, shall be considered.

(c) The board may directly manage investments of the reserve funds or may choose to contract for professional management services. If the fund owns or anticipates owning real estate, the board may, at its discretion, establish an organization described by Section 501(c)(2) or 501(c)(25), Internal Revenue Code of 1986, as amended, to hold title to the real estate.

(d) The board has final responsibility for the investment of the reserve funds. The board may purchase securities or engage in limited partnerships or make other investments not specifically provided by this Act and has the authority to exercise discretion in determining the nature, type, quality, and size of any investment consistent with the investment policies it establishes.

Professional Consultants

Sec. 6.05. (a) The board may authorize and direct one or more board members or officers of the fund to enter into contracts on behalf of the fund for the provision of professional services, including contracts with professional investment managers, financial consultants, independent auditors, third-party administrators, preferred providers, health maintenance organizations, attorneys, and actuaries. The board has the exclusive power to authorize the execution of the contracts and may establish a reasonable fee for compensation under the contracts.

(b) The board may designate its own custodian or master custodian to perform the customary duties involving the safekeeping of the assets and the execution of transactions of either domestic or foreign securities. The board may engage in a securities lending program consistent with the benefits payable to beneficiaries.

Investment Consultant Qualifications

Sec. 6.06. In appointing investment consultants, the board shall require that the investment consultant be:

(1) registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.), as amended;

(2) a bank as defined by that Act; or

(3) an insurance company qualified to perform investment services under the law of more than one state.

ARTICLE 7. STANDARDS OF CONDUCT AND FINANCIAL DISCLOSURE REQUIREMENTS

Ethics Policy

Sec. 7.01. (a) A trustee, the executive director, or any employee of the fund may not:

(1) buy, sell, or exchange any property to or from the fund;

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

(3) receive any consideration from any person dealing with the fund.

(b) To implement Subsection (a) of this section and to strengthen the faith and confidence of the members and beneficiaries of the fund, the board shall develop standards of conduct and financial disclosure requirements to be observed by each member of the board and by the executive director in the performance of the board members' and executive director's official duties.

ARTICLE 8. TRANSITION; EFFECTIVE DATE; EMERGENCY [REPEALED]

Secs. 8.01, 8.02. Repealed by Acts 1999, 76th Leg., ch. 52, § 24(a), eff. Oct. 1, 1999.

Credits
Acts 1997, 75th Leg., ch. 1332, eff. Oct. 1, 1997. Amended by Acts 1999, 76th Leg., ch. 52, §§ 1 to 24, eff. Oct. 1, 1999; Acts 2007, 80th Leg., ch. 1415, § 1 to 19, eff. Oct. 1, 2007; Acts 2011, 82nd Leg., ch. 1163 (H.B. 2702), § 197, eff. Sept. 1, 2011; Acts 2023, 88th Leg., ch. 644 (H.B. 4559), § 294, eff. Sept. 1, 2023; Acts 2025, 89th Leg., ch. 277 (H.B. 3594), §§ 1 to 16, eff. Oct. 1, 2025.

Articles 6243e.1 to End appear in this volume.

Vernon's Ann. Texas Civ. St. Art. 6243q, TX CIV ST Art. 6243q
Current through the end of the 2025 Regular and Second Called Sessions of the 89th Legislature.