

By: Callegari

H.B. No. 25

A BILL TO BE ENTITLED

AN ACT

relating to the liabilities of, contributions to, and the administration of certain public retirement systems.

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

SECTION 1. Section 802.002(a), Government Code, is amended to read as follows:

(a) Except as provided by Subsection (b), the Employees Retirement System of Texas, the Teacher Retirement System of Texas, the Texas County and District Retirement System, the Texas Municipal Retirement System, the Texas Emergency Services Retirement System, and the Judicial Retirement System of Texas Plan Two are exempt from Sections 802.101(a), 802.101(b), 802.101(d), 802.102, 802.103(a), 802.103(b), 802.202, 802.203, 802.204, 802.205, 802.206, and 802.207, and from all of Subchapter E. The Judicial Retirement System of Texas Plan One is exempt from all of Subchapters B, ~~and~~ C, and E except Sections 802.104 and 802.105. The optional retirement program governed by Chapter 830 is exempt from all of Subchapters B, ~~and~~ C, and E except Section 802.106.

SECTION 2. Chapter 802, Government Code, is amended by adding Subchapter E to read as follows:

SUBCHAPTER E. ADDITIONAL PROVISIONS APPLICABLE TO CERTAIN

ACTUARIALLY FUNDED PUBLIC RETIREMENT SYSTEMS

Sec. 802.401. AMORTIZATION OF UNFUNDED LIABILITY. (a) If the governing body of a public retirement system receives an

1 actuarial valuation conducted in accordance with Section 802.101
2 indicating an infinite amortization period, the governing body
3 shall notify the board and the governing body of the plan sponsor of
4 that determination in writing not later than the 30th day after the
5 date the valuation is received.

6 (b) Following the provision of notice under Subsection (a),
7 the public retirement system has six fiscal years to take
8 corrective action without additional reporting requirements. If by
9 the expiration of the sixth fiscal year the system has not received
10 an actuarial valuation conducted in accordance with Section 802.101
11 indicating that the system is able to amortize unfunded liability
12 over a finite period, the governing body of the system shall prepare
13 a written corrective action plan detailing actions to be taken by
14 the public retirement system and plan sponsor to achieve a funded
15 ratio of not less than 80 percent and an amortization period that
16 does not exceed 30 years.

17 (c) The corrective action plan described by Subsection (b)
18 must be signed by the governing body of the public retirement system
19 and by the governing body of the plan sponsor, and must be submitted
20 to the board not later than the 270th day after the expiration of
21 the six-fiscal-year period described by that subsection. If the
22 governing body of the public retirement system and the governing
23 body of the plan sponsor do not jointly approve a single corrective
24 action plan, the two governing bodies may submit separate
25 corrective action plans.

26 (d) The corrective action plan described by Subsection (b)
27 must be updated and resubmitted to the board every third year until

1 the public retirement system receives an actuarial valuation
2 conducted in accordance with Section 802.101 indicating that the
3 system has achieved a funded ratio of not less than 80 percent and
4 an amortization period that does not exceed 30 years.

5 Sec. 802.402. ACTION INCREASING AMORTIZATION PERIOD. A new
6 monetary benefit payable by the public retirement system may not be
7 established, and the determination of the amount of a monetary
8 benefit from the system may not be increased, if, as a result of the
9 action, the time required to amortize the unfunded actuarial
10 liabilities of the retirement system would be increased to a period
11 that exceeds 30 years by one or more years, as determined by an
12 actuarial valuation.

13 Sec. 802.403. CONTRIBUTIONS. (a) The plan sponsoring
14 entity contributions and employee contributions to a public
15 retirement system, as applicable, should be made at regular
16 intervals of at least one payment during each fiscal year.

17 (b) The allocation of the normal cost portion of
18 contributions under this section must be level or declining as a
19 percentage of payroll over all generations of employees of the
20 sponsoring entity, calculated according to applicable actuarial
21 standards.

22 Sec. 802.404. ADDITIONAL STUDIES AND REPORTS. (a) Except
23 as otherwise provided by this chapter, this section applies only to
24 a public retirement system with total assets the book value of
25 which, as of the last day of the preceding fiscal year, is greater
26 than or equal to \$100 million.

27 (b) In addition to the requirements of Subchapter B, the

1 governing body of a public retirement system to which this
2 subchapter applies shall, at reasonable intervals not to exceed
3 five years, conduct or arrange to have conducted:

4 (1) an actuarial experience study in which actuarial
5 assumptions are reviewed in light of relevant experience factors,
6 important trends, and economic projections with the purpose of
7 determining whether the actuarial assumptions require adjustment;
8 and

9 (2) a study of the public retirement system's assets
10 and liabilities for use in reviewing asset allocations.

11 Sec. 802.405. ETHICAL STANDARDS. The governing body of a
12 public retirement system shall adopt ethical standards and
13 conflict-of-interest policies. Policies adopted under this
14 section must include a provision requiring trustees to report any
15 potential conflicts of interest and must be consistent with and not
16 less restrictive than Section 802.203.

17 SECTION 3. (a) Notwithstanding Section 802.401, Government
18 Code, as added by this Act, a public retirement system that receives
19 an actuarial valuation indicating an infinite amortization period
20 as described by that section on or after the effective date of this
21 Act is entitled to the six-fiscal-year period described by that
22 section to take corrective action described by that section
23 regardless of whether the public retirement system received a
24 previous actuarial valuation indicating an infinite amortization
25 period before the effective date of this Act.

26 (b) Section 802.402, Government Code, as added by this Act,
27 applies only to a new monetary benefit granted under a statute

1 enacted, or a contract entered into or renewed, on or after the
2 effective date of this Act. A monetary benefit granted under a
3 statute enacted, or a contract entered into or renewed, before the
4 effective date of this Act is governed by the law in effect
5 immediately before that date, and the former law is continued in
6 effect for that purpose.

7 SECTION 4. The governing body of a public retirement system
8 to which Subchapter E, Chapter 802, Government Code, as added by
9 this Act, applies shall adopt rules or procedures necessary to
10 implement that subchapter as soon as practicable after the
11 effective date of this Act, but not later than March 1, 2014.

12 SECTION 5. This Act takes effect on the 91st day after the
13 last day of the legislative session.