

By: Callegari, et al.

H.B. No. 3356

Substitute the following for H.B. No. 3356:

By: Callegari

C.S.H.B. No. 3356

A BILL TO BE ENTITLED

AN ACT

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

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

SECTION 1. Section 802.001, Government Code, is amended by adding Subdivision (1-a) to read as follows:

(1-a) "Defined contribution plan" means a plan provided by the governing body of a public retirement system that provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant's account, and any income, expenses, gains and losses, and forfeitures of accounts of other participants that may be allocated to the participant's account.

SECTION 2. Section 802.002, Government Code, is amended by amending Subsection (a) and adding Subsections (c) 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, 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

1 all of Subchapters B and C except Sections 802.104 and 802.105. The
2 optional retirement program governed by Chapter 830 is exempt from
3 all of Subchapters B and C except Section 802.106.

4 (c) Notwithstanding any other law, a defined contribution
5 plan, or a retirement system that is organized under the Texas Local
6 Fire Fighters Retirement Act (Article 6243e, Vernon's Texas Civil
7 Statutes), for a fire department consisting exclusively of
8 volunteers, as defined by that Act, is exempt from Subchapter E.

9 SECTION 3. Chapter 802, Government Code, is amended by
10 adding Subchapter E to read as follows:

11 SUBCHAPTER E. ADDITIONAL PROVISIONS APPLICABLE TO CERTAIN
12 ACTUARIALLY FUNDED PUBLIC RETIREMENT SYSTEMS

13 Sec. 802.401. FUNDING POLICY. (a) The governing body of a
14 public retirement system shall adopt a funding policy designed to
15 achieve and maintain a minimum funded ratio of 100 percent. The
16 policy must follow guidelines for actuarial soundness adopted by
17 the board. At a minimum, the funding policy must provide for
18 contributions that are sufficient to pay normal cost and to
19 amortize any unfunded actuarial accrued liabilities that exist over
20 a period not to exceed 25 years. If a public retirement system has
21 no unfunded actuarial accrued liabilities, contributions must be
22 sufficient to pay the full normal cost.

23 (b) A funding policy based on a total contribution amount
24 that can be shown to meet or exceed the minimum funding requirements
25 of Subsection (a) meets the requirements of this section.

26 (c) If the governing body of a public retirement system
27 receives an actuarial valuation conducted in accordance with

1 Section 802.101 indicating that system funding is insufficient to
2 meet the requirements of the funding policy adopted in accordance
3 with Subsection (a), the governing body shall notify the board and
4 the governing body of the plan sponsor of the determination in
5 writing not later than the 30th day after the date the valuation is
6 received.

7 (d) Following notice to the board and the plan sponsor, the
8 public retirement system is granted a period of six fiscal years to
9 regain compliance with Subsection (a) without further reporting
10 requirements. If by the expiration of the sixth fiscal year, the
11 system has not received a valuation indicating that the system is
12 compliant with the requirements of the funding policy adopted in
13 accordance with Subsection (a), the governing body of the public
14 retirement system shall prepare a written corrective action plan
15 detailing actions to be taken by the public retirement system and
16 plan sponsor to ensure that the amortization period of the public
17 retirement system does not exceed 25 years. The corrective action
18 plan must be signed by the governing body of the public retirement
19 system and by the governing body of the plan sponsor and must be
20 submitted to the board not later than the 180th day after the
21 expiration of the retirement system's six fiscal year period to
22 regain compliance.

23 (e) The corrective action plan must be updated and
24 resubmitted to the board every three years until the public
25 retirement system receives an actuarial valuation conducted in
26 accordance with Section 802.101 indicating that the system funding
27 meets the requirements of the funding policy adopted in accordance

1 with Subsection (a).

2 (f) The board shall publish on its Internet website a copy
3 of each corrective action plan received. The board may adopt rules
4 to implement the requirements of this section.

5 Sec. 802.402. ACTION INCREASING AMORTIZATION PERIOD. A new
6 monetary benefit payable by the 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 25 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 and should be sufficient to comply with the funding
17 policy established by Section 802.401.

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

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

1 (b) In addition to the requirements of Subchapter B, the
2 governing body of a public retirement system to which this
3 subchapter applies shall, at reasonable intervals, conduct or
4 arrange to have conducted:

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

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

11 Sec. 802.406. 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 4. The governing body of a public retirement system
18 to which Subchapter E, Chapter 802, Government Code, as added by
19 this Act, applies shall adopt rules or procedures necessary to
20 implement that subchapter as soon as practicable after the
21 effective date of this Act, but not later than January 1, 2014.

22 SECTION 5. This Act takes effect September 1, 2013.