

By: Callegari

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 in which contributions are made to the individual account of an officer or employee during the officer's or employee's service or employment, and any benefit on death, disability, or retirement consists solely of contributions and investment income, if any, including interest, dividends, and capital gains. A defined contribution plan is not actuarially funded and does not guarantee a specific monthly benefit. The term includes a plan described by Section 401(a), 401(k), 403(b), or 457, Internal Revenue Code of 1986.

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

1 Texas Plan Two are exempt from Sections 802.101(a), 802.101(b),
2 802.101(d), 802.102, 802.103(a), 802.103(b), 802.202, 802.203,
3 802.204, 802.205, 802.206, and 802.207, and from all of Subchapter
4 E. The Judicial Retirement System of Texas Plan One is exempt from
5 all of Subchapters B and C except Sections 802.104 and 802.105.
6 The optional retirement program governed by Chapter 830 is exempt
7 from all of Subchapters B and C except Section 802.106.

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

13 SECTION 3. Section 802.1012(e), Government Code, is amended
14 to read as follows:

15 (e) Before beginning an audit under this section, the
16 independent actuary must meet with the manager of the pension fund
17 for the public retirement system to discuss the appropriate
18 assumptions to use in conducting the audit, and the governing body
19 of the public retirement system must expressly approve, in writing,
20 the assumptions to be considered. At a minimum, the independent
21 actuary and the manager shall consider, and the governing body
22 shall review, assumptions relating to long-term returns on
23 investments, salary growth, inflation, mortality tables, age of
24 eligibility, and any anticipated changes in the covered population
25 of members.

26 SECTION 4. Chapter 802, Government Code, is amended by
27 adding Subchapter E to read as follows:

1 SUBCHAPTER E. ADDITIONAL PROVISIONS APPLICABLE TO CERTAIN

2 ACTUARIALLY FUNDED PUBLIC RETIREMENT SYSTEMS

3 Sec. 802.401. FUNDING POLICY. (a) The public retirement
4 system shall achieve and maintain a minimum funded ratio of 100
5 percent no later than the public retirement system's fiscal year
6 beginning in 2045. Any unfunded liability generated after fiscal
7 year 2045 must be amortized over a closed period no greater than 15
8 years.

9 Sec. 802.402. CONTRIBUTIONS. (a) In any year or other
10 applicable funding cycle in which contributions to a public
11 retirement system fall below normal cost, the governing body of the
12 public retirement system shall promptly prepare a report containing
13 an analysis of the effect the underfunding is reasonably projected
14 to have on the system and shall distribute the report to all plan
15 members and beneficiaries, the plan sponsoring entity, and the
16 board.

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. 802.403. ADDITIONAL STUDIES AND REPORTS.

23 (a) Except as provided by Subsection (b), this section
24 applies only to a public retirement system with total assets the
25 book value of which, as of the last day of the preceding fiscal
26 year, is at least \$100 million.

27 (b) This section does not apply to the Employees Retirement

1 System of Texas, the Teacher Retirement System of Texas, the Texas
2 County and District Retirement System, the Texas Municipal
3 Retirement System, or the Judicial Retirement System of Texas Plan
4 Two.

5 (c) In addition to the requirements of Subchapter B, the
6 governing body of a public retirement system to which this
7 subchapter applies shall, at reasonable intervals, conduct or
8 arrange to have conducted:

9 (1) an actuarial experience study in which actuarial
10 assumptions are reviewed in light of relevant experience factors,
11 important trends, and economic projections with the purpose of
12 determining whether actuarial assumptions require adjustment; and

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

15 Sec. 802.406. ETHICAL STANDARDS. The governing body of a
16 public retirement system shall adopt ethical standards and
17 conflict-of-interest policies. Policies adopted under this
18 section must be consistent with and not less restrictive than
19 Section 802.203 or any applicable law governing the fiduciary
20 duties of the governing body.

21 SECTION 5. The governing body of a public retirement system
22 to which Subchapter E, Chapter 802, Government Code, as added by
23 this Act, applies shall adopt rules or procedures necessary to
24 implement that subchapter as soon as practicable after the
25 effective date of this Act, but not later than January 1, 2014.

26 SECTION 6. This Act takes effect September 1, 2013.