

BILL ANALYSIS

Senate Research Center

H.B. 3310
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State Affairs
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Concern over the ability of public retirement systems to meet their long-term obligations has grown in recent years. As required by the 83rd Legislature, in December 2014, the State Pension Review Board (PRB) published a study on the financial health of public retirement systems in Texas that examined their ability to meet long-term obligations. In conducting the study, the PRB actively involved retirement systems and industry representatives in its committee and board meetings. The study highlighted key findings and provided PRB's recommendations on how a retirement system may mitigate the risk of not meeting those obligations.

Based on some of the recommendations of this study, H.B. 3310 seeks to assist public retirement systems with meeting their long-term obligations by increasing transparency and providing a way for the system and its sponsoring entity to work together to ensure continued actuarial soundness.

H.B. 3310 amends current law relating to the funding policies, actuarial valuations, and reporting requirements of certain public retirement systems.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 801.209(a), Government Code, to require the State Pension Review Board (PRB), for each public retirement system, to post on PRB's Internet website, or on a publicly available website that is linked to PRB's website, the most recent data from reports received under the sections set forth in this subsection, including Sections 802.2015 and 802.2016.

SECTION 2. Amends Section 802.101(a), Government Code, to require that the valuation include a recommended contribution rate needed for the system to achieve and maintain an amortization period that does not exceed 30 years.

SECTION 3. Amends Section 802.1014, Government Code, by adding Subsection (b-1), to require that a public retirement system that has assets of at least \$100 million, except as provided by Subsection (c), conduct once every five years an actuarial experience study and to submit to PRB a copy of the actuarial experience study before the 31st day after the date of the study's adoption.

SECTION 4. Amends Subchapter C, Chapter 802, Government Code, by adding Sections 802.2015 and 802.2016, as follows:

Sec. 802.2015. FUNDING SOUNDNESS RESTORATION PLAN. (a) Defines "governmental entity."

(b) Provides that this section applies to a public retirement system and its associated governmental entity other than a public retirement system and its associated governmental entity subject to Section 802.2016.

(c) Requires that a public retirement system notify the associated governmental entity in writing if the retirement system receives an actuarial valuation indicating that the system's actual contributions are not sufficient to amortize the unfunded actuarial accrued liability within 40 years. Requires the governing body of the public retirement system and the associated governmental entity to formulate a funding soundness restoration plan under Subsection (e) in accordance with the system's governing statute if a public retirement system's actuarial valuation shows that the system's amortization period has exceeded 40 years for three consecutive annual actuarial valuations, or two consecutive actuarial valuations in the case of a system that conducts the valuations every two or three years.

(d) Requires the governing body of a public retirement system and the associated governmental entity that have formulated a funding soundness restoration plan under Subsection (e) to formulate a revised funding soundness restoration plan under that subsection, in accordance with the system's governing statute, if the system conducts an actuarial valuation showing that:

(1) the system's amortization period exceeds 40 years; and

(2) the previously formulated funding soundness restoration plan has not been adhered to.

(e) Requires that a funding soundness restoration plan formulated under this section:

(1) be developed by the public retirement system and the associated governmental entity in accordance with the system's governing statute; and

(2) be designed to achieve a contribution rate that will be sufficient to amortize the unfunded actuarial accrued liability within 40 years not later than the 10th anniversary of the date on which the final version of a funding soundness restoration plan is agreed to.

(f) Requires that a public retirement system and the associated governmental entity that formulate a funding soundness restoration plan report any updates of progress made by the entities toward improved actuarial soundness to PRB every two years.

(g) Requires that each public retirement system that formulates a funding soundness restoration plan as provided by this section submit a copy of that plan to PRB and any change to the plan not later than the 31st day after the date on which the plan or the change is agreed to.

Sec. 802.2016. FUNDING SOUNDNESS RESTORATION PLAN FOR CERTAIN PUBLIC RETIREMENT SYSTEMS. (a) Defines "governmental entity."

(b) Provides that this section applies only to a public retirement system that is governed by Article 6243i, Revised Statutes.

(c) Requires that a public retirement system notify the associated governmental entity in writing if the retirement system receives an actuarial valuation indicating that the system's actual contributions are not sufficient to amortize the unfunded actuarial accrued liability within 40 years. Requires the associated governmental entity to formulate a funding soundness restoration plan under Subsection (e) in accordance with the public retirement system's governing statute if a public

retirement system's actuarial valuation shows that the system's amortization period has exceeded 40 years for three consecutive annual actuarial valuations, or two consecutive actuarial valuations in the case of a system that conducts the valuations every two or three years.

(d) Requires an associated governmental entity that has formulated a funding soundness restoration plan under Subsection (e) to formulate a revised funding soundness restoration plan under that subsection, in accordance with the public retirement system's governing statute, if the system conducts an actuarial valuation showing that:

(1) the system's amortization period exceeds 40 years; and

(2) the previously formulated funding soundness restoration plan has not been adhered to.

(e) Requires that a funding soundness restoration plan formulated under this section:

(1) be developed in accordance with the public retirement system's governing statute by the associated governmental entity; and

(2) be designed to achieve a contribution rate that will be sufficient to amortize the unfunded actuarial accrued liability within 40 years not later than the 10th anniversary of the date on which the final version of a funding soundness restoration plan is formulated.

(f) Requires an associated governmental entity that formulates a funding soundness restoration plan to report any updates of progress made by the public retirement system and associated governmental entity toward improved actuarial soundness to PRB every two years.

(g) Requires an associated governmental entity that formulates a funding soundness restoration plan as provided by this section to submit a copy of that plan to PRB and any change to the plan not later than the 31st day after the date on which the plan or the change is formulated.

SECTION 5. Requires that a public retirement system subject to Section 802.2015, Government Code, as added by this Act, or a governmental entity subject to Section 802.2016, Government Code, as added by this Act, formulate a funding soundness restoration plan, if required to do so under the applicable section, based on the most recent actuarial valuation study conducted under Section 802.101, Government Code, as amended by this Act, not later than November 1, 2016. Requires that the first actuarial valuation study that is conducted for or by a public retirement system on or after the effective date of this Act include a recommended contribution rate.

SECTION 6. (a) Requires that a public retirement system subject to Section 802.1014(b-1), Government Code, as added by this Act, except as provided by Subsection (b) of this section, conduct the first actuarial experience study required by Section 802.1014(b-1), Government Code, as added by this Act, not later than September 1, 2016.

(b) Requires that a public retirement system subject to Section 802.1014(b-1), Government Code, as added by this Act, that conducted an actuarial experience study after August 31, 2011, and on or before the effective date of this Act, conduct the first actuarial experience study required by Section 802.1014(b-1), Government Code, as added by this Act, not later than the fifth anniversary of the date of that preceding study.

SECTION 7. Effective date: upon passage or September 1, 2015.