

By: Klick

H.B. No. 2955

A BILL TO BE ENTITLED

AN ACT

relating to 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 except Sections 802.104 and 802.105. The optional retirement program governed by Chapter 830 is exempt from all of Subchapters B and C 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) A governing body of a public retirement system that receives an actuarial valuation conducted in accordance with Section 802.101

1 indicating an infinite amortization period shall notify the board
2 and the governing body of the plan sponsor of the determination in
3 writing not later than the 30th day after the date the valuation is
4 received.

5 (b) Following notice described by Subsection (a), the
6 public retirement system is granted a period of six fiscal years to
7 take corrective action without further reporting requirements. If
8 by the expiration of the sixth fiscal year the system has not
9 received a valuation conducted in accordance with Section [802.101](#)
10 indicating that the system is able to amortize unfunded liability
11 over a finite period, the governing body of the retirement system
12 shall consult with the plan sponsor and prepare a written
13 corrective action plan detailing actions to be taken by the public
14 retirement system and plan sponsor to achieve:

- 15 (1) a funded ratio of not less than 80 percent; and
16 (2) an amortization period that does not exceed 30
17 years.

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

1 (d) The corrective action plan described by Subsection (b)
2 shall be updated and resubmitted to the board every third year until
3 the public retirement system receives an actuarial valuation
4 conducted in accordance with Section 802.101 indicating that the
5 system funding meets the targets described by Subsections (b)(1)
6 and (2).

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

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

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

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

1 than or equal to \$100 million.

2 (b) In addition to the requirements of Subchapter B, the
3 governing body of a public retirement system to which this
4 subchapter applies shall, at reasonable intervals not to exceed
5 five years, conduct or arrange to have conducted:

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

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

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

18 SECTION 3. Chapter 810, Government Code, is amended by
19 adding Section 810.003, to read as follows:

20 Sec. 810.003. REORGANIZATION OF PENSION SYSTEMS PROVIDING
21 RETIREMENT BENEFITS FOR FIRE, POLICE, OR OTHER EMPLOYEES OF CERTAIN
22 MUNICIPALITIES. (a) This section applies only to a pension system
23 that, before September 1, 2017, operated under a statute repealed
24 by Section 4 of the Act enacting this section.

25 (b) In this section:

26 (1) "Board of trustees" means the board created to
27 administer a pension system.

1 (2) "Employee committee" means a group of at least
2 five active employees selected by a governing body and approved by a
3 majority vote of all employees eligible for membership in a pension
4 system to represent the interests of all employees eligible for
5 membership in the pension system.

6 (3) "Governing body" means the governing body of a
7 sponsoring municipality.

8 (4) "Pension system" means a pension system described
9 by Subsection (a).

10 (5) "Retiree committee" means a group of at least five
11 retirees nominated by a board of trustees and approved by a majority
12 vote of all retirees to represent the interest of all retirees of a
13 pension system.

14 (6) "Sponsoring municipality" means a municipality
15 whose eligible employees are members of a pension system.

16 (7) "Stakeholder group" means a group with a legal
17 interest in a pension system, including, for each pension system,
18 the applicable governing body, the board of trustees, the retiree
19 committee, and the employee committee.

20 (c) Not later than June 1, 2017, each pension system shall
21 be renegotiated by the stakeholders for that system including:

22 (1) the applicable board of trustees;

23 (2) the governing body;

24 (3) the retiree committee; and

25 (4) the employee committee.

26 (d) The negotiations conducted under Subsection (c) must
27 produce a proposal containing a revised set of rules and procedures

1 that address all of the issues underlying the provisions of the
2 pension system as it existed on September 1, 2015, including:

3 (1) contributions made by members of the system and
4 sponsoring municipality;

5 (2) eligibility for membership, service credit, and
6 retirement or other benefits;

7 (3) the types and amounts of benefits to be provided;
8 and

9 (4) the administration of benefits and the pension
10 system's assets.

11 (e) The proposal produced under Subsection (d) containing
12 the revised set of rules and procedures applicable to a pension
13 system must be approved by all of that pension system's stakeholder
14 groups. Each stakeholder group shall provide notice to the members
15 of that group of a vote to be held not later than August 1, 2017, on
16 whether to adopt the proposal. All stakeholder groups shall vote on
17 the same day. If approved by a majority of the members of each
18 stakeholder group, the proposal for the pension system takes effect
19 immediately. If a proposal for a pension system is not approved
20 under this section, the pension system continues to operate under
21 the rules and procedures that were in effect before the vote was
22 taken.

23 (f) A revised set of rules and procedures approved under
24 Subsection (e) may not reduce the service credit accrued by an
25 employee of a sponsoring municipality under the applicable pension
26 system or reduce the benefits of a person receiving retirement
27 benefits under the system.

1 (g) A pension system operating under a revised set of rules
2 and procedures or under the rules and procedures that were in effect
3 for the pension system before the vote was held under Subsection (e)
4 is not required to comply with the provisions of Chapter 802 except
5 for those in Subchapter E and the sections in Subchapter B that
6 relate to reports required to be filed with the Pension Review
7 Board.

8 SECTION 4. (a) The following statutes are repealed:

9 (1) Article 6243a-1, Revised Statutes;

10 (2) Chapter 101 (H.B. 31), Acts of the 43rd
11 Legislature, 1st Called Session, 1933 (Article 6243b, Vernon's
12 Texas Civil Statutes);

13 (3) Chapter 183 (S.B. 598), Acts of the 64th
14 Legislature, Regular Session, 1975 (Article 6243e.1, Vernon's
15 Texas Civil Statutes);

16 (4) Article 6243e.2(1), Revised Statutes;

17 (5) Article 6243g-4, Revised Statutes;

18 (6) Chapter 88 (H.B. 1573), Acts of the 77th
19 Legislature, Regular Session, 2001 (Article 6243h, Vernon's Texas
20 Civil Statutes);

21 (7) Article 6243i, Revised Statutes;

22 (8) Chapter 451 (S.B. 737), Acts of the 72nd
23 Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas
24 Civil Statutes);

25 (9) Chapter 452 (S.B. 738), Acts of the 72nd
26 Legislature, Regular Session, 1991 (Article 6243n-1, Vernon's
27 Texas Civil Statutes);

1 (10) Chapter 824 (S.B. 817), Acts of the 73rd
2 Legislature, Regular Session, 1993 (Article 6243o, Vernon's Texas
3 Civil Statutes); and

4 (11) Chapter 325 (H.B. 2259), Acts of the 75th
5 Legislature, Regular Session, 1997 (Article 6243p, Vernon's Texas
6 Civil Statutes).

7 (b) This section takes effect September 1, 2017.

8 SECTION 5. (a) Notwithstanding Section 802.401, Government
9 Code, as added by this Act, a public retirement system that receives
10 an actuarial valuation indicating an infinite amortization period
11 as described by that section on or after the effective date of this
12 Act is entitled to the six-fiscal-year period described by that
13 section to take corrective action described by that section
14 regardless of whether the public retirement system received a
15 previous actuarial valuation indicating an infinite amortization
16 period before the effective date of this Act.

17 (b) Section 802.402, Government Code, as added by this Act,
18 applies only to a new monetary benefit granted under a statute
19 enacted, or a contract entered into or renewed, on or after the
20 effective date of this Act. A monetary benefit granted under a
21 statute enacted, or a contract entered into or renewed, before the
22 effective date of this Act is governed by the law in effect
23 immediately before that date, and the former law is continued in
24 effect for that purpose.

25 SECTION 6. A pension system described by Section 810.003,
26 Government Code, as added by this Act, shall:

27 (1) not later than October 1, 2015, notify its members

1 and retirees of the pending renegotiation of the rules and
2 procedures that govern the system and invite the members and
3 retirees to participate in any way, including by nominating a
4 person to serve on the employee or retiree committee required to be
5 established under that section; and

6 (2) not later than January 1, 2016, establish the
7 employee and retiree committees required under that section.

8 SECTION 7. The governing body of a public retirement system
9 to which Subchapter E, Chapter 802, Government Code, as added by
10 this Act, applies shall adopt rules or procedures necessary to
11 implement that subchapter as soon as practicable after the
12 effective date of this Act, but not later than January 1, 2016.

13 SECTION 8. This Act takes effect September 1, 2015.