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H.B. No. 3310

A BILL TO BE ENTITLED

AN ACT

relating to the funding policies, actuarial valuations, and reporting requirements of certain public retirement systems.

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

SECTION 1. Section 801.209(a), Government Code, is amended to read as follows:

(a) For each public retirement system, the board shall post on the board's Internet website, or on a publicly available website that is linked to the board's website, the most recent data from reports received under Sections 802.101, 802.103, 802.104, 802.105, ~~and~~ 802.108, 802.2015, and 802.2016.

SECTION 2. Section 802.101(a), Government Code, is amended to read as follows:

(a) The governing body of a public retirement system shall employ an actuary, as a full-time or part-time employee or as a consultant, to make a valuation at least once every three years of the assets and liabilities of the system on the basis of assumptions and methods that are reasonable in the aggregate, considering the experience of the program and reasonable expectations, and that, in combination, offer the actuary's best estimate of anticipated experience under the program. The valuation must include a recommended contribution rate needed for the system to achieve and maintain an amortization period that does not exceed 30 years.

SECTION 3. Section 802.1014, Government Code, is amended by

1 adding Subsection (b-1) to read as follows:

2 (b-1) Except as provided by Subsection (c), a public
3 retirement system that has assets of at least \$100 million shall
4 conduct once every five years an actuarial experience study and
5 shall submit to the board a copy of the actuarial experience study
6 before the 31st day after the date of the study's adoption.

7 SECTION 4. Subchapter C, Chapter 802, Government Code, is
8 amended by adding Sections 802.2015 and 802.2016 to read as
9 follows:

10 Sec. 802.2015. FUNDING SOUNDNESS RESTORATION PLAN. (a) In
11 this section, "governmental entity" has the meaning assigned by
12 Section 802.1012.

13 (b) This section applies to a public retirement system and
14 its associated governmental entity other than a public retirement
15 system and its associated governmental entity subject to Section
16 802.2016.

17 (c) A public retirement system shall notify the associated
18 governmental entity in writing if the retirement system receives an
19 actuarial valuation indicating that the system's actual
20 contributions are not sufficient to amortize the unfunded actuarial
21 accrued liability within 40 years. If a public retirement system's
22 actuarial valuation shows that the system's amortization period has
23 exceeded 40 years for three consecutive annual actuarial
24 valuations, or two consecutive actuarial valuations in the case of
25 a system that conducts the valuations every two or three years, the
26 governing body of the public retirement system and the associated
27 governmental entity shall formulate a funding soundness

1 restoration plan under Subsection (e) in accordance with the
2 system's governing statute.

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

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

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

13 (e) A funding soundness restoration plan formulated under
14 this section must:

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

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

23 (f) A public retirement system and the associated
24 governmental entity that formulate a funding soundness restoration
25 plan shall report any updates of progress made by the entities
26 toward improved actuarial soundness to the board every two years.

27 (g) Each public retirement system that formulates a funding

1 soundness restoration plan as provided by this section shall submit
2 a copy of that plan to the board and any change to the plan not later
3 than the 31st day after the date on which the plan or the change is
4 agreed to.

5 Sec. 802.2016. FUNDING SOUNDNESS RESTORATION PLAN FOR
6 CERTAIN PUBLIC RETIREMENT SYSTEMS. (a) In this section,
7 "governmental entity" has the meaning assigned by Section 802.1012.

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

10 (c) A public retirement system shall notify the associated
11 governmental entity in writing if the retirement system receives an
12 actuarial valuation indicating that the system's actual
13 contributions are not sufficient to amortize the unfunded actuarial
14 accrued liability within 40 years. If a public retirement system's
15 actuarial valuation shows that the system's amortization period has
16 exceeded 40 years for three consecutive annual actuarial
17 valuations, or two consecutive actuarial valuations in the case of
18 a system that conducts the valuations every two or three years, the
19 associated governmental entity shall formulate a funding soundness
20 restoration plan under Subsection (e) in accordance with the public
21 retirement system's governing statute.

22 (d) An associated governmental entity that has formulated a
23 funding soundness restoration plan under Subsection (e) shall
24 formulate a revised funding soundness restoration plan under that
25 subsection, in accordance with the public retirement system's
26 governing statute, if the system conducts an actuarial valuation
27 showing that:

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

2 and

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

5 (e) A funding soundness restoration plan formulated under
6 this section must:

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

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

15 (f) An associated governmental entity that formulates a
16 funding soundness restoration plan shall report any updates of
17 progress made by the public retirement system and associated
18 governmental entity toward improved actuarial soundness to the
19 board every two years.

20 (g) An associated governmental entity that formulates a
21 funding soundness restoration plan as provided by this section
22 shall submit a copy of that plan to the board and any change to the
23 plan not later than the 31st day after the date on which the plan or
24 the change is formulated.

25 SECTION 5. A public retirement system subject to Section
26 802.2015, Government Code, as added by this Act, or a governmental
27 entity subject to Section 802.2016, Government Code, as added by

1 this Act, shall formulate a funding soundness restoration plan, if
2 required to do so under the applicable section, based on the most
3 recent actuarial valuation study conducted under Section 802.101,
4 Government Code, as amended by this Act, not later than November 1,
5 2016. The first actuarial valuation study that is conducted for or
6 by a public retirement system on or after the effective date of this
7 Act must include a recommended contribution rate.

8 SECTION 6. (a) Except as provided by Subsection (b) of this
9 section, a public retirement system subject to Section
10 802.1014(b-1), Government Code, as added by this Act, shall conduct
11 the first actuarial experience study required by Section
12 802.1014(b-1), Government Code, as added by this Act, not later
13 than September 1, 2016.

14 (b) A public retirement system subject to Section
15 802.1014(b-1), Government Code, as added by this Act, that
16 conducted an actuarial experience study after August 31, 2011, and
17 on or before the effective date of this Act, shall conduct the first
18 actuarial experience study required by Section 802.1014(b-1),
19 Government Code, as added by this Act, not later than the fifth
20 anniversary of the date of that preceding study.

21 SECTION 7. This Act takes effect immediately if it receives
22 a vote of two-thirds of all the members elected to each house, as
23 provided by Section 39, Article III, Texas Constitution. If this
24 Act does not receive the vote necessary for immediate effect, this
25 Act takes effect September 1, 2015.