

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 802.002(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, 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), 802.2015, 802.2016, 802.202, 802.203, 802.204, 802.205, 802.206, and 802.207. 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.

1 SECTION 3. Section 802.101(a), Government Code, is amended
2 to read as follows:

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

13 SECTION 4. Section 802.1014, Government Code, is amended by
14 adding Subsection (b-1) to read as follows:

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

20 SECTION 5. Subchapter C, Chapter 802, Government Code, is
21 amended by adding Sections 802.2015 and 802.2016 to read as
22 follows:

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

26 (b) This section applies to a public retirement system and
27 its associated governmental entity other than a public retirement

1 system and its associated governmental entity subject to Section
2 802.2016.

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

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

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

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

26 (e) A funding soundness restoration plan formulated under
27 this section must:

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

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

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

13 (g) Each public retirement system that formulates a funding
14 soundness restoration plan as provided by this section shall submit
15 a copy of that plan to the board and any change to the plan not later
16 than the 31st day after the date on which the plan or the change is
17 agreed to.

18 Sec. 802.2016. FUNDING SOUNDNESS RESTORATION PLAN FOR
19 CERTAIN PUBLIC RETIREMENT SYSTEMS. (a) In this section,
20 "governmental entity" has the meaning assigned by Section [802.1012](#).

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

23 (c) A public retirement system shall notify the associated
24 governmental entity in writing if the retirement system receives an
25 actuarial valuation indicating that the system's actual
26 contributions are not sufficient to amortize the unfunded actuarial
27 accrued liability within 40 years. If a public retirement system's

1 actuarial valuation shows that the system's amortization period has
2 exceeded 40 years for three consecutive annual actuarial
3 valuations, or two consecutive actuarial valuations in the case of
4 a system that conducts the valuations every two or three years, the
5 associated governmental entity shall formulate a funding soundness
6 restoration plan under Subsection (e) in accordance with the public
7 retirement system's governing statute.

8 (d) An associated governmental entity that has formulated a
9 funding soundness restoration plan under Subsection (e) shall
10 formulate a revised funding soundness restoration plan under that
11 subsection, in accordance with the public retirement system's
12 governing statute, if the system conducts an actuarial valuation
13 showing that:

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

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

18 (e) A funding soundness restoration plan formulated under
19 this section must:

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

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

1 (f) An associated governmental entity that formulates a
2 funding soundness restoration plan shall report any updates of
3 progress made by the public retirement system and associated
4 governmental entity toward improved actuarial soundness to the
5 board every two years.

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

11 SECTION 6. A public retirement system subject to Section
12 802.2015, Government Code, as added by this Act, or a governmental
13 entity subject to Section 802.2016, Government Code, as added by
14 this Act, shall formulate a funding soundness restoration plan, if
15 required to do so under the applicable section, based on the most
16 recent actuarial valuation study conducted under Section 802.101,
17 Government Code, as amended by this Act, not later than November 1,
18 2016. The first actuarial valuation study that is conducted for or
19 by a public retirement system on or after the effective date of this
20 Act must include a recommended contribution rate.

21 SECTION 7. (a) Except as provided by Subsection (b) of this
22 section, a public retirement system subject to Section
23 802.1014(b-1), Government Code, as added by this Act, shall conduct
24 the first actuarial experience study required by Section
25 802.1014(b-1), Government Code, as added by this Act, not later
26 than September 1, 2016.

27 (b) A public retirement system subject to Section

1 802.1014(b-1), Government Code, as added by this Act, that
2 conducted an actuarial experience study after August 31, 2011, and
3 on or before the effective date of this Act, shall conduct the first
4 actuarial experience study required by Section 802.1014(b-1),
5 Government Code, as added by this Act, not later than the fifth
6 anniversary of the date of that preceding study.

7 SECTION 8. This Act takes effect immediately if it receives
8 a vote of two-thirds of all the members elected to each house, as
9 provided by Section 39, Article III, Texas Constitution. If this
10 Act does not receive the vote necessary for immediate effect, this
11 Act takes effect September 1, 2015.

President of the Senate

Speaker of the House

I certify that H.B. No. 3310 was passed by the House on May 7, 2015, by the following vote: Yeas 142, Nays 0, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 3310 on May 29, 2015, by the following vote: Yeas 143, Nays 2, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 3310 was passed by the Senate, with amendments, on May 27, 2015, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor