

1-1 By: Paul, et al. H.B. No. 3310
 1-2 (Senate Sponsor - Taylor of Galveston)
 1-3 (In the Senate - Received from the House May 11, 2015;
 1-4 May 12, 2015, read first time and referred to Committee on State
 1-5 Affairs; May 24, 2015, reported adversely, with favorable
 1-6 Committee Substitute by the following vote: Yeas 9, Nays 0;
 1-7 May 24, 2015, sent to printer.)

1-8 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-9				
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			
1-18	X			

1-19 COMMITTEE SUBSTITUTE FOR H.B. No. 3310 By: Ellis

1-20 A BILL TO BE ENTITLED
 1-21 AN ACT

1-22 relating to the funding policies, actuarial valuations, and
 1-23 reporting requirements of certain public retirement systems.

1-24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-25 SECTION 1. Section 801.209(a), Government Code, is amended
 1-26 to read as follows:

1-27 (a) For each public retirement system, the board shall post
 1-28 on the board's Internet website, or on a publicly available website
 1-29 that is linked to the board's website, the most recent data from
 1-30 reports received under Sections 802.101, 802.103, 802.104,
 1-31 802.105, ~~and~~ 802.108, 802.2015, and 802.2016.

1-32 SECTION 2. Section 802.002(a), Government Code, is amended
 1-33 to read as follows:

1-34 (a) Except as provided by Subsection (b), the Employees
 1-35 Retirement System of Texas, the Teacher Retirement System of Texas,
 1-36 the Texas County and District Retirement System, the Texas
 1-37 Municipal Retirement System, and the Judicial Retirement System of
 1-38 Texas Plan Two are exempt from Sections 802.101(a), 802.101(b),
 1-39 802.101(d), 802.102, 802.103(a), 802.103(b), 802.2015, 802.2016,
 1-40 802.202, 802.203, 802.204, 802.205, 802.206, and 802.207. The
 1-41 Judicial Retirement System of Texas Plan One is exempt from all of
 1-42 Subchapters B and C except Sections 802.104 and 802.105. The
 1-43 optional retirement program governed by Chapter 830 is exempt from
 1-44 all of Subchapters B and C except Section 802.106.

1-45 SECTION 3. Section 802.101(a), Government Code, is amended
 1-46 to read as follows:

1-47 (a) The governing body of a public retirement system shall
 1-48 employ an actuary, as a full-time or part-time employee or as a
 1-49 consultant, to make a valuation at least once every three years of
 1-50 the assets and liabilities of the system on the basis of assumptions
 1-51 and methods that are reasonable in the aggregate, considering the
 1-52 experience of the program and reasonable expectations, and that, in
 1-53 combination, offer the actuary's best estimate of anticipated
 1-54 experience under the program. The valuation must include a
 1-55 recommended contribution rate needed for the system to achieve and
 1-56 maintain an amortization period that does not exceed 30 years.

1-57 SECTION 4. Section 802.1014, Government Code, is amended by
 1-58 adding Subsection (b-1) to read as follows:

1-59 (b-1) Except as provided by Subsection (c), a public
 1-60 retirement system that has assets of at least \$100 million shall

2-1 conduct once every five years an actuarial experience study and
2-2 shall submit to the board a copy of the actuarial experience study
2-3 before the 31st day after the date of the study's adoption.

2-4 SECTION 5. Subchapter C, Chapter 802, Government Code, is
2-5 amended by adding Sections 802.2015 and 802.2016 to read as
2-6 follows:

2-7 Sec. 802.2015. FUNDING SOUNDNESS RESTORATION PLAN. (a) In
2-8 this section, "governmental entity" has the meaning assigned by
2-9 Section 802.1012.

2-10 (b) This section applies to a public retirement system and
2-11 its associated governmental entity other than a public retirement
2-12 system and its associated governmental entity subject to Section
2-13 802.2016.

2-14 (c) A public retirement system shall notify the associated
2-15 governmental entity in writing if the retirement system receives an
2-16 actuarial valuation indicating that the system's actual
2-17 contributions are not sufficient to amortize the unfunded actuarial
2-18 accrued liability within 40 years. If a public retirement system's
2-19 actuarial valuation shows that the system's amortization period has
2-20 exceeded 40 years for three consecutive annual actuarial
2-21 valuations, or two consecutive actuarial valuations in the case of
2-22 a system that conducts the valuations every two or three years, the
2-23 governing body of the public retirement system and the associated
2-24 governmental entity shall formulate a funding soundness
2-25 restoration plan under Subsection (e) in accordance with the
2-26 system's governing statute.

2-27 (d) The governing body of a public retirement system and the
2-28 associated governmental entity that have formulated a funding
2-29 soundness restoration plan under Subsection (e) shall formulate a
2-30 revised funding soundness restoration plan under that subsection,
2-31 in accordance with the system's governing statute, if the system
2-32 conducts an actuarial valuation showing that:

2-33 (1) the system's amortization period exceeds 40 years;
2-34 and
2-35 (2) the previously formulated funding soundness
2-36 restoration plan has not been adhered to.

2-37 (e) A funding soundness restoration plan formulated under
2-38 this section must:

2-39 (1) be developed by the public retirement system and
2-40 the associated governmental entity in accordance with the system's
2-41 governing statute; and

2-42 (2) be designed to achieve a contribution rate that
2-43 will be sufficient to amortize the unfunded actuarial accrued
2-44 liability within 40 years not later than the 10th anniversary of the
2-45 date on which the final version of a funding soundness restoration
2-46 plan is agreed to.

2-47 (f) A public retirement system and the associated
2-48 governmental entity that formulate a funding soundness restoration
2-49 plan shall report any updates of progress made by the entities
2-50 toward improved actuarial soundness to the board every two years.

2-51 (g) Each public retirement system that formulates a funding
2-52 soundness restoration plan as provided by this section shall submit
2-53 a copy of that plan to the board and any change to the plan not later
2-54 than the 31st day after the date on which the plan or the change is
2-55 agreed to.

2-56 Sec. 802.2016. FUNDING SOUNDNESS RESTORATION PLAN FOR
2-57 CERTAIN PUBLIC RETIREMENT SYSTEMS. (a) In this section,
2-58 "governmental entity" has the meaning assigned by Section 802.1012.

2-59 (b) This section applies only to a public retirement system
2-60 that is governed by Article 6243i, Revised Statutes.

2-61 (c) A public retirement system shall notify the associated
2-62 governmental entity in writing if the retirement system receives an
2-63 actuarial valuation indicating that the system's actual
2-64 contributions are not sufficient to amortize the unfunded actuarial
2-65 accrued liability within 40 years. If a public retirement system's
2-66 actuarial valuation shows that the system's amortization period has
2-67 exceeded 40 years for three consecutive annual actuarial
2-68 valuations, or two consecutive actuarial valuations in the case of
2-69 a system that conducts the valuations every two or three years, the

3-1 associated governmental entity shall formulate a funding soundness
3-2 restoration plan under Subsection (e) in accordance with the public
3-3 retirement system's governing statute.

3-4 (d) An associated governmental entity that has formulated a
3-5 funding soundness restoration plan under Subsection (e) shall
3-6 formulate a revised funding soundness restoration plan under that
3-7 subsection, in accordance with the public retirement system's
3-8 governing statute, if the system conducts an actuarial valuation
3-9 showing that:

3-10 (1) the system's amortization period exceeds 40 years;
3-11 and
3-12 (2) the previously formulated funding soundness
3-13 restoration plan has not been adhered to.

3-14 (e) A funding soundness restoration plan formulated under
3-15 this section must:

3-16 (1) be developed in accordance with the public
3-17 retirement system's governing statute by the associated
3-18 governmental entity; and

3-19 (2) be designed to achieve a contribution rate that
3-20 will be sufficient to amortize the unfunded actuarial accrued
3-21 liability within 40 years not later than the 10th anniversary of the
3-22 date on which the final version of a funding soundness restoration
3-23 plan is formulated.

3-24 (f) An associated governmental entity that formulates a
3-25 funding soundness restoration plan shall report any updates of
3-26 progress made by the public retirement system and associated
3-27 governmental entity toward improved actuarial soundness to the
3-28 board every two years.

3-29 (g) An associated governmental entity that formulates a
3-30 funding soundness restoration plan as provided by this section
3-31 shall submit a copy of that plan to the board and any change to the
3-32 plan not later than the 31st day after the date on which the plan or
3-33 the change is formulated.

3-34 SECTION 6. A public retirement system subject to Section
3-35 802.2015, Government Code, as added by this Act, or a governmental
3-36 entity subject to Section 802.2016, Government Code, as added by
3-37 this Act, shall formulate a funding soundness restoration plan, if
3-38 required to do so under the applicable section, based on the most
3-39 recent actuarial valuation study conducted under Section 802.101,
3-40 Government Code, as amended by this Act, not later than November 1,
3-41 2016. The first actuarial valuation study that is conducted for or
3-42 by a public retirement system on or after the effective date of this
3-43 Act must include a recommended contribution rate.

3-44 SECTION 7. (a) Except as provided by Subsection (b) of this
3-45 section, a public retirement system subject to Section
3-46 802.1014(b-1), Government Code, as added by this Act, shall conduct
3-47 the first actuarial experience study required by Section
3-48 802.1014(b-1), Government Code, as added by this Act, not later
3-49 than September 1, 2016.

3-50 (b) A public retirement system subject to Section
3-51 802.1014(b-1), Government Code, as added by this Act, that
3-52 conducted an actuarial experience study after August 31, 2011, and
3-53 on or before the effective date of this Act, shall conduct the first
3-54 actuarial experience study required by Section 802.1014(b-1),
3-55 Government Code, as added by this Act, not later than the fifth
3-56 anniversary of the date of that preceding study.

3-57 SECTION 8. This Act takes effect immediately if it receives
3-58 a vote of two-thirds of all the members elected to each house, as
3-59 provided by Section 39, Article III, Texas Constitution. If this
3-60 Act does not receive the vote necessary for immediate effect, this
3-61 Act takes effect September 1, 2015.

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