

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Paul, Flynn, Bonnen of Brazoria, Fallon

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.

ADOPTED

MAY 27 2015

  
Secretary of the Senate

By: Taylor of Galveston

H.B. No. 3310

Substitute the following for ~~H~~.B. No. 3310:

By: 

C.S.~~H~~.B. No. 3310

A BILL TO BE ENTITLED

1

AN ACT

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

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

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

7 (a) For each public retirement system, the board shall post  
8 on the board's Internet website, or on a publicly available website  
9 that is linked to the board's website, the most recent data from  
10 reports received under Sections 802.101, 802.103, 802.104,  
11 802.105, ~~and~~ 802.108, 802.2015, and 802.2016.

12 SECTION 2. Section 802.002(a), Government Code, is amended  
13 to read as follows:

14 (a) Except as provided by Subsection (b), the Employees  
15 Retirement System of Texas, the Teacher Retirement System of Texas,  
16 the Texas County and District Retirement System, the Texas  
17 Municipal Retirement System, and the Judicial Retirement System of  
18 Texas Plan Two are exempt from Sections 802.101(a), 802.101(b),  
19 802.101(d), 802.102, 802.103(a), 802.103(b), 802.2015, 802.2016,  
20 802.202, 802.203, 802.204, 802.205, 802.206, and 802.207. The  
21 Judicial Retirement System of Texas Plan One is exempt from all of  
22 Subchapters B and C except Sections 802.104 and 802.105. The  
23 optional retirement program governed by Chapter 830 is exempt from  
24 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.

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**May 28, 2015**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3310** by Paul (Relating to the funding policies, actuarial valuations, and reporting requirements of certain public retirement systems.), **As Passed 2nd House**

<p><b>No significant fiscal implication to the State is anticipated.</b></p>
--

The bill would amend the Government Code to require disclosure and reporting requirement changes for certain public retirement systems. The bill would require certain public retirement systems to notify and collaborate with the associated governmental entity to formulate and adopt a funding soundness restoration plan. The bill would require a public retirement system and the associated governmental entity to submit a copy of the plan and provide updates to the Pension Review Board. The bill provides requirements of a funding soundness restoration plan. The bill would require the Pension Review Board to post on its Internet website the most recent data from public retirement systems' funding soundness restoration plan. Under the provisions of the bill, the Employees Retirement System of Texas, the Teacher Retirement System, the Texas County and District Retirement System, the Texas Municipal Retirement System, and the Judicial Retirement System of Texas Plan Two would be exempt from the funding soundness restoration plan requirements.

**Local Government Impact**

There would be administrative costs associated with conducting, formulating, and implementing a plan to obtain actuarial soundness for applicable public retirement systems.

According to the Pension Review Board, the bill would have a positive actuarial effect on public retirement systems that adopt and adhere to a funding soundness restoration plan that is actuarially sound.

**Source Agencies:** 326 Texas Emergency Services Retirement System, 323 Teacher Retirement System, 327 Employees Retirement System, 338 Pension Review Board

**LBB Staff:** UP, KFa, AG, SD, EK

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**May 22, 2015**

**TO:** Honorable Joan Huffman, Chair, Senate Committee on State Affairs

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3310** by Paul (Relating to the funding policies, actuarial valuations, and reporting requirements of certain public retirement systems.), **Committee Report 2nd House, Substituted**

<b>No significant fiscal implication to the State is anticipated.</b>
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The bill would amend the Government Code to require disclosure and reporting requirement changes for certain public retirement systems. The bill would require certain public retirement systems to notify and collaborate with the associated governmental entity to formulate and adopt a funding soundness restoration plan. The bill would require a public retirement system and the associated governmental entity to submit a copy of the plan and provide updates to the Pension Review Board. The bill provides requirements of a funding soundness restoration plan. The bill would require the Pension Review Board to post on its Internet website the most recent data from public retirement systems' funding soundness restoration plan. Under the provisions of the bill, the Employees Retirement System of Texas, the Teacher Retirement System, the Texas County and District Retirement System, the Texas Municipal Retirement System, and the Judicial Retirement System of Texas Plan Two would be exempt from the funding soundness restoration plan requirements.

**Local Government Impact**

There would be administrative costs associated with conducting, formulating, and implementing a plan to obtain actuarial soundness for applicable public retirement systems.

According to the Pension Review Board, the bill would have a positive actuarial effect on public retirement systems that adopt and adhere to a funding soundness restoration plan that is actuarially sound.

**Source Agencies:** 326 Texas Emergency Services Retirement System, 323 Teacher Retirement System, 327 Employees Retirement System, 338 Pension Review Board

**LBB Staff:** UP, KFa, AG, SD, EK

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 13, 2015

**TO:** Honorable Joan Huffman, Chair, Senate Committee on State Affairs

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3310** by Paul (Relating to the funding policies, actuarial valuations, and reporting requirements of certain public retirement systems.), **As Engrossed**

**No significant fiscal implication to the State is anticipated.**

The bill would amend the Government Code to require disclosure and reporting requirement changes for certain public retirement systems. The bill would require certain public retirement systems to notify and collaborate with the associated governmental entity to formulate and adopt a funding soundness restoration plan. The bill would require a public retirement system and the associated governmental entity to submit a copy of the plan and provide updates to the Pension Review Board. The bill provides requirements of a funding soundness restoration plan. The bill would require the Pension Review Board to post on its Internet website the most recent data from public retirement systems' funding soundness restoration plan.

The Employees Retirement System, Teachers Retirement System, Texas Emergency Services Retirement System, and Pension Review Board indicate that any additional work resulting from the passage of the bill could be reasonably absorbed within current resources.

**Local Government Impact**

There would be administrative costs associated with conducting, formulating, and implementing a plan to obtain actuarial soundness for applicable public retirement systems.

According to the Pension Review Board, the bill would have a positive actuarial effect on public retirement systems that adopt and adhere to a funding soundness restoration plan that is actuarially sound.

**Source Agencies:** 326 Texas Emergency Services Retirement System, 323 Teacher Retirement System, 327 Employees Retirement System, 338 Pension Review Board

**LBB Staff:** UP, KFa, AG, SD, EK



**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 23, 2015**

**TO:** Honorable Dan Flynn, Chair, House Committee on Pensions

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3310** by Paul (Relating to the funding policies, actuarial valuations, and reporting requirements of certain public retirement systems.), **Committee Report 1st House, Substituted**

<p><b>No significant fiscal implication to the State is anticipated.</b></p>
--

The bill would amend the Government Code to require disclosure and reporting requirement changes for certain public retirement systems. The bill would require certain public retirement systems to notify and collaborate with the associated governmental entity to formulate and adopt a funding soundness restoration plan. The bill would require a public retirement system and the associated governmental entity to submit a copy of the plan and provide updates to the Pension Review Board. The bill provides requirements of a funding soundness restoration plan. The bill would require the Pension Review Board to post on its Internet website the most recent data from public retirement systems' funding soundness restoration plan.

The Employees Retirement System, Teachers Retirement System, Texas Emergency Services Retirement System, and Pension Review Board indicate that any additional work resulting from the passage of the bill could be reasonably absorbed within current resources.

**Local Government Impact**

There would be administrative costs associated with conducting, formulating, and implementing a plan to obtain actuarial soundness for applicable public retirement systems.

According to the Pension Review Board, the bill would have a positive actuarial effect on public retirement systems that adopt and adhere to a funding soundness restoration plan that is actuarially sound.

**Source Agencies:** 323 Teacher Retirement System, 326 Texas Emergency Services Retirement System, 327 Employees Retirement System, 338 Pension Review Board

**LBB Staff:** UP, AG, SD, EK, KFa

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 6, 2015**

**TO:** Honorable Dan Flynn, Chair, House Committee on Pensions

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3310** by Paul (Relating to the funding policies, actuarial valuations, and reporting requirements of certain public retirement systems.), **As Introduced**

<b>No significant fiscal implication to the State is anticipated.</b>
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The bill would amend the Government Code to make disclosure and reporting requirement changes for certain public retirement systems. The bill would require certain public retirement systems to formulate and adopt a funding policy to enable the system to maintain actuarial soundness. The bill would require the public retirement system to submit certain documents to the State Pension Review Board and notify the governmental entity if the system receives a validation indicating the system is not actuarial sound. Under the provisions of the bill, if a system receives a certain number of actuarial valuations indicating the system is not actuarial sound, the retirement system and the governmental entity would be required to develop a written plan to restore funding to an adequate level.

**Local Government Impact**

There would be administrative costs associated with conducting, formulating, and implementing a plan to obtain actuarial soundness for applicable public retirement systems.

According to the Pension Review Board, the bill would have a positive actuarial effect on public retirement systems that adopt and adhere to a funding policy that is actuarially sound.

**Source Agencies:** 326 Texas Emergency Services Retirement System, 338 Pension Review Board

**LBB Staff:** UP, AG, SD, EK, KFa

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**ACTUARIAL IMPACT STATEMENT**

**84TH LEGISLATIVE REGULAR SESSION**

**May 22, 2015**

**TO:** Honorable Joan Huffman, Chair, Senate Committee on State Affairs

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3310** by Paul (Relating to the funding policies, actuarial valuations, and reporting requirements of certain public retirement systems.), **Committee Report 2nd House, Substituted**

The bill would amend the Government Code to make disclosure and reporting requirement changes for public retirement systems. The bill does not propose to change the benefit structure or obligations of any systems.

The bill would require a public retirement system to notify its sponsoring entity if it receives an actuarial valuation indicating the system's actual contributions are insufficient to achieve an amortization period of 40 years or less. Should the system's amortization period exceed 40 years over several valuations, the public retirement system and its sponsoring entity would be required to formulate and adopt a funding soundness restoration plan that is developed in accordance with the system's governing statute and that is designed to achieve and maintain, by the tenth anniversary of the date on which the final version of the plan is agreed to, an amortization period of no more than 40 years.

Under the bill, a public retirement system and its sponsoring entity would be required to revise the funding soundness restoration plan if the system's actuarial valuation shows that the amortization period exceeds 40 years and the previous funding soundness restoration plan was not adhered to.

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 would be exempt from the funding soundness restoration plan requirement.

For the Fort Worth Employees' Retirement Fund, governed by Article 6243i, Revised Statutes, the bill provides for the City of Fort Worth to independently formulate, adopt, and revise as necessary, the funding soundness restoration plan, if required to do so.

A copy of the plan and any change to the plan must be submitted to the State Pension Review Board (PRB) within 31 days of the date the plan or change is agreed to. Additionally, the PRB must be notified every two years of any updates to the progress made towards improved actuarial soundness.

If required to do so, a public retirement system shall adopt a funding soundness restoration plan

based on the most recent actuarial valuation study no later than November 1, 2016. The bill, if enacted, would require that the first actuarial valuation study conducted on or after the effective date of the bill must include a recommended contribution rate.

Additionally, the bill would require an actuarial valuation of a public retirement system to include a recommended contribution rate needed for the system to achieve and maintain an amortization period of no more than 30 years.

The bill would also require a public retirement system with assets of at least \$100 million or greater to conduct an actuarial experience study once every five years. Public retirement systems subject to this actuarial experience study must conduct the first actuarial experience study no later than September 1, 2016. Public retirement systems that conducted an actuarial experience study after August 31, 2011, and on or before the effective date of this Act would be required to conduct the first actuarial experience study required by this bill no later than the fifth anniversary of the date of the preceding study.

The bill would take effect immediately if it receives the required votes; otherwise, it would take effect on September 1, 2015.

Under the bill, for a system with an amortization period of greater than 40 years, a funding soundness restoration plan would be designed to achieve a contribution rate that would be sufficient to amortize the system's unfunded actuarial accrued liability (UAAL) within 40 years. Under the current PRB *Guidelines for Actuarial Soundness*, funding should be adequate to amortize the UAAL over a period which should not exceed 40 years, with 15-25 years being a more preferable target. Accordingly, the bill, if enacted, would have a positive actuarial effect on the systems subject to the bill, to the extent that systems and their sponsoring entities formulate and adhere to a funding soundness restoration plan that is actuarially sound.

Retirement systems subject to the experience study requirement under the bill may have to incur additional administrative costs with regards to conducting an actuarial experience study.

**Source Agencies:** 338 Pension Review Board

**LBB Staff:** UP, EP, KFa

LEGISLATIVE BUDGET BOARD  
Austin, Texas

ACTUARIAL IMPACT STATEMENT

84TH LEGISLATIVE REGULAR SESSION

May 13, 2015

**TO:** Honorable Joan Huffman, Chair, Senate Committee on State Affairs

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3310** by Paul (Relating to the funding policies, actuarial valuations, and reporting requirements of certain public retirement systems.), **As Engrossed**

The bill would amend the Government Code to make disclosure and reporting requirement changes for public retirement systems. The bill does not propose to change the benefit structure or obligations of any systems.

The bill would require a public retirement system to notify its sponsoring entity if it receives an actuarial valuation indicating the system's actual contributions are insufficient to achieve an amortization period of 40 years or less. Should the system's amortization period exceed 40 years over several valuations, the public retirement system and its sponsoring entity would be required to formulate and adopt a funding soundness restoration plan that is developed in accordance with the system's governing statute and that is designed to achieve and maintain, by the tenth anniversary of the date on which the final version of the plan is agreed to, an amortization period of no more than 40 years.

Under the bill a public retirement system and its sponsoring entity would be required to revise the funding soundness restoration plan if the system's actuarial valuation shows that the amortization period exceeds 40 years and the previous funding soundness restoration plan was not adhered to.

For the Fort Worth Employees' Retirement Fund, governed by Article 6243i, Revised Statutes, the bill provides for the City of Fort Worth to independently formulate, adopt, and revise as necessary, the funding soundness restoration plan, if required to do so.

A copy of the plan and any change to the plan must be submitted to the State Pension Review Board (PRB) within 31 days of the date the plan or change is agreed to. Additionally, the PRB must be notified every two years of any updates to the progress made towards improved actuarial soundness.

If required to do so, a public retirement system shall adopt a funding soundness restoration plan based on the most recent actuarial valuation study no later than November 1, 2016. The bill, if enacted, would require that the first actuarial valuation study conducted on or after the effective date of the bill must include a recommended contribution rate.

Additionally, the bill would require an actuarial valuation of a public retirement system to include a recommended contribution rate needed for the system to achieve and maintain an amortization

period of no more than 30 years.

The bill would also require a public retirement system with assets of at least \$100 million or greater to conduct an actuarial experience study once every five years. Public retirement systems subject to this actuarial experience study must conduct the first actuarial experience study no later than September 1, 2016. Public retirement systems that conducted an actuarial experience study after August 31, 2011, and on or before the effective date of this Act would be required to conduct the first actuarial experience study required by this bill no later than the fifth anniversary of the date of the preceding study.

The bill would take effect immediately if it receives the required votes; otherwise, it would take effect on September 1, 2015.

Under the bill, for a system with an amortization period of greater than 40 years, a funding soundness restoration plan would be designed to achieve a contribution rate that would be sufficient to amortize the system's unfunded actuarial accrued liability (UAAL) within 40 years. Under the current PRB *Guidelines for Actuarial Soundness*, funding should be adequate to amortize the UAAL over a period which should not exceed 40 years, with 15-25 years being a more preferable target. Accordingly, the bill, if enacted, would have a positive actuarial effect on the systems subject to the bill, to the extent that systems and their sponsoring entities formulate and adhere to a funding soundness restoration plan that is actuarially sound.

Retirement systems subject to the experience study requirement under the bill may have to incur additional administrative costs with regards to conducting an actuarial experience study.

**Source Agencies:** 338 Pension Review Board

**LBB Staff:** UP, EP, KFa

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**ACTUARIAL IMPACT STATEMENT**

**84TH LEGISLATIVE REGULAR SESSION**

**April 23, 2015**

**TO:** Honorable Dan Flynn, Chair, House Committee on Pensions

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3310** by Paul (Relating to the funding policies, actuarial valuations, and reporting requirements of certain public retirement systems.), **Committee Report 1st House, Substituted**

The bill would amend the Government Code to make disclosure and reporting requirement changes for public retirement systems. The bill does not propose to change the benefit structure or obligations of any systems.

The bill would require a public retirement system to notify its sponsoring entity if it receives an actuarial valuation indicating the system's actual contributions are insufficient to achieve an amortization period of 40 years or less. Should the system's amortization period exceed 40 years over several valuations, the public retirement system and its sponsoring entity would be required to formulate and adopt a funding soundness restoration plan that is developed in accordance with the system's governing statute and that is designed to achieve and maintain, by the tenth anniversary of the date on which the final version of the plan is agreed to, an amortization period of no more than 40 years.

Under the bill, a public retirement system and its sponsoring entity would be required to revise the funding soundness restoration plan if the system's actuarial valuation shows that the amortization period exceeds 40 years and the previous funding soundness restoration plan was not adhered to.

A copy of the plan and any change to the plan must be submitted to the State Pension Review Board (PRB) within 31 days of the date the plan or change is agreed to. Additionally, the PRB must be notified every two years of any updates to the progress made towards improved actuarial soundness.

A public retirement system shall adopt a funding soundness restoration plan based on the most recent actuarial valuation study no later than November 1, 2016. The bill, if enacted, would require that the first actuarial valuation study conducted on or after the effective date of the bill include a recommended contribution rate.

Additionally, the bill would require an actuarial valuation of a public retirement system to include a recommended contribution rate needed for the system to achieve and maintain an amortization period of no more than 30 years.

The bill would also require a public retirement system with assets of at least \$100 million or

greater to conduct an actuarial experience study once every five years. Public retirement systems subject to this actuarial experience study must conduct the first actuarial experience study no later than September 1, 2016. Public retirement systems that conducted an actuarial experience study after August 31, 2011 and on or before the effective date of this Act would be required to conduct the first actuarial experience study required by this bill no later than the fifth anniversary of the date of the preceding study.

The bill would take effect immediately if it receives the required votes; otherwise, it would take effect on September 1, 2015.

Under the bill, for a system with an amortization period of greater than 40 years, a funding soundness restoration plan would be designed to achieve a contribution rate that would be sufficient to amortize the system's unfunded actuarial accrued liability (UAAL) within 40 years. Under the current PRB *Guidelines for Actuarial Soundness*, funding should be adequate to amortize the UAAL over a period which should not exceed 40 years, with 15-25 years being a more preferable target. Accordingly, the bill, if enacted, could have a positive actuarial effect on the systems subject to the bill, to the extent that systems and their sponsoring entities formulate and adhere to a funding soundness restoration plan that is actuarially sound.

**Source Agencies:** 338 Pension Review Board

**LBB Staff:** UP, KFa



LEGISLATIVE BUDGET BOARD  
Austin, Texas

ACTUARIAL IMPACT STATEMENT

84TH LEGISLATIVE REGULAR SESSION

April 6, 2015

**TO:** Honorable Dan Flynn, Chair, House Committee on Pensions

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3310** by Paul (Relating to the funding policies, actuarial valuations, and reporting requirements of certain public retirement systems.), **As Introduced**

House Bill 3310 would amend Chapter 802 of the Government Code to make disclosure and reporting requirement changes for public retirement systems. The bill would require an actuarial valuation of a public retirement system to include an actuarially determined contribution (ADC).

Additionally, HB 3310 would require a public retirement system and its sponsoring entity to formulate and adopt a funding policy that would enable the system to achieve and maintain actuarial soundness. An adopted funding policy would establish a funding level based on the ADC. The retirement system and its sponsoring entity, in consultation with the system's actuary, would be required to develop the ADC needed to achieve and maintain an amortization period (years to amortize an unfunded liability) that is in accordance with the Pension Review Board's (PRB) *Guidelines for Actuarial Soundness*. A retirement system would be required to submit a copy of the policy to the PRB.

If a public retirement system receives three consecutive annual actuarial valuations, or two consecutive valuations (if the system conducts valuations every two or three years), that indicate a funding level insufficient to meet the requirements of the funding policy, the system and the sponsoring entity would be required to develop a written plan with specific measures to restore funding to a level adequate to achieve and maintain the amortization period adopted in the funding policy. The bill would require that a copy of this plan be submitted to the PRB.

The bill would require a public retirement system with assets of at least \$100 million or greater to conduct an actuarial experience study once every five years. Most statewide retirement systems would be exempt from the funding policy requirements.

A public retirement system would adopt a funding policy based on the most recent actuarial valuation study no later than November 1, 2016. HB 3310 would require that the first actuarial valuation study conducted on or after the date the funding policy is adopted must include an actuarially determined contribution. The bill would take effect immediately if it receives the required votes; otherwise, it would take effect on September 1, 2015.

To fulfill the provisions of HB 3310, public retirement systems would have to adopt a funding policy with a funding level that would enable a system to achieve and maintain an amortization period that is in accordance with the PRB's *Guidelines*, which currently establish a maximum

amortization period of 40 years, with a preferable target of 15-25 years. The bill would have a positive actuarial effect on the systems to the extent that systems and their sponsoring entities adopt and adhere to a funding policy that is actuarially sound.

The bill would not change the benefit structure or obligations of any systems.

Retirement systems subject to the experience study requirement under the bill may have to incur additional administrative costs with regards to conducting an actuarial experience study.

**Source Agencies:** 338 Pension Review Board

**LBB Staff:** UP, EP, KFa, EMo