

By: Anchia

H.B. No. 3898

Substitute the following for H.B. No. 3898:

By: Perez

C.S.H.B. No. 3898

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the funding of public retirement systems.

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

4 SECTION 1. Section 28(h), Texas Local Fire Fighters  
5 Retirement Act (Article 6243e, Vernon's Texas Civil Statutes), is  
6 amended to read as follows:

7 (h) A retirement system established under this Act is exempt  
8 from Subchapter C, Chapter 802, Government Code, except Sections  
9 802.2011, 802.2015, 802.202, 802.205, and 802.207.

10 SECTION 2. Section 802.2011, Government Code, is amended to  
11 read as follows:

12 Sec. 802.2011. FUNDING POLICY. (a) In this section:

13 (1) "Funded ratio" means the ratio of a public  
14 retirement system's actuarial value of assets divided by the  
15 system's actuarial accrued liability.

16 (2) "Governmental entity" has the meaning assigned by  
17 Section 802.1012.

18 (3) "Statewide retirement system" means:

19 (A) the Employees Retirement System of Texas,  
20 including a retirement system administered by that system;

21 (B) the Teacher Retirement System of Texas;

22 (C) the Texas County and District Retirement  
23 System;

24 (D) the Texas Emergency Services Retirement

1 System; and

2 (E) the Texas Municipal Retirement System.

3 (b) The governing body of a public retirement system and, if  
4 the system is not a statewide retirement system, its associated  
5 governmental entity shall:

6 (1) jointly, if applicable:

7 (A) develop and adopt a written funding policy  
8 that details a ~~[the governing body's]~~ plan for achieving a funded  
9 ratio of the system that is equal to or greater than 100 percent;  
10 and

11 (B) timely revise the policy to reflect any  
12 significant changes to the policy, including changes required as a  
13 result of formulating and implementing a funding soundness  
14 restoration plan, including a revised funding soundness  
15 restoration plan, under Section 802.2015 or 802.2016;

16 (2) maintain for public review at its main office a  
17 copy of the policy;

18 (3) file a copy of the policy and each change to the  
19 policy with the board not later than the 31st day after the date the  
20 policy or change, as applicable, is adopted; and

21 (4) post ~~[submit]~~ a copy of the most recent edition of  
22 the policy on a publicly available Internet website in accordance  
23 with Section 802.107(c)(2) ~~[and each change to the policy to the~~  
24 ~~system's associated governmental entity not later than the 31st day~~  
25 ~~after the date the policy or change is adopted].~~

26 (c) For purposes of Subsection (b)(1)(B), the written  
27 funding policy must outline any automatic contribution or benefit

1 changes designed to prevent having to formulate a revised funding  
2 soundness restoration plan under Section 802.2015(d), including  
3 any automatic risk-sharing mechanisms that have been implemented,  
4 the adoption of an actuarially determined contribution structure,  
5 and other adjustable benefit or contribution mechanisms.

6 (d) The board may adopt rules necessary to implement this  
7 section.

8 SECTION 3. Section 802.2015, Government Code, is amended by  
9 amending Subsections (a), (c), (d), (e), (f), and (g) and adding  
10 Subsections (d-1), (e-1), (e-2), (e-3), (e-4), and (h) to read as  
11 follows:

12 (a) In this section:

13 (1) "Funded ratio" has the meaning assigned by Section  
14 802.2011.

15 (2) "Governmental [~~,"governmental]~~ entity" has the  
16 meaning assigned by Section 802.1012.

17 (c) A public retirement system shall notify the associated  
18 governmental entity in writing if the [~~retirement]~~ system receives  
19 an actuarial valuation indicating that the system's actual  
20 contributions are not sufficient to amortize the unfunded actuarial  
21 accrued liability within 30 [40] years. The [~~If a public retirement~~  
22 ~~system's actuarial valuation shows that the system's amortization~~  
23 ~~period has 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 governing  
27 body of the associated governmental entity shall jointly formulate

1 a funding soundness restoration plan under Subsection (e) if the  
2 system's actuarial valuation shows that the system's expected  
3 funding period:

4 (1) has exceeded 30 years for three consecutive annual  
5 actuarial valuations, or two consecutive annual actuarial  
6 valuations in the case of a system that conducts the valuations  
7 every two or three years; or

8 (2) effective September 1, 2025:

9 (A) exceeds 40 years; or

10 (B) exceeds 30 years and the funded ratio of the  
11 system is less than 65 percent [~~in accordance with the system's~~  
12 ~~governing statute~~].

13 (d) Except as provided by Subsection (d-1), the [~~The~~  
14 governing body of a public retirement system and the governing body  
15 of the associated governmental entity that have an existing  
16 [~~formulated a~~] funding soundness restoration plan under Subsection  
17 (e) shall formulate a revised funding soundness restoration plan  
18 under Subsection (e-1) [~~that subsection, in accordance with the~~  
19 ~~system's governing statute,~~] if the system becomes subject to  
20 Subsection (c) before the 10th anniversary of the date prescribed  
21 by Subsection (e)(2)(A) or (B), as applicable [~~conducts an~~  
22 ~~actuarial valuation showing that:~~

23 [~~(1) the system's amortization period exceeds 40 years,~~  
24 ~~and~~

25 [~~(2) the previously formulated funding soundness~~  
26 ~~restoration plan has not been adhered to~~].

27 (d-1) The governing body of a public retirement system and

1 the governing body of the associated governmental entity are not  
2 subject to Subsection (d) if:

3 (1) the system's actuarial valuation shows that the  
4 system's expected funding period exceeds 30 years but is less than  
5 or equal to 40 years; and

6 (2) the system is:

7 (A) adhering to an existing funding soundness  
8 restoration plan that was formulated before September 1, 2025; or

9 (B) implementing a contribution rate structure  
10 that uses or will ultimately use an actuarially determined  
11 contribution structure and the system's actuarial valuation shows  
12 that the system is expected to achieve full funding.

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 30 ~~[40]~~ years not later than the later of:

21 (A) the second ~~[10th]~~ anniversary of the  
22 valuation date stated in the actuarial valuation that required  
23 formulation of the plan under this subsection; or

24 (B) September 1, 2025;

25 (3) be based on actions agreed to be taken by the  
26 system and entity that were approved by the respective governing  
27 bodies of both the system and the entity before the plan was

1 adopted; and

2 (4) be adopted at open meetings of the respective  
3 governing bodies of the system and the entity not later than the  
4 second anniversary of the date the actuarial valuation that  
5 required application of this subsection was adopted by the  
6 governing body of the system [~~on which the final version of a~~  
7 ~~funding soundness restoration plan is agreed to~~].

8 (e-1) A revised funding soundness restoration plan  
9 formulated under this section must:

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

13 (2) be designed to achieve a contribution rate that  
14 will be sufficient to amortize the unfunded actuarial accrued  
15 liability within 25 years not later than the second anniversary of  
16 the valuation date stated in the actuarial valuation that required  
17 formulation of a revised plan under this subsection;

18 (3) be based on actions, including automatic  
19 risk-sharing mechanisms, an actuarially determined contribution  
20 structure, and other adjustable benefit or contribution  
21 mechanisms, agreed to be taken by the system and entity that were  
22 approved by the respective governing bodies of both the system and  
23 the entity before the plan was adopted; and

24 (4) be adopted at open meetings by the respective  
25 governing bodies of the system and the entity not later than the  
26 second anniversary of the date the actuarial valuation that  
27 required application of this subsection was adopted by the

1 governing body of the system.

2 (e-2) Not later than the 90th day after the date on which the  
3 plan is adopted by both the governing body of the system and the  
4 governing body of the associated governmental entity, a system may  
5 submit to the board an actuarial valuation required under Section  
6 802.101(a) or other law that shows the combined impact of all  
7 changes to a funding soundness restoration plan adopted under this  
8 section, including a revised funding soundness restoration plan  
9 adopted under Subsection (e-1). If a system does not provide an  
10 actuarial valuation to the board in accordance with this  
11 subsection, the board may request that the system provide a  
12 separate analysis of the combined impact of all changes to a funding  
13 soundness restoration plan adopted under this section not later  
14 than the 90th day after the date the board makes the request. An  
15 actuarial valuation or separate analysis conducted under this  
16 subsection must include:

17 (1) an actuarial projection of the public retirement  
18 system's expected future assets and liabilities between the  
19 valuation date described by Subsection (e)(2)(A) or (e-1)(2), as  
20 applicable, and the date at which the plan is expected to achieve  
21 full funding; and

22 (2) a description of all assumptions and methods used  
23 to perform the analysis which must comply with actuarial standards  
24 of practice.

25 (e-3) The associated governmental entity may pay all or part  
26 of the costs of the separate analysis required under Subsection  
27 (e-2). The public retirement system shall pay any costs for the

1 analysis not paid by the associated governmental entity.

2 (e-4) A funding soundness restoration plan adopted under  
3 this section, including a revised funding soundness restoration  
4 plan adopted under Subsection (e-1), may not include actions that  
5 are subject to future approval by the governing bodies of either the  
6 public retirement system or the associated governmental entity.

7 (f) A public retirement system and the associated  
8 governmental entity required to ~~[that]~~ formulate a funding  
9 soundness restoration plan under this section, including a revised  
10 funding soundness restoration plan, shall provide a report to the  
11 board on ~~[any updates of]~~ progress made by the system and entity in  
12 formulating the plan, including a draft of any plan and a  
13 description of any changes under consideration for inclusion in a  
14 plan, not later than the first anniversary of the date of the  
15 actuarial valuation that required formulation of the plan under  
16 Subsection (e) or (e-1) and each subsequent six-month period until  
17 the plan is submitted to the board under this section ~~[entities~~  
18 ~~toward improved actuarial soundness to the board every two years]~~.

19 (g) Each public retirement system that formulates a funding  
20 soundness restoration plan as provided by this section shall submit  
21 a copy of that plan to the board ~~[and any change to the plan]~~ not  
22 later than the 31st day after the date on which the plan is adopted  
23 by both the governing body of the system and the governing body of  
24 the associated governmental entity ~~[or the change is agreed to]~~.

25 (h) The board may adopt rules necessary to implement this  
26 section.

27 SECTION 4. Section [802.2016](#), Government Code, is amended to



1 read as follows:

2 Sec. 802.2016. FUNDING SOUNDNESS RESTORATION PLAN FOR  
3 CERTAIN PUBLIC RETIREMENT SYSTEMS. (a) In this section:

4 (1) "Funded ratio" has the meaning assigned by Section  
5 802.2011.

6 (2) "Governmental [~~,"governmental]~~ entity" has the  
7 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, and its  
10 associated governmental entity.

11 (c) A public retirement system shall notify the associated  
12 governmental entity in writing if the [~~retirement]~~ system receives  
13 an actuarial valuation indicating that the system's actual  
14 contributions are not sufficient to amortize the unfunded actuarial  
15 accrued liability within 30 [~~40~~] years. The governing body of [~~If a~~  
16 ~~public retirement system's actuarial valuation shows that the~~  
17 ~~system's amortization period has exceeded 40 years for three~~  
18 ~~consecutive annual actuarial valuations, or two consecutive~~  
19 ~~actuarial valuations in the case of a system that conducts the~~  
20 ~~valuations every two or three years,~~] the associated governmental  
21 entity shall formulate a funding soundness restoration plan under  
22 Subsection (e) if the system's actuarial valuation shows that the  
23 system's expected funding period:

24 (1) has exceeded 30 years for three consecutive annual  
25 actuarial valuations, or two consecutive annual actuarial  
26 valuations in the case of a system that conducts the valuations  
27 every two or three years; or

1           (2) effective September 1, 2025:

2                   (A) exceeds 40 years; or

3                   (B) exceeds 30 years and the funded ratio of the  
4 system is less than 65 percent [~~in accordance with the public~~  
5 ~~retirement system's governing statute~~].

6           (d) Except as provided by Subsection (d-1), the governing  
7 body of an [~~An~~] associated governmental entity that has an existing  
8 [~~formulated a~~] funding soundness restoration plan under Subsection  
9 (e) shall formulate a revised funding soundness restoration plan  
10 under Subsection (e-1) [~~that subsection, in accordance with the~~  
11 ~~public retirement system's governing statute,~~] if the system  
12 becomes subject to Subsection (c) before the 10th anniversary of  
13 the date prescribed by Subsection (e)(2)(A) or (B), as applicable  
14 [~~conducts an actuarial valuation showing that:~~

15                   ~~[(1) the system's amortization period exceeds 40 years;~~  
16 ~~and~~

17                   ~~[(2) the previously formulated funding soundness~~  
18 ~~restoration plan has not been adhered to].~~

19           (d-1) The associated governmental entity is not subject to  
20 Subsection (d) if:

21                   (1) the system's actuarial valuation shows that the  
22 system's expected funding period exceeds 30 years but is less than  
23 or equal to 40 years; and

24                   (2) the system is:

25                           (A) adhering to an existing funding soundness  
26 restoration plan that was formulated before September 1, 2025; or

27                           (B) implementing a contribution rate structure

1 that uses or will ultimately use an actuarially determined  
2 contribution structure and the system's actuarial valuation shows  
3 that the system is expected to achieve full funding.

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

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

9 (2) be designed to achieve a contribution rate that  
10 will be sufficient to amortize the unfunded actuarial accrued  
11 liability within 30 ~~[40]~~ years not later than the later of:

12 (A) the second ~~[10th]~~ anniversary of the  
13 valuation date stated in the actuarial valuation that required  
14 formulation of the plan under this subsection; or

15 (B) September 1, 2025;

16 (3) be based on actions, including automatic  
17 risk-sharing mechanisms, an actuarially determined contribution  
18 structure, and other adjustable benefit or contribution  
19 mechanisms, agreed to be taken by the system and entity that were  
20 approved by the governing body of the associated governmental  
21 entity before the plan was adopted; and

22 (4) be adopted at an open meeting of the governing body  
23 of the associated governmental entity not later than the second  
24 anniversary of the date the actuarial valuation that required  
25 application of this subsection was adopted by the governing body of  
26 the system ~~[on which the final version of a funding soundness~~  
27 ~~restoration plan is formulated].~~

1       (e-1) A revised funding soundness restoration plan  
2 formulated under this section must:

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

5           (2) be designed to achieve a contribution rate that  
6 will be sufficient to amortize the unfunded actuarial accrued  
7 liability within 25 years not later than the second anniversary of  
8 the valuation date stated in the actuarial valuation that required  
9 formulation of a revised plan under this subsection;

10          (3) be based on actions agreed to be taken by the  
11 system and entity that were approved by the governing body of the  
12 associated governmental entity before the plan was adopted; and

13          (4) be adopted at an open meeting of the governing body  
14 of the associated governmental entity not later than the second  
15 anniversary of the date the actuarial valuation that required  
16 application of this subsection was adopted by the governing body of  
17 the system.

18       (e-2) Not later than the 90th day after the date on which the  
19 plan is adopted by the governing body of the associated  
20 governmental entity, a system may submit to the board an actuarial  
21 valuation required under Section 802.101(a) or other law that shows  
22 the combined impact of all changes to a funding soundness  
23 restoration plan adopted under this section, including a revised  
24 funding soundness restoration plan adopted under Subsection (e-1).  
25 If a system does not provide an actuarial valuation to the board in  
26 accordance with this subsection, the board may request that the  
27 system provide a separate analysis of the combined impact of all

1 changes to a funding soundness restoration plan adopted under this  
2 section not later than the 90th day after the date the board makes  
3 the request. An actuarial valuation or the separate analysis  
4 conducted under this subsection must include:

5 (1) an actuarial projection of the public retirement  
6 system's expected future assets and liabilities between the  
7 valuation date described by Subsection (e)(2)(A) or (e-1)(2), as  
8 applicable, and the date at which the plan is expected to achieve  
9 full funding; and

10 (2) a description of all assumptions and methods used  
11 to perform the analysis which must comply with actuarial standards  
12 of practice.

13 (e-3) The associated governmental entity may pay all or part  
14 of the costs of the separate analysis required under Subsection  
15 (e-2). The public retirement system shall pay any costs for the  
16 analysis not paid by the associated governmental entity.

17 (e-4) A funding soundness restoration plan adopted under  
18 this section, including a revised funding soundness restoration  
19 plan adopted under Subsection (e-1), may not include actions that  
20 are subject to future approval by the governing body of the  
21 associated governmental entity.

22 (f) An associated governmental entity required to formulate  
23 [that formulates] a funding soundness restoration plan under this  
24 section, including a revised funding soundness restoration plan,  
25 shall provide a report to the board on [any updates of] progress  
26 made by the [public retirement system and] associated governmental  
27 entity in formulating the plan, including a draft of any plan and a

1 description of any changes under consideration for inclusion in a  
2 plan, not later than the first anniversary of the date of the  
3 actuarial valuation that required formulation of the plan under  
4 Subsection (e) or (e-1) and each subsequent six-month period until  
5 the plan is submitted to the board under this section [~~toward~~  
6 ~~improved actuarial soundness to the board every two years~~].

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

13 (h) The board may adopt rules necessary to implement this  
14 section.

15 SECTION 5. The changes in law made by this Act apply to a  
16 funding soundness restoration plan that is formulated or revised  
17 under Section 802.2015 or 802.2016, Government Code, as applicable,  
18 on or after the effective date of this Act. A funding soundness  
19 restoration plan formulated or revised before the effective date of  
20 this Act other than a plan that is subject to Section 802.2015(d-1)  
21 or Section 802.2016(d-1), Government Code, as added by this Act, is  
22 governed by the law as it existed immediately before that date, and  
23 the former law is continued in effect for that purpose, except if:

24 (1) the public retirement system and its associated  
25 governmental entity are required to formulate a revised funding  
26 soundness restoration plan under Section 802.2015(d), Government  
27 Code, as that section existed immediately before the effective date

1 of this Act, the system and its associated governmental entity  
2 shall formulate the plan under Section 802.2015(e), Government  
3 Code, as amended by this Act, rather than as that section existed  
4 immediately before the effective date of this Act; or

5 (2) a public retirement system's associated  
6 governmental entity is required to formulate a revised funding  
7 soundness restoration plan under Section 802.2016(d), Government  
8 Code, as that section existed immediately before the effective date  
9 of this Act, the associated governmental entity shall formulate the  
10 plan under Section 802.2016(e), Government Code, as amended by this  
11 Act, rather than as that section existed immediately before the  
12 effective date of this Act.

13 SECTION 6. This Act takes effect September 1, 2021.