

BILL ANALYSIS

Senate Research Center
89R8740 JCG-F

S.B. 2065
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Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas Emergency Services Retirement System (TESRS) is a state agency that administers a pension system for emergency services departments across the state.

S.B. 2065 would provide the statutory framework for the state to provide an actuarially determined contribution, which covers the normal cost of benefits accrued in a given year and pays down the unfunded liabilities over a 30-year period. The bill would also require TESRS to provide the Legislative Budget Board (LBB) with the amount necessary to make the actuarially determined contribution before each regular legislative session and would direct the LBB to include that payment in the general appropriations bill prepared for each such session, until September 1, 2057. The bill would require that the unfunded actuarial accrued liability be determined using an expected investment return of not greater than seven percent. Finally, it clarifies the process for participating departments to make benefit enhancements and would specify that state contributions may not be used to fund such increases.

As proposed, S.B. 2065 amends current law relating to the Texas Emergency Services Retirement System.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to state board of the Texas Emergency Services Retirement System is modified in SECTION 3 (Section 864.002, Government Code) of this bill.

Rulemaking authority is expressly granted to state board of the Texas Emergency Services Retirement System in SECTION 6 (Section 865.014, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 614.104(d), Government Code, to delete existing text authorizing money in the volunteer fire department assistance fund to be appropriated for a contribution to the Texas Emergency Services Retirement System subject to Section 865.015 (State Contributions).

SECTION 2. Amends Section 861.001, Government Code, by amending Subdivisions (1), (7), and (12) and adding Subdivisions (2), (7-a), (7-b), (7-c), (7-d), and (12-a), to define "actuarially sound," "amortization period," "legacy liability," "liability gain layer," "liability layer," "liability loss layer," and "unfunded actuarial accrued liability" and to delete the existing definition of "actuarially sound pension system."

SECTION 3. Amends Section 864.002(a), Government Code, as follows:

(a) Provides that a service retirement annuity is payable in monthly installments based on:

(1) makes a nonsubstantive change to this subdivision; and

(2) a formula adopted by the state board of the Texas Emergency Services Retirement System (state board) by rule that allows the Texas Emergency

Services Retirement System (pension system) to be maintained as actuarially sound, rather than that allows the pension system, assuming maximum state contributions are provided under Section 865.015, to be maintained as actuarially sound.

SECTION 4. Amends Section 864.0135, Government Code, by adding Subsections (a-1) and (c), as follows:

(a-1) Authorizes the rules adopted under Subsection (a) (relating to authorizing the state board by rule to authorize the governing body of a participating department to make certain supplemental payments to be made to retirees and beneficiaries, or an increase in annuities to be provided to them) to:

(1) include procedures for the governing body of a participating department to request the approval of the state board to make a supplemental payment or increase an annuity under the rules; and

(2) prohibit the governing body of a participating department from making a supplemental payment or increasing an annuity under the rules without approval from the state board.

(c) Prohibits state contributions from being used to fund any option elected under a rule adopted under Section 864.0135 (Optional Annuity Increase or Supplemental Payments) to make a supplemental payment or increase an annuity.

SECTION 5. Amends Section 865.011(f), Government Code, as follows:

(f) Requires the state board to determine the meaning of "significant change" for purposes of Subsection (d)(1) (relating to requiring the state board to electronically submit a report to certain persons if there is significant change to the actuarial valuation of the pension system's assets or liabilities), which is required to include circumstances in which there is an increase in the time required to amortize the unfunded liabilities of the pension system such that the pension system would not be actuarially sound, rather than to a period that exceeds 30 years, assuming a maximum state contribution under Section 865.015.

SECTION 6. Amends Section 865.014, Government Code, by adding Subsection (f), as follows:

(f) Requires the governing body of a political subdivision associated with the participating department who elects to provide a supplemental payment or annuity increase under Section 864.0135 to contribute the money necessary to cover the costs of all increased benefits provided, as required by Section 864.0135(b) (relating to requiring the governing body of a participating department that elects a certain option under a rule to fund all increased benefits that are provided to its retirees and beneficiaries of the pension system under the option). Authorizes the state board to adopt rules for the regular payment of money required by this subsection.

SECTION 7. Amends Section 865.015, Government Code, as follows:

Sec. 865.015. STATE CONTRIBUTIONS. (a) Creates this subsection from existing text. Requires the state to contribute the amount necessary to make the pension system actuarially sound each year, except that for each fiscal year in which the legacy liability has not been fully paid, the state is required to make an actuarially determined payment in the amount necessary to amortize the pension system's legacy liability by not later than the fiscal year ending August 31, 2055. Deletes existing text prohibiting the state's contribution from exceeding one-third of the total of all contributions by governing bodies in a particular year.

(b) Requires the pension system's actuary to biennially determine an actuarially determined contribution amount required under Subsection (a) that is consistent with actuarial standards of practice and with certain principles.

(c) Requires the pension system, before each regular legislative session, to provide the Legislative Budget Board (LBB) with the amount necessary to make the actuarially determined payment required under this section. Requires the director of the LBB, under the direction of the LBB, to include that payment in the general appropriations bill prepared for introduction at each regular legislative session under Section 322.008 (Appropriations Bill). Provides that this subsection expires September 1, 2057.

SECTION 8. Effective date: upon passage or September 1, 2025.