

By: Huffman

S.B. No. 2065

A BILL TO BE ENTITLED

AN ACT

relating to the Texas Emergency Services Retirement System.

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

SECTION 1. Section 614.104(d), Government Code, is amended to read as follows:

(d) Money in the fund may be appropriated for a contribution to the Texas Emergency Services Retirement System ~~[subject to Section 865.015]~~.

SECTION 2. Section 861.001, Government Code, is amended by amending Subdivisions (1), (7), and (12) and adding Subdivisions (2), (7-a), (7-b), (7-c), (7-d), and (12-a) to read as follows:

(1) "Actuarially sound" ~~[sound pension system]~~ means circumstances under [a system in] which the amount of contributions to the pension system is sufficient to cover the normal cost of and amortize the unfunded actuarial accrued [actuarial] liability of the pension system in a period that does not exceed the later of the following:

(A) 15 years after the date of the actuarial valuation on which the determination of whether the retirement system is actuarially sound is made; or

(B) September 1, 2055 [30 years].

(2) "Amortization period" means:

(A) if amortizing a liability loss layer, the period necessary to fully pay the liability loss layer;

1                   (B) if amortizing a liability gain layer, the  
2 period described by Section 865.015(b)(4); or

3                   (C) if referring to the amortization period of  
4 all liability layers of the pension system, the number of years  
5 incorporated in a weighted average amortization factor for the sum  
6 of all liability layers as determined in each biennial actuarial  
7 valuation of assets and liabilities of the system.

8                   (7) "Legacy liability" means the total unfunded  
9 actuarial accrued liability of the pension system:

10                   (A) determined as of August 31, 2024, using an  
11 assumed rate of investment return of seven percent; and

12                   (B) for each calendar year following 2024, that  
13 total adjusted as follows:

14                               (i) reduced by the contribution amount made  
15 under Section 865.015 for the calendar year allocated to the  
16 amortization of the legacy liability; and

17                               (ii) adjusted by the assumed rate of  
18 investment return of seven percent.

19                   (7-a) "Liability gain layer" means a liability layer  
20 that decreases the unfunded actuarial accrued liability of the  
21 pension system.

22                   (7-b) "Liability layer" means:

23                               (A) the legacy liability; or

24                               (B) for each fiscal year after August 31, 2024,  
25 the amount by which the pension system's unfunded actuarial accrued  
26 liability increases or decreases in a fiscal year, as applicable,  
27 due to the unanticipated change in revenue caused by factors, other

1 than changes to a benefit formula, as determined in the actuarial  
2 valuation analyzing that fiscal year.

3 (7-c) "Liability loss layer" means a liability layer  
4 that increases the unfunded actuarial accrued liability. For the  
5 purposes of this subtitle, the legacy liability is a liability loss  
6 layer.

7 (7-d) "Local board" means a local board of trustees  
8 established under Section 865.012.

9 (12) "Unfunded actuarial accrued liability" means, as  
10 determined in an actuarial valuation, the difference between the  
11 actuarial accrued liability and the actuarial value of assets,  
12 where the liability is determined using an expected rate of  
13 investment return not greater than:

14 (A) seven percent; or

15 (B) if greater than seven percent, the average of  
16 the rates used by the Employees Retirement System of Texas and the  
17 Teacher Retirement System of Texas in the most recently published  
18 actuarial valuations preceding the actuarial valuation in which the  
19 unfunded actuarial accrued liability is being determined.

20 (12-a) "Volunteer" means a person who performs  
21 emergency services for civic, charitable, or humanitarian reasons,  
22 receives no monetary compensation from a participating department,  
23 and is not subject to the compensation requirements provided for  
24 employees by the Fair Labor Standards Act of 1938 (29 U.S.C. Section  
25 201 et seq.).

26 SECTION 3. Section 864.002(a), Government Code, is amended  
27 to read as follows:

1           (a) A service retirement annuity is payable in monthly  
2 installments based on:

3               (1) the average monthly contribution during the  
4 member's term of qualified service with all participating  
5 departments under this subtitle, not including a contribution to  
6 reduce the unfunded actuarial accrued [~~actuarial~~] liability of the  
7 pension system; and

8               (2) a formula adopted by the state board by rule that  
9 allows the pension system[~~, assuming maximum state contributions~~  
10 ~~are provided under Section 865.015,~~] to be maintained as  
11 actuarially sound.

12           SECTION 4. Section [864.0135](#), Government Code, is amended by  
13 adding Subsections (a-1) and (c) to read as follows:

14               (a-1) The rules adopted under Subsection (a) may:

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

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

22               (c) State contributions may not be used to fund any option  
23 elected under a rule adopted under this section to make a  
24 supplemental payment or increase an annuity.

25           SECTION 5. Section [865.011](#)(f), Government Code, is amended  
26 to read as follows:

27               (f) The state board shall determine the meaning of

1 "significant change" for purposes of Subsection (d)(1), which must  
2 include circumstances in which there is an increase in the time  
3 required to amortize the unfunded liabilities of the pension system  
4 such that that the pension system would not be actuarially sound ~~[to~~  
5 ~~a period that exceeds 30 years, assuming a maximum state~~  
6 ~~contribution under Section 865.015]~~.

7 SECTION 6. Section 865.014, Government Code, is amended by  
8 adding Subsection (f) to read as follows:

9 (f) The governing body of a political subdivision  
10 associated with the participating department who elects to provide  
11 a supplemental payment or annuity increase under Section 864.0135  
12 shall contribute the money necessary to cover the costs of all  
13 increased benefits provided, as required by Section 864.0135(b).  
14 The state board may adopt rules for the regular payment of money  
15 required by this subsection.

16 SECTION 7. Section 865.015, Government Code, is amended to  
17 read as follows:

18 Sec. 865.015. STATE CONTRIBUTIONS. (a) The state shall  
19 contribute the amount necessary to make the pension system  
20 actuarially sound each year, except that for each fiscal year in  
21 which the legacy liability has not been fully paid, the state shall  
22 make an actuarially determined payment in the amount necessary to  
23 amortize the pension system's legacy liability by not later than  
24 the fiscal year ending August 31, 2055 ~~[the state's contribution~~  
25 ~~may not exceed one-third of the total of all contributions by~~  
26 ~~governing bodies in a particular year]~~.

27 (b) The pension system's actuary shall biennially determine

1 an actuarially determined contribution amount required under  
2 Subsection (a) that is consistent with actuarial standards of  
3 practice and the following principles:

4 (1) closed layered amortization of liability layers to  
5 ensure that the amortization period for each liability layer begins  
6 12 months after the date the liability layer is first recognized;

7 (2) each liability layer is assigned an amortization  
8 period;

9 (3) each liability loss layer is amortized over a  
10 period of 15 years or until September 1, 2055, whichever is later;  
11 and

12 (4) each liability gain layer is amortized over:

13 (A) if there is a liability loss layer, a period  
14 equal to the remaining amortization period of the largest remaining  
15 liability loss layer, and the two layers must be treated as one  
16 layer such that if the payoff year of the liability loss layer is  
17 accelerated or extended, the payoff year of the liability gain  
18 layer is also accelerated or extended; or

19 (B) if there is no liability loss layer, a period  
20 of 15 years beginning the first day of the fiscal year beginning 12  
21 months after the liability gain layer is first recognized or until  
22 September 1, 2055, whichever is later.

23 (c) Before each regular legislative session, the pension  
24 system shall provide the Legislative Budget Board with the amount  
25 necessary to make the actuarially determined payment required under  
26 this section. The director of the Legislative Budget Board, under  
27 the direction of the Legislative Budget Board, shall include that

1 payment in the general appropriations bill prepared for  
2 introduction at each regular legislative session under Section  
3 322.008. This subsection expires September 1, 2057.

4       SECTION 8. This Act takes effect immediately if it receives  
5 a vote of two-thirds of all the members elected to each house, as  
6 provided by Section 39, Article III, Texas Constitution. If this  
7 Act does not receive the vote necessary for immediate effect, this  
8 Act takes effect September 1, 2025.