

1-1 By: Huffman S.B. No. 2065
1-2 (In the Senate - Filed March 7, 2025; March 24, 2025, read
1-3 first time and referred to Committee on Finance; April 2, 2025,
1-4 reported favorably by the following vote: Yeas 15, Nays 0;
1-5 April 2, 2025, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7				
1-8	Huffman	X		
1-9	Hinojosa of Hidalgo	X		
1-10	Alvarado	X		
1-11	Bettencourt	X		
1-12	Campbell	X		
1-13	Creighton	X		
1-14	Flores	X		
1-15	Hall	X		
1-16	Kolkhorst	X		
1-17	Nichols	X		
1-18	Paxton	X		
1-19	Perry	X		
1-20	Schwertner	X		
1-21	West	X		
1-22	Zaffirini	X		

1-23 A BILL TO BE ENTITLED
1-24 AN ACT

1-25 relating to the Texas Emergency Services Retirement System.
1-26 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
1-27 SECTION 1. Section 614.104(d), Government Code, is amended
1-28 to read as follows:
1-29 (d) Money in the fund may be appropriated for a contribution
1-30 to the Texas Emergency Services Retirement System ~~[subject to~~
1-31 ~~Section 865.015]~~.
1-32 SECTION 2. Section 861.001, Government Code, is amended by
1-33 amending Subdivisions (1), (7), and (12) and adding Subdivisions
1-34 (2), (7-a), (7-b), (7-c), (7-d), and (12-a) to read as follows:
1-35 (1) "Actuarially sound" ~~[sound pension system]~~ means
1-36 circumstances under [a system in] which the amount of contributions
1-37 to the pension system is sufficient to cover the normal cost of and
1-38 amortize the unfunded actuarial accrued [actuarial] liability of
1-39 the pension system in a period that does not exceed the later of the
1-40 following:
1-41 (A) 15 years after the date of the actuarial
1-42 valuation on which the determination of whether the retirement
1-43 system is actuarially sound is made; or
1-44 (B) September 1, 2055 [30 years].
1-45 (2) "Amortization period" means:
1-46 (A) if amortizing a liability loss layer, the
1-47 period necessary to fully pay the liability loss layer;
1-48 (B) if amortizing a liability gain layer, the
1-49 period described by Section 865.015(b)(4); or
1-50 (C) if referring to the amortization period of
1-51 all liability layers of the pension system, the number of years
1-52 incorporated in a weighted average amortization factor for the sum
1-53 of all liability layers as determined in each biennial actuarial
1-54 valuation of assets and liabilities of the system.
1-55 (7) "Legacy liability" means the total unfunded
1-56 actuarial accrued liability of the pension system:
1-57 (A) determined as of August 31, 2024, using an
1-58 assumed rate of investment return of seven percent; and
1-59 (B) for each calendar year following 2024, that
1-60 total adjusted as follows:
1-61 (i) reduced by the contribution amount made

under Section 865.015 for the calendar year allocated to the amortization of the legacy liability; and

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

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

(7-b) "Liability layer" means:

(A) the legacy liability; or

(B) for each fiscal year after August 31, 2024, the amount by which the pension system's unfunded actuarial accrued liability increases or decreases in a fiscal year, as applicable, due to the unanticipated change in revenue caused by factors, other than changes to a benefit formula, as determined in the actuarial valuation analyzing that fiscal year.

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

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

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

(A) seven percent; or

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

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

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

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

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

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

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

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

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

SECTION 5. Section 865.011(f), Government Code, is amended to read as follows:

(f) The state board shall determine the meaning of "significant change" for purposes of Subsection (d)(1), which must include circumstances in which there is an increase in the time

required to amortize the unfunded liabilities of the pension system such that that the pension system would not be actuarially sound ~~[to a period that exceeds 30 years, assuming a maximum state contribution under Section 865.015]~~.

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

(f) 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 shall contribute the money necessary to cover the costs of all increased benefits provided, as required by Section 864.0135(b). The state board may adopt rules for the regular payment of money required by this subsection.

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

Sec. 865.015. STATE CONTRIBUTIONS. (a) The state shall 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 shall 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 ~~[the state's contribution may not exceed one-third of the total of all contributions by governing bodies in a particular year]~~.

(b) The pension system's actuary shall biennially determine an actuarially determined contribution amount required under Subsection (a) that is consistent with actuarial standards of practice and the following principles:

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

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

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

(4) each liability gain layer is amortized over:

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

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

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

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

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