

FSRP Changes through HB 3898 (87R)

	Legacy FSRP (old law)	FSRP after HB 3898 (87R) takes effect Sept. 1, 2021
Target Amort. Period	≤ 40 years	≤ 30 years no later than 2 years after the triggering actuarial valuation or Sept. 1, 2025, whichever is later
Time to develop	6 months after triggering AV	2 years after triggering actuarial valuation
Time allowed to reach target	10 years	2 years after triggering actuarial valuation
Updates to the PRB	Every 2 years	Progress report within 1 year of triggering AV, Updates every 6 months afterwards
Documentation	Unspecified in statute	AV or analysis that includes an actuarial projection of expected future assets and liabilities, the date the plan is expected to achieve full funding, and a description of the methods used and how they comply with actuarial standards of practice
May include future changes?	Unspecified in statute	No, changes may only be included if they have already been approved when the FSRP is adopted
Effects on funding policy	None	Adoption triggers funding policy revision so provisions are consistent
Effects of not adhering to FSRP	Revise FSRP to achieve 30 yr am. pd. no later than 2 years after triggering AV or Sept. 1, 2025, whichever is later	R-FSRP that includes a target amortization period of ≤ 25 years and includes risk sharing mechanisms, ADC-based contributions, or other automatic adjustments to benefit or contribution structures
Exceptions	None	<ul style="list-style-type: none"> • If adhering to previous Legacy FSRP • If am. period > 30 but ≤ 40 years AND EITHER: <ul style="list-style-type: none"> ◦ using or ultimately will use ADC-based contributions & AV shows plan should achieve full funding; OR ◦ adhering to FSRP formulated before Sept. 1, 2025

FSRP Types at a Glance

Legacy Funding Soundness Restoration Plan

L-FSRPs must comply with Section 802.2015, Texas Government Code
(before 2021 changes made by HB 3898, 87R)

- **Formulated before Sept. 1, 2021.**
- Must be designed to achieve a contribution rate sufficient to amortize the UAAL within *40 years* by the 10th anniversary of FSRP deadline (6 months after adoption of triggering AV).
- System and sponsor shall report progress to PRB every two years.
- A copy of any changes must be submitted to PRB within 31 days.
- **If a system does not adhere to existing L-FSRP** (is no longer able to achieve a 40-year amortization period by the target date), a new FSRP must be prepared that achieves **30 years** no later than 2 years after the triggering AV or Sept. 1, 2025, whichever is later.

Funding Soundness Restoration Plan

Effective Sept. 1, 2021 (HB 3898, 87R)

- Must be designed to achieve a contribution rate sufficient to amortize the UAAL within **30 years** no later than **2 years** after the triggering AV **or Sept. 1, 2025**, whichever is later.
- Adopted at open meetings of the governing bodies of both system and sponsor.
- Is not required if amortization period exceeds 30 years but ≤ 40 years **AND**
 - system is using or ultimately will use ADC-based contributions & AV shows plan should achieve full funding; **OR**
 - the system and sponsor are adhering to an FSRP adopted before Sept. 1, 2025.

Revised Funding Soundness Restoration Plan

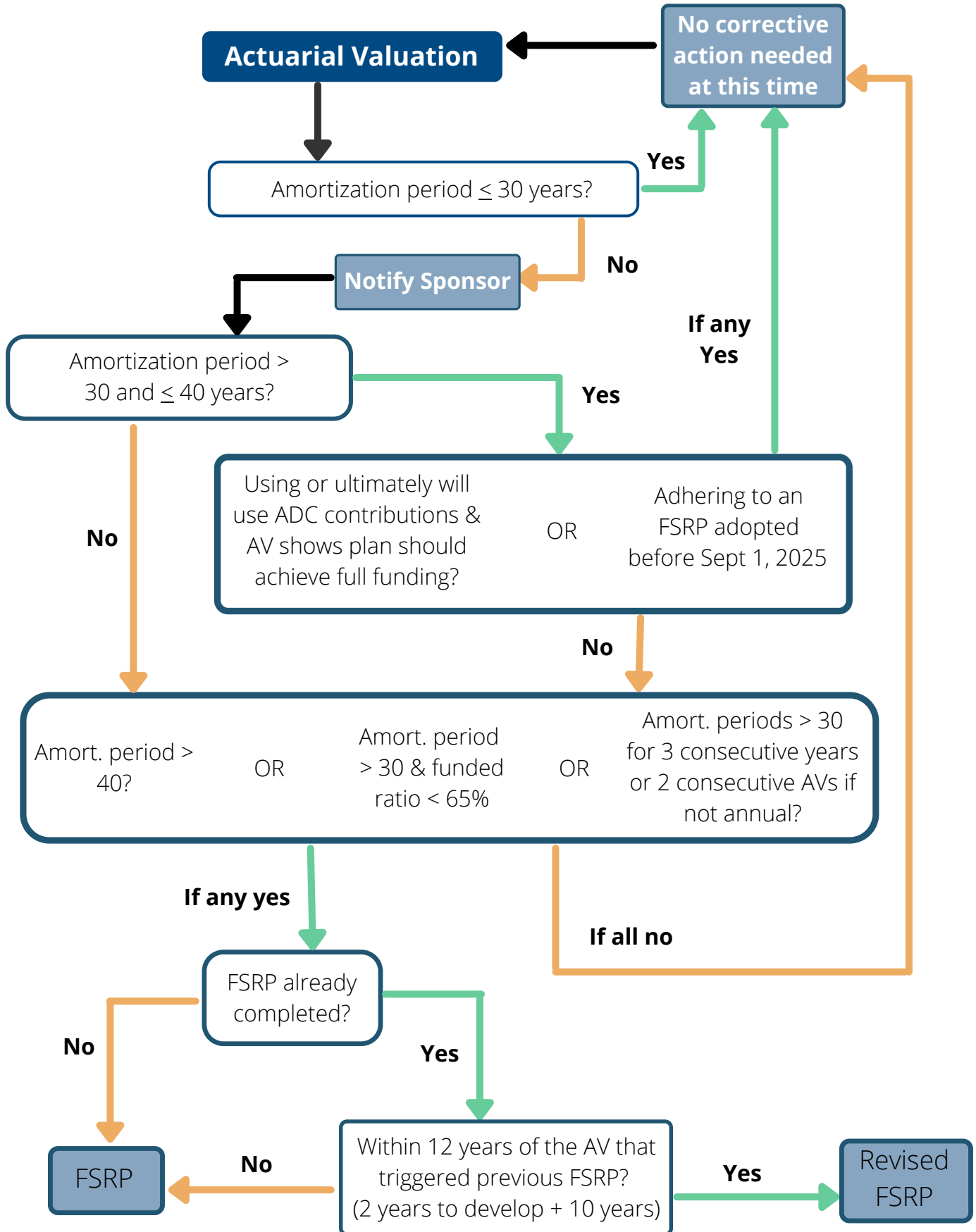
R-FSRP required if another FSRP is triggered within 10 years

Effective Sept. 1, 2021 (HB 3898, 87R)

- Must be designed to achieve a contribution rate sufficient to amortize the UAAL within **25 years** no later than 2 years after the AV triggering the R-FSRP.
- Must include **automatic risk-sharing mechanisms, ADC-based contributions, or other adjustable benefit or contribution mechanisms.**
- Adopted at open meetings of the governing bodies of both system and sponsor.

Funding Soundness Restoration Plan

After Sept. 1, 2025



FSRP Reporting to PRB

Retirement system & sponsor work together after FSRP is triggered

Within 1 year of triggering AV:

Send progress report to PRB that includes a draft of any plan or changes being considered + updates every 6 months afterwards

Within 2 years of triggering AV:

Both retirement system & sponsor **adopt FSRP/R-FSRP** at open meetings

Update funding policy based on the FSRP/R-FSRP

Within 31 days of adoption:
submit FSRP/R-FSRP to PRB

Within 90 days of adoption:

submit AV showing combined impact of all changes adopted in FSRP/R-FSRP

OR

Within 90 days of request from PRB:

submit separate analysis of combined impact of all changes adopted in FSRP/R-FSRP

Follow the FSRP/R-FSRP & return to regular actuarial valuation schedule