



Texas Pension Review Board

Update on HB 3898 (87R)

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Agenda

- PRB Legislative Recommendations
- HB 3898 Implementation
- HB 3898 Overview
 - Funding policy changes
 - Funding Soundness Restoration Plan (FSRP) changes
 - Differences between old and new laws
 - Revised FSRPs
 - Grandfathering provisions for Legacy FSRPs
 - Actions and reporting to PRB
- Questions

HB 3898 Implementation

- HB 3898 effective Sept. 1
- Upcoming:
 - Targeted assistance to plans with prior FSRPs
 - Guidance
 - Rulemaking on FSRP
 - **Look out for public comment periods**
- Later:
 - Rulemaking on investment practices and performance evaluations if necessary

Overview: HB 3898

Components of the Legislation

Funding Policies

- Systems and sponsors must prepare the funding policy jointly
- **Continue to use existing funding policy; going forward, develop any changes together with the sponsor**
- If a system becomes subject to an FSRP after Sept. 1, funding policy must be revised to incorporate any changes

Components of the Legislation

Funding Soundness Restoration Plan

- **Target Amortization Period:** from (old) 40 years → **(new) 30 years**
 - Phased-in: Not required to reach 30 years until Sept. 2025
- **Multiple Triggers:**
 - Beginning Sept. 1, 2021:
 - Am. period > 30 years for multiple consecutive AVs
 - Beginning Sept. 1, 2025:
 - Am. period > 30 years for multiple consecutive AVs
AND
 - Am. period > 40 years
 - Am. period > 30 and funded ratio < 65 percent

Components of the Legislation

Funding Soundness Restoration Plan

- **Deadlines:** (old) 6 months to develop; 10 years to achieve target → **(new) 2 years to develop and achieve target**
- **Future Benefit and Contribution Changes:** Adopt changes before the FSRP is complete
- **Sponsor Involvement:** Both system and sponsor must develop **and adopt** the FSRP at open meetings of their respective governing bodies

Components of the Legislation

Revised Funding Soundness Restoration Plan (R-FSRP)

- R-FSRP required if FSRP triggered again **within 10 years** of a previous FSRP
- Target amortization period = **25 years**
- **Must include:** automatic risk-sharing mechanisms, ADC-based contributions, or other adjustable benefit or contribution mechanisms

What if we already have an FSRP?

- An FSRP formulated before **Sept. 1, 2021** will be considered a **Legacy FSRP (L-FSRP)**
- **As long as a system adheres to its L-FSRP, that plan will remain in place**
- If a system **falls off track with its L-FSRP** (cannot achieve a 40-year amortization period by the original target date):
 - An FSRP must be prepared under the new law, targeting 30 years
 - New FSRP must be adopted within 2 years after the triggering AV or Sept. 1, 2025, whichever is later

Actions and Reporting to PRB

1. Retirement system & sponsor work together after FSRP is triggered
2. 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
3. Within 2 years of triggering AV: Both retirement system & sponsor adopt FSRP/R-FSRP at open meetings
4. Within 31 days of adoption: Submit FSRP/R-FSRP to PRB

Actions and Reporting to PRB

5. After Adoption: Update funding policy based on the FSRP/R-FSRP
6. 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
7. Follow the FSRP/R-FSRP & return to regular actuarial valuation schedule

Questions?

- Legislative Update
- HB 3898 Overview
 - Funding policy changes
 - FSRP changes
 - Differences between old and new laws
 - Revised FSRPs (R-FSRP)
 - Grandfathering Provisions for Legacy FSRPs
 - Actions and reporting to PRB
- **Watch for updates on rulemaking**

No questions today?

Let us know if you have any later.

Contact Us

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Resources

Website

www.prb.texas.gov

FSRP Materials

<https://www.prb.texas.gov/txpen/wp-content/uploads/2021/08/2025-FSRP-flow-chart.pdf>

Minimum Educational Training

<https://www.prb.texas.gov/resource-center/trustees-administrators/educational-training-program/>