



# TEXAS PENSION REVIEW BOARD

## ACTUARIAL COMMITTEE MEETING

APRIL 30, 2026

TEXAS PENSION REVIEW BOARD

P.O. BOX 13498

AUSTIN, TX 78711-3498

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[WWW.PRB.TEXAS.GOV](http://WWW.PRB.TEXAS.GOV)



**TEXAS PENSION REVIEW BOARD  
ACTUARIAL COMMITTEE MEETING AGENDA**

**Thursday, April 30th – 10:00 AM**

**William P. Clements Building, Fourth Floor, Room 402**

**300 W. 15th Street, Austin, TX, 78701**

*Committee members may attend this meeting by videoconference pursuant to Section 551.127, Texas Government Code. One or more committee members, including the presiding officer, will be physically present at the physical location of the meeting listed above. The meeting will be accessible to the public at the physical location listed above. The public may access the meeting virtually by joining via the Zoom link: <https://us02web.zoom.us/j/84774979753>. A livestream of this meeting, materials of the meeting, and a recording of the meeting will be made available at [www.prb.texas.gov](http://www.prb.texas.gov). The Committee may discuss or take action regarding any of the items on this agenda.*

1. Meeting called to order
2. Roll call of committee members
3. Consideration and possible action to approve January 29, 2026, meeting minutes
4. Opening remarks from committee members
5. Public comment
6. Updates on rule review and possible need for Funding Soundness Restoration Plan rule revisions or statutory recommendations
7. Discussion of possible revision or changes to the Policy for Regulation of Non-Compliant Retirement Systems
8. Future meetings: Agenda items, dates, locations, and related matters
9. Adjournment

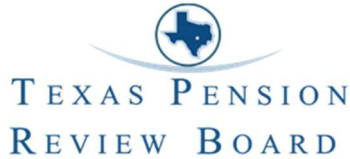
*NOTE: The committee may go into closed session concerning any item on this agenda as authorized under the Texas Open Meetings Act, Chapter 551, Texas Government Code. Persons with disabilities who plan to attend this meeting and who may need special assistance are requested to contact Jessimond McLaughlin at (512) 463-1736 as far in advance as possible, but no less than three business days prior to the meeting date, so that appropriate arrangements can be made.*

*How to provide public comment: Members of the public who wish to provide public comment to the committee may attend the meeting in person at the address above or using the Zoom link provided above. If you wish to provide comment remotely by Zoom, you must contact Jessimond McLaughlin ([jessimond.mclaughlin@prb.texas.gov](mailto:jessimond.mclaughlin@prb.texas.gov)) no later than Tuesday, April 28, 2026. Note that public comments will be limited to no more than three minutes.*



# Item 3. January 29, 2026 meeting minutes





**Actuarial Committee Meeting Minutes**  
**January 29, 2026**

**1. Meeting called to order (00:00)**

The Texas Pension Review Board (PRB) Actuarial Committee was called to order at 10:02 AM on Thursday, January 29, 2026, at 300 W 15th Street, Room 402, Austin, Texas, 78701, and via videoconference.

**2. Roll call of committee members (00:13)**

Chair Keith Brainard and Marcia Dush attended the meeting. Stephanie Leibe was unable to attend. A quorum being present, the meeting was called to order by Chair Brainard.

**3. Consideration and possible action to approve February 27, 2025, meeting minutes (00:20)**

Chair Brainard entertained a motion to approve the minutes as distributed. The motion was made by Marcia Dush and seconded by Chair Brainard.

**The motion passed unanimously.**

**4. Opening remarks from committee members (00:57)**

No opening remarks were provided by committee members.

**5. Public comment (01:09)**

No comments were provided by members of the public.

**6. Updates on upcoming rule review and possible need for Funding Soundness Restoration Plan rule revisions or statutory recommendations (01:10)**

Chair Brainard called David Fee, chief actuary, and Tamara Aronstein, general counsel, to present item six.

Ms. Aronstein provided an overview of the rulemaking process and timeline, including stakeholder feedback opportunities.

Mr. Fee provided an overview of key requirements for FSRPs triggered on or after September 1, 2025, identifying four main areas for evaluation: due date, periodic updates, member communication, and FSRP updates.

He summarized the FSRP progress through September 1, 2025, with key highlights including that 12 systems have completed FSRPs under the new statute, with two more expected to be completed soon. No systems have triggered an FSRP with valuation dates after September 1, 2025, and the FSRP submission form worked well. While most systems provided regular updates as required, many questioned what information should be included.

Mr. Fee presented initial concepts for potential rule changes, organized by rule section, such as modifications to member communication requirements and updates from systems subject to the FSRP requirement. Mr. Fee also presented potential statutory recommendations.

The committee discussed a statutory concept regarding unilateral submission, expressing that funds should continue to work collaboratively with their sponsors and mitigate possible unilateral benefit changes without consideration of the sponsor's position.

Chair Brainard expressed his view that the FSRP statute has become a centerpiece of pension reform in Texas. He stated the statute has raised awareness of pension funding problems and facilitated many solutions, and that he looks forward to improvements as the rules are further refined with stakeholder input.

Ms. Dush expressed strong support for additional rules regarding member communication, stating she believes that better-informed members will elect stronger representation and achieve better outcomes. She encouraged considering a requirement that provides some assurance to members when a plan has an amortization period exceeding 30 years.

**7. Future meetings: Agenda items, dates, locations and related matters (21:35)**

Chair Brainard stated that the Actuarial Committee is scheduled to meet next on April 30, 2026. The next meeting of the full board will take place February 25, 2026, at 10:00 AM; the location is to be determined.

**8. Adjournment (21:35)**

Hearing no further business, Chair Brainard moved to adjourn. Marcia Dush seconded. The meeting was adjourned at 10:24 AM.

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**PRB staff in attendance:**

Jessimond McLaughlin	Amy Cardona	Tamara Aronstein	Jenn Kirsner
Austin Pace	Tony Araguz	David Fee	Robert Munter
Bryan Burnham	Jasmin Loomis (virtual)	Ashley Rendon	

**Members of the public in attendance:**

Tyler Grossman – El Paso Firemen and Policemen Pension Fund	Pattie Featherston – Austin Police Retirement System	Art Alfaro – Texas Association for Public Employee Retirement Systems
Scott Olguin – Dimensional Fund Advisors		

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Keith Brainard, Chair

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# Item 6: Updates on rule review and possible need for Funding Soundness Restoration Plan rule revisions or statutory recommendations

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Tamara Aronstein and David Fee

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# Presentation Overview

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- FSRP rulemaking and statutory review process
  - Rulemaking process and timeline
  - Stakeholder engagement
- Rule concepts – guidance materials and preliminary draft rules
- Statutory recommendations – preliminary statutory recommendations
- Feedback, discussion, and questions





# FSRP Rulemaking Process



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# Rulemaking Process and Timeline

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- 1/29/26 – Actuarial Committee presentation on FSRP rule reviews and preliminary concepts for changes
- 2/25/26 – Presented rule review to full board, board approved notice of intent to review rules
- March 2026 – Stakeholder outreach for feedback on existing rules and potential changes
- **4/30/26 – Present proposed changes to Actuarial Committee for feedback**
- May 2026 – Solicit stakeholder feedback on proposed changes
- May/June 2026 – Draft modifications to proposed changes as needed
- 7/23/26 – Present draft changes to board for potential action (triggers 30-day public comment period)
- 9/30/26 – Potential adoption of any rule changes and statutory recommendations
- October-December 2026 – Implementation and outreach on any rule changes; include any legislative recommendations in Biennial Report



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# Stakeholder Engagement

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- Requested stakeholder feedback on preliminary concepts presented at Jan. 2026 Actuarial Committee meeting and Feb. 2026 board meeting
- The PRB received four comments:
  - One supported several of the recommendations.
  - One supported guidelines or a standardized form for FSRP updates, suggested including a model timeline and requiring formal plan sponsor involvement.
  - One cautioned that statutory changes to the TLFFRA act may not be necessary given the small number of systems triggering the FSRP requirement.
  - One suggested reviews by investment advisors have requirements for transparency and independence; suggested creating model guidelines and checklist for reviewing proposals and fees.



# Guidance Materials and Rule Changes – Drafts for Consideration



# Proposed Rule Changes – Themes and Key Takeaways

Topic	New Guidance	Rule Changes (40 T.A.C. Chapter 610)
Disclosure of inadequate funding arrangement	Sample notice	610.15(c)
Progress updates	New form	610.31(d), 610.31(e)
Clarification of FSRP due dates and timeline for submitting an FSRP		610.30(e)
<b>General language improvements</b>		
<ul style="list-style-type: none"> <li>Removing outdated text</li> </ul>		610.31(d), 610.31(f)
<ul style="list-style-type: none"> <li>More precise corridor language</li> </ul>		610.20(c), 610.32(c)
<ul style="list-style-type: none"> <li>Clarifying sections that apply only before September 1, 2025</li> </ul>		610.14, 610.20(b) 610.32(d)
Minor technical corrections		610.20(a)(1), 610.21(b)





# Guidance Materials – Drafts for Consideration



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# Disclosure of Inadequate Financing Arrangements

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- New model notice
  - Modeled after PBGC annual funding notice
  - Includes information from last three actuarial valuations:
    - Valuation date
    - Assets
    - Liability
    - Funded percentage
    - Funding period
  - Definitions of each key term
  - Link to PRB data center
  - System administrator contact information
- Reminder in FSRP trigger letter that they must inform all members of inadequate funding arrangement
  - Including link to new model notice



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# Progress Update Form

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- New progress update form
  - Summary of any recent discussions
  - Dates and expected topics of any upcoming scheduled discussions
  - Signatures of both system and sponsor representatives
  - Form could be voluntary or mandatory
- Link to new progress update form in FSRP trigger letter
- Recommendation to provide more guidance on progress updates received support from two stakeholders.
- One stakeholder suggested including a model timeline and requiring formal plan sponsor involvement.





# Rules Changes: Preliminary Draft Language



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# Section 610.14 – Applicability

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- Modify language to reflect voluntary FSRPs were previously authorized.



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## Section 610.15 - Required Disclosure of Inadequate Financing Arrangement to Plan Members

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- Adds a requirement that systems provide a copy of the communications to the PRB within 30 days of sending to the members, to ensure systems comply with this requirement.



## Section 610.20 - Criteria for Determining Adherence to a Legacy Funding Soundness Restoration Plan

- Rephrase rule language pertaining to allowable degree of variation to remove any appearance of subjectivity.
  - Current: “A system would be considered compliant if plan experience exceeds a corridor in a favorable way.”
  - Could modify to read: “A system would be considered compliant if the funded ratio exceeds the minimum threshold or funding period falls below the maximum threshold.”
- Clarify the language pertaining to when a system is adhering to an L-FSRP (minor technical changes).
- Minor technical correction.



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## Section 610.21 – Completion of a Legacy FSRP

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- Minor technical correction.



## Section 610.30 – Submission and Completion Criteria for the FSRP Requirement

- Specify that systems may submit the FSRP before the deadline so long as the PRB reviews and determines the plan is sufficient to amortize the unfunded liability within the statutorily required timeframe.



## Section 610.31 – Compliance With Progress Updates

- Specify that system and governmental entity must submit progress updates (as required by statute).
- Specify that progress updates must be submitted using a form prescribed by the board.
- Strike outdated references to:
  - V-FSRPs
  - FSRPs triggered with AVs prior to 9/1/21
- The recommendation to provide more guidance on progress updates received support from one stakeholder.

## Section 610.32 – Revised Funding Soundness Restoration Plan Exemption

- Rephrase rule language pertaining to allowable degree of variation to remove any appearance of subjectivity.
- Modify language to reflect voluntary FSRPs were previously authorized.





# Potential Statutory Recommendations



# Potential Legislative Recommendations

- **Potential legislative recommendation 1 – Modify the Funding Soundness Restoration Plan (FSRP) submission requirements to instead specify that the Pension Review Board (PRB) determines submission requirements by rule.**
- This recommendation would provide flexibility for the board to specify the submission requirements based on the action contemplated by the system, sponsor, and any oversight entities, or the specific requirements for changes in a municipal system's statute.
  - For example, if a system's statute requires voter approval for changes, the election results can suffice for documentation;
  - Or if legislation addresses the funding issues, the PRB could accept the bill and its actuarial impact statement rather than requiring specific action by the system or sponsor (see related recommendation 1a below).



# Potential Legislative Recommendations (cont'd)

- **Potential legislative recommendation 1a – Specify that legislation that brings a system into compliance with all FSRP or revised FSRP requirements other than those related to adoption at open meetings negates the requirement that the system and sponsor take formal action to adopt an FSRP.**
- This recommendation would eliminate an additional, redundant step for systems and sponsors to take formal action in an open meeting to adopt an FSRP.
  - Generally, the legislature amends a system's enabling statute only when both the system and sponsor agree to the changes and the changes do not negatively impact the system's actuarial soundness.



# Potential Legislative Recommendations (cont'd)

- **Potential legislative recommendation 2 – Require the PRB to provide regular reports on FSRP noncompliance to ensure transparency.**
- This recommendation would require in statute that the PRB provide reports on systems subject to, but not compliant with the FSRP requirement. The PRB could provide either or both of the following reports:
  - FSRP compliance report
  - FSRP progress report

# Potential Legislative Recommendations (cont'd)

- FSRP compliance report – a standalone biennial report to leadership offices (office of the governor, lieutenant governor, and speaker of the house).
  - This report would be prepared and submitted at the same time as the agency's biennial report but would be published under separate cover to highlight FSRP noncompliance issues.
- FSRP progress report – the PRB would provide regular updates to the appropriate standing committees (generally Senate Finance Committee and House Pensions, Investments & Financial Services Committee) on systems subject to the FSRP requirement.
  - The PRB would adapt the FSRP report provided to the board to keep the standing committees apprised of FSRP updates, ensuring awareness of noncompliance that could lead to potential need for legislative action.





# Feedback, Discussion, and Questions



**Pension Review Board**  
**Title 40, Part 17 Texas Administrative Code**  
**Chapter 610 – Funding Soundness Restoration Plans**

Rule §610.11 – Authority and Purpose.

These rules implement and are authorized by Texas Government Code §§801.201, 802.2011, 802.2015, and 802.2016.

Rule §610.13 – Definitions.

When used in this chapter, the terms listed below shall have the following meanings:

- (1) "Board" means State Pension Review Board.
- (2) "Compliance corridor" means the acceptable range of variation from a system's baseline for the system's funding period or funded ratio, as further described in board rules that concern a system's adherence to a funding soundness restoration plan, and related figures.
- (3) "Formulated" means finalized and approved by the appropriate decision-making bodies.
- (4) "Funded ratio" has the meaning assigned by Texas Government Code §802.2011.
- (5) "Funding period" means the length of time it would take to fully fund the unfunded actuarial accrued liability under the current actuarial assumption based on the greater of the actuarial value of assets or the market value of assets.
- (6) "Governmental entity" has the meaning assigned by §802.1012, Texas Government Code.
- (7) "Legacy funding soundness restoration plan" or "L-FSRP" means a funding soundness restoration plan formulated prior to September 1, 2021, accepted by the board, and governed by the law as it existed immediately before that date.
- (8) "Public retirement system" has a meaning as defined by §801.001(2) and §802.001(3), Texas Government Code but shall not include defined contribution plans as defined by §802.001(1-a), Texas Government Code or retirement systems consisting exclusively of volunteers organized under the Texas Local Fire Fighters' Retirement Act as defined by §802.002(d), Texas Government Code.
- (9) "Revised funding soundness restoration plan" or "R-FSRP" means a funding soundness restoration plan prepared under §802.2015(e-1) or §802.2016(e-1), Texas Government Code, which includes additional components compared to a funding soundness restoration plan prepared under §802.2015(e) or §802.2016(e), Texas Government Code.
- (10) "Revised funding soundness restoration plan exemption" or "revision exemption" means the applicable section of either Texas Government Code §§802.2015(d-1) or 802.2016(d-1) under which

qualifying systems prepare a funding soundness restoration plan under Texas Government Code §§802.2015(e) or 802.2016(e) rather than a revised funding soundness restoration plan.

(11) "Target date" means the 10th anniversary of the date on which the final version of a legacy funding soundness restoration plan was agreed to as required by law as it existed immediately before September 1, 2021.

(12) "Valuation date" means the date as of which the actuarial accrued liability and the actuarial value of assets are determined, often the first or last day of the plan year as specified in the valuation.

(13) "Voluntary funding soundness restoration plan" or "V-FSRP" means a funding soundness restoration plan formulated submitted, and completed under either Texas Government Code §802.2015 or §802.2016 as it stands after September 1, 2021, without the system or associated governmental entity first becoming subject to the requirement.

#### Rule §610.14 – Applicability.

This chapter applies to every public retirement system and its associated governmental entity that is subject to Texas Government Code §802.2015 or §802.2016 and to a system or associated governmental entity that ~~chose choose~~ to submit a voluntary funding soundness restoration plan prior to September 1, 2025.

#### Rule §610.15 – Required Disclosure of Inadequate Financing Arrangement to Plan Members.

(a) A notification to the associated governmental entity under Texas Government Code §802.2015(c) or §802.2016(c) regarding an actuarial valuation that indicates the public retirement system's actual contributions are not sufficient to amortize the unfunded liability within 30 years, means that the financing of the system is inadequate for the purposes of §802.106(d), Texas Government Code.

(b) The disclosure to members of an actuarial determination of an inadequate financing arrangement required under Texas Government Code §802.106(d) shall be accompanied by a notice that the system is subject to the funding soundness restoration plan requirement under Texas Government Code §802.2015(c) or §802.2016(c) when a system becomes subject to the requirement.

(c) A system required to provide a disclosure to members of an actuarial determination of an inadequate financing arrangement shall provide the disclosure to its members with the next annual benefit statement and a copy of the disclosure to the board within 30 days of sending the disclosure to members.

#### Rule §610.20 – Criteria for Determining Adherence to a Legacy Funding Soundness Restoration Plan.

(a) A public retirement system is adhering to a legacy funding soundness restoration plan if the system's actuarial valuation shows:

(1) the funding period is expected to fall within 40 years by the target date, ~~and~~ so long as the system's funding period continues to shorten while the system's funding period is above 40 years and does not increase to a length of time greater than 40 years after falling below 40 years; or

(2) an increase in funding period compared to the previous valuation, and the system's actuarial valuation shows that, between the valuation date and the system's target date, the system's funding period or funded ratio remains within the compliance corridor adopted in board rule. If the system's funding period is infinite, only the funded ratio will be evaluated to determine compliance for the purposes of this paragraph.

(b) A public retirement system with a legacy funding soundness restoration plan may submit a projection to serve as the baseline for the purpose of this subsection prior to September 1, 2025. This projection must show the projected funded ratio and funding period for each year beginning with the current date until the target date. For any years the system's funding period is projected to be above 40 years, the corridor will be based on the baseline. For any years the system's funding period is projected to be below 40 years, the compliance corridor will be based on a minimum of 40 years. If the system does not submit such a projection to the board for this purpose, the board will determine adherence to the legacy funding soundness restoration plan using a baseline in which a system's funding period must decrease by one year every consecutive year as measured on the anniversary of the date on which the final version of the funding soundness restoration plan was agreed to as required by law.

(c) The allowable degree of variation from the baseline will begin at five percent for a funded ratio corridor or ten years for a funding period corridor and will decrease over the period between the current date and the target date as described by Figure: 40 TAC §610.20(c). A system would be considered compliant if the funded ratio exceeds the minimum threshold or funding period falls below the maximum threshold. ~~plan experience exceeds a corridor in a favorable way.~~ The board will use each system's baseline to provide a compliance corridor unique to that system based on their funding period and funded ratio, using the corridor sizes specified in these rules.

[Attached Graphic](#)

Rule §610.21 – Completion of a Legacy Funding Soundness Restoration Plan.

(a) A public retirement system adhering to a legacy funding soundness restoration plan may continue following that plan until the earlier of:

(1) the target date; or,

(2) the date of an actuarial valuation that indicates the system's funding period is at or below 30 years.

(b) ~~Actuarial actuarial~~ valuations with valuation dates during a time that a system is adhering to a legacy funding soundness restoration plan shall not be counted towards triggering a funding soundness restoration plan under Texas Government Code §802.2015(c) or §802.2016(c) as it stands after September 1, 2021, until after the applicable date described in subsection (a) of this section when the system completes the legacy funding soundness restoration plan.

Rule §610.22 – Application of Revised Funding Soundness Restoration Plan Exemption.

(a) A public retirement system's actuarial valuation must be dated after September 1, 2025, to qualify for the revision exemption under Texas Government Code §802.2015(d-1)(1) or §802.2016(d-1)(1).

(b) The revision exemption does not apply to a system adhering to a legacy funding soundness restoration plan before the date prescribed by §610.21 of this chapter (relating to Completion of a Legacy Funding Soundness Restoration Plan).

Rule §610.30 – Submission and Completion Criteria for the Funding Soundness Restoration Plan Requirement.

(a) The board will consider a retirement system to have submitted a funding soundness restoration plan when the board receives:

- (1) a completed form approved by the board for this purpose;
- (2) any supplementary or explanatory documents necessary to illustrate how the system's funding period will be within the maximum by the prescribed date, including a revised funding policy; and
- (3) documentation of the date the plan was adopted by both the governing body of the system and of the governmental entity. Documentation may include the minutes or other record of an open meeting when each adoption occurred.

(b) The board will consider a retirement system to have completed the funding soundness restoration plan requirement when the board receives an actuarial valuation or separate analysis under Texas Government Code §§802.2015(e-2) or 802.2016(e-2) and the staff actuary or board actuary determines the actuarial valuation or separate analysis complies with actuarial standards of practice. An actuarial valuation and separate analysis are equivalent for the purposes of Texas Government Code §§802.2015(e-2) or 802.2016(e-2) and either may be submitted in lieu of the other during the respective submission periods, provided it includes the components required by the applicable subsection.

(c) For a system submitting a revised funding soundness restoration plan with specific changes required by statute, "automatic risk-sharing mechanisms" means changes to plan provisions, including adjustments to benefit levels or contribution amounts, upon meeting or exceeding certain criteria established beforehand without needing additional approval at the time of the change. The plan shall specify how the changes to the contribution amounts are split between the employer and members. At

least one of the automatic risk-sharing mechanisms included in the plan must be an adjustable benefit or contribution mechanism.

(d) A system or associated governmental entity shall submit to the board the materials related to a funding soundness restoration plan that adequately fulfill the analysis and documentation requirements in statute and rules to be considered compliant. If the board determines the materials are inadequate, the board will notify the system of the determination with an explanation of the reason and may request additional information. The system shall submit additional materials consistent with the board's instructions. The board would consider a system noncompliant if the board does not receive the system's funding soundness restoration plan; if the system fails to comply with an approved funding soundness restoration plan, revised funding soundness restoration plan, or other type of funding soundness restoration plan; or if the system fails to submit to the board the funding soundness restoration plan materials that adequately satisfy the requirements in statute and board rules within the appropriate time periods for those materials.

(e) A system may submit a funding soundness restoration plan to the board prior to the second anniversary of the valuation date stated in the actuarial valuation that required formulation of the plan, so long as the board reviews the plan and determines it is sufficient to amortize the unfunded actuarial accrued liability within 30 years of the second anniversary of the triggering valuation.

Rule §610.31 – Compliance with Progress Updates.

(a) A system adhering to a legacy funding soundness restoration plan shall continue providing progress updates every two years rather than submitting progress updates in accordance with this section.

(b) The first draft of a plan submitted as a part of a progress update under Texas Government Code §§802.2015(f) or 802.2016(f) must, at minimum, include a projected timeline for enactment of the plan, and identify the action that various entities must take to approve or enact the plan, such as votes that may be necessary in accordance with the system's governing statute. Each subsequent progress update should include a draft plan that contains updated information and that demonstrates movement toward a complete and finalized plan.

(c) A description of changes submitted as part of a progress update to fulfill the requirements of Texas Government Code §§802.2015(f) or 802.2016(f) must include the projected actuarial impact of each change under consideration on the retirement system's funding period and funded ratio.

~~(d) A system must submit updates consistent with subsections (b) and (c) of this section to the board starting September 1, 2023, and every six months thereafter until the system submits a funding soundness restoration plan to the board and the board determines it is compliant if the system:~~

~~(1) received an actuarial valuation dated prior to September 1, 2021, that triggered a funding soundness restoration plan requirement; and~~

~~(2) does not have a board-approved legacy funding soundness restoration plan.~~

~~(d) (e)~~ A system ~~and the~~ ~~or~~ associated governmental entity that receives an actuarial valuation ~~dated after September 1, 2021,~~ that triggers a funding soundness restoration plan, including a revised funding soundness restoration plan, must submit updates to the board beginning not later than the first anniversary of the valuation date of the actuarial valuation that required formulation of the plan and every subsequent six-month period until the plan is submitted as described in Texas Government Code §§802.2015(f) or 802.2016(f).

(e) The system and associated governmental entity shall submit progress updates in a form prescribed by the board.

~~(f) A system or associated governmental entity preparing a voluntary funding soundness restoration plan is not required to submit progress updates to the board.~~

#### Rule §610.32 – Revised Funding Soundness Restoration Plan Exemption.

(a) A public retirement system is adhering to a funding soundness restoration plan formulated between September 1, 2021, and September 1, 2025, if, during the period between the date the funding soundness restoration plan is adopted by the system and governmental entity and the 10th anniversary of the applicable date for the funding soundness restoration plan to be formulated and the system to be within the maximum funding period prescribed by Texas Government Code §§802.2015(e)(2) or 802.2016(e)(2), the system's actuarial valuation shows the system's funding period or funded ratio remain within the applicable compliance corridors established in this section. If the system's funding period is infinite, only the funded ratio will be evaluated to determine compliance for the purposes of this subsection.

(b) The baseline for a system's funding period compliance corridor will be 30 years, and the baseline for the funded ratio corridor will be the actuarial projection of the system's expected future actuarial value of assets and liabilities submitted as part of an actuarial valuation or separate analysis in accordance with either Texas Government Code §§802.2015(e-2)(1) or 802.2016(e-2)(1).

(c) The allowable degree of variation from the baseline will begin at five percent for a funded ratio corridor or ten years for a funding period corridor and will decrease over the 10-year period as described by Figure: 40 TAC §610.32(c). A system would be considered compliant if the funded ratio exceeds the minimum threshold or funding period falls below the maximum threshold. ~~plan experience exceeds the corridor in a favorable way.~~ The board will use each system's baseline to provide a compliance corridor unique to that system based on their amortization period and funded ratio, using the corridor sizes specified in these rules.

#### Attached Graphic

(d) A system may submit a voluntary funding soundness restoration plan prior to September 1, 2025 without first becoming subject to the requirement, for the purposes of qualifying for the revision

exemption, provided the V-FSRP is consistent with all applicable submission requirements in statute and rules.

DRAFT

**Pension Review Board**

**Funding Soundness Restoration Plan Proposed Statutory Recommendations – DRAFT**

**Potential legislative recommendation 1 – Modify the Funding Soundness Restoration Plan (FSRP) submission requirements to instead specify that the Pension Review Board (PRB) determines submission requirements by rule.**

This recommendation would provide flexibility for the board to specify the submission requirements based on the action contemplated by the system, sponsor, and any oversight entities, or the specific requirements for changes in a municipal system's statute. For example, if a system's statute requires voter approval for changes, the election results can suffice for documentation; or if legislation addresses the funding issues, the PRB could accept the bill and its actuarial impact statement rather than requiring specific action by the system or sponsor (see related recommendation 1a below).

**Potential legislative recommendation 1a – Specify that legislation that brings a system into compliance with all FSRP or revised FSRP requirements other than those related to adoption at open meetings negates the requirement that the system and sponsor take formal action to adopt an FSRP.**

This recommendation would eliminate an additional, redundant step for systems and sponsors to take formal action in an open meeting to adopt an FSRP. Generally, the legislature amends a system's enabling statute only when both the system and sponsor agree to the changes and the changes do not negatively impact the system's actuarial soundness.

**Potential legislative recommendation 2 – Require the PRB to provide regular reports on FSRP noncompliance to ensure transparency.**

This recommendation would require in statute that the PRB provide reports on systems subject to, but not compliant with the FSRP requirement. The PRB could provide either or both of the following reports:

- FSRP compliance report – a standalone biennial report to leadership offices (office of the governor, lieutenant governor, and speaker of the house). This report would be prepared and submitted at the same time as the agency's biennial report but would be published under separate cover to highlight FSRP noncompliance issues.
- FSRP progress report – the PRB would provide regular updates to the appropriate standing committees (generally Senate Finance Committee and House Pensions, Investments & Financial Services Committee) on systems subject to the FSRP requirement. The PRB would adapt the FSRP report provided to the board to keep the standing committees apprised of FSRP updates, ensuring awareness of noncompliance that could lead to potential need for legislative action.

**INADEQUATE FUNDING NOTICE**  
**for**  
**[insert name of pension system]**

Introduction

This notice includes important information about the funding status of your pension system (“the system”). This notice is required by state law (Section 802.106(d), Texas Government Code). All Texas public retirement systems with more than 30 projected years remaining to become fully funded based on current contribution rates must send a notice to their members at the time the next annual statements are provided.

Funding Status of Your System

The chart below shows you key information regarding your pension system.

<b>Funding Status Last Three Valuations</b>			
	[Insert year]	[Insert year]	[Insert year]
1. Valuation Date	[insert date]	[insert date]	[insert date]
2. Assets	[insert amount]	[insert amount]	[insert amount]
3. Liability	[insert amount]	[insert amount]	[insert amount]
<b>4. Funded Percentage (2)/(3)</b>	<b>[insert percentage]</b>	<b>[insert percentage]</b>	<b>[insert percentage]</b>
<b>5. Funding Period</b>	<b>[insert years]</b>	<b>[insert years]</b>	<b>[insert years]</b>

Key Terms

The **assets** in line 2 of the chart above may represent the unadjusted market value of assets, or an actuarial value of assets that blends the investment gains and losses over a reasonable period.

The **liability** in line 3 of the chart above is an estimate of the amount of assets the system needs on the Valuation Date to pay for promised benefits that have already been accrued.

The **funded percentage** in line 4 of the chart above represents the system’s assets as a percentage of the system liability. Since the liability represents benefits for service already worked in previous years, the ideal funded percentage on any valuation date is 100 percent.

The **funding period** in line 5 of the chart above represents the projected future years to become fully funded based on current benefit and contribution levels. Systems with funding periods longer than 30 years must send this notice.

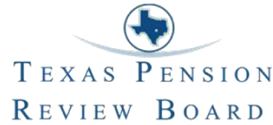
Information on File with Texas Pension Review Board

The Texas Pension Review Board (PRB) provides oversight for Texas public retirement systems. You can find all available information on file with the PRB for your system and all other Texas public retirement systems in the PRB’s [Texas public pension data center](#).

### Where to Get More Information

You can reach your system's administrator using the contact methods listed below:

[Insert contact information]



P.O. Box 13498, Austin, TX 78711 | Phone: (512) 463-1736 | Email: [prb@prb.texas.gov](mailto:prb@prb.texas.gov)

## Funding Soundness Restoration Plan Progress Update Form

### Retirement System Profile

_____	_____
System Name	Phone Number
_____	_____
Report Contact Name (Please Print)	Email Address

### FSRP Progress Update Form

This form is a required component of progress updates for Funding Soundness Restoration Plans (FSRPs) and Revised Funding Soundness Restoration Plans (R-FSRPs). For full details on FSRP requirements, please review Sections 802.2015 and 802.2016, Texas Government Code; 40 T.A.C. Chapter 610; and the FSRP materials on the PRB's [website](#).

Pension systems and their sponsors are required to provide FSRP progress updates to the PRB within one year of the actuarial valuation date that triggered the FSRP, and every six months thereafter.<sup>1</sup>

**Attached Documents:** Please list or describe any supplemental documents your system is submitting with this form, if any, to constitute your FSRP progress update.

<sup>1</sup> Sections 802.2015(f) and 802.2016(f), Texas Government Code.

**Recent Discussions Between Sponsor and System:**

Please provide a summary of any recent discussions:

**Components:** Please indicate all categories that your system and sponsor have discussed as potential changes to funding policy. **Revised FSRPs MUST include automatic risk sharing mechanisms, an ADC structure, and other adjustable benefit or contribution mechanisms.** A description of an “automatic risk sharing-mechanisms” may be found in 40 T.A.C. Section 610.30(c).

<u>Benefit Changes:</u> <input type="checkbox"/> New benefit tier <input type="checkbox"/> COLA eliminated <input type="checkbox"/> COLA changed <input type="checkbox"/> DROP eliminated <input type="checkbox"/> DROP changed <input type="checkbox"/> Other (describe below or on a separate page.)	<u>Contribution Changes:</u> <input type="checkbox"/> Actuarially determined contribution structure <input type="checkbox"/> Sponsor contribution increase <input type="checkbox"/> Member contribution increase <input type="checkbox"/> Other (describe below or on a separate page.)	<u>Risk-sharing Mechanisms:</u> <input type="checkbox"/> Corridor <input type="checkbox"/> Other (describe below or on a separate page.)
Please briefly describe the specific changes being contemplated:          		

**Upcoming Discussions Between Sponsor and System:**

Please provide the dates and expected topics of any upcoming scheduled discussions:

**System Certification**

I hereby certify that the information provided above is correct and accurate and that I am duly authorized by the retirement system to complete this form.

\_\_\_\_\_  
Authorizing Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

**System Certification**

I hereby certify that the information provided above is correct and accurate and that I am duly authorized by the system sponsor to complete this form.

\_\_\_\_\_  
Authorizing Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

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# Item 7: Discussion of possible revision or changes to the Policy for Regulation of Non-Compliant Retirement Systems

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Bryan Burnham



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# Background

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- Policy originally adopted in 1996, last update adopted August 2013 after Sunset legislation.
- Includes steps in compliance with Section 801.209, Texas Government Code.
  - Systems listed on PRB website after 60 days of noncompliance
  - Notify sponsoring entity of listing
- Only currently applicable for annual reports
  - Audited financial report
  - Membership report
  - Investment returns and assumptions report (PRB-1000)

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# Proposed Changes

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- Make updates to the policy to:
  - include all required reporting
    - Current policy only references specific sections (annual reports)
    - Change to all reports including MET reports
    - Exclude FSRP since it has own noncompliance policy adopted in 2022
  - better reflect current practices
    - 15- and 45-day notices to system contacts
    - Notification to sponsor about 60-day noncompliance via letter signed by the executive director
    - Update on reporting compliance presented at each PRB full board meeting

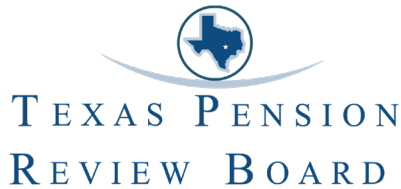
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# Timeline

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- February-March: staff discussion and recommended changes
- **April 30, 2026:** Actuarial Committee discussion
- May-June: Stakeholder feedback opportunity
- July 23, 2026 and potentially September 30, 2026: full board discussion of draft, for potential adoption





## Policy for Regulation of Non-Compliant Retirement Systems

**Adopted August 28, 2013**

- I. **Applicability.** This policy applies to all public retirement systems defined in Chapter 802 of the Texas Government Code subject to the requirements of Sections 802.103, 802.104, and 802.108 of the Texas Government Code, which requires public retirement systems to submit to the Pension Review Board annual reports within a specified time frame.
- II. **Notification.**<sup>1</sup> The PRB will notify each system 60 days prior to the system's annual reports being due to the PRB. Additionally, the PRB will notify each system 15 days prior to the system's reports being due to the PRB.
- III. **Non-Compliant.** A plan is considered non-compliant if the PRB does not receive an audited annual financial report, annual membership report, and an investment returns and assumptions report before the 211<sup>th</sup> day after the last day of the plan's fiscal year.
- IV. **Late Notification.** A plan that has not submitted their annual reports within 15 days of their due date will be notified by the PRB of their non-compliant status and will be requested to submit the required reports.
- V. **Staff Action.** If the PRB does not receive the required reports within 15 days of the late notification, the staff of the PRB will contact the plan to notify them of their non-compliant status and attempt to resolve the compliance matter.
- VI. **Action of the Executive Director.** If a plan is still non-compliant 60 days from the date its reports were due to the PRB and the staff has been unable to work with the plan to resolve the compliance matter, the plan's name will be included on the list of non-compliant public retirement systems posted on the PRB website and the Executive Director will contact the plan to notify the plan of its non-compliant status and that the plan's non-compliant status may be addressed by the PRB at an upcoming Board meeting.
- VII. **Notification to Sponsoring Entity.** The Board shall notify the sponsoring entity of a plan that has its name included on the list of non-compliant public retirement systems posted on the PRB website in accordance with the Government Code Section 801.209 (c).
- VIII. **Information to the Board.** At each PRB meeting, staff will recommend to the Board non-compliant plans for discussion. Staff's recommendation will be based on the severity of non-compliance for

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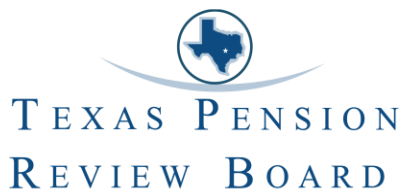
<sup>1</sup> The PRB will notify the primary contact(s) listed in the PRB database for each plan. If a plan wishes to change or obtain the list of their primary contact(s), the plan should contact the PRB to request or change the information.

each plan, indicating the amount of time that each plan has been non-compliant and efforts by staff to bring the plan into compliance, as well as the total net asset value of the plan and the total membership of the plan.

- IX. **Board Determination.** The Board will determine whether the non-compliant system/s require formal attention at the next Board meeting. If such determination is made, the PRB staff will notify the plan advising them that their plan will be placed on the agenda for formal discussion as a non-compliant plan at the next Board meeting. The Board will designate a specific time frame that the plan has to submit their report(s) or they will be requested to appear before the Board to discuss their compliance issue with the Board.
- X. **Board Discussion.** If the plan does not comply within the time specified, the plan will be placed on the agenda for the next meeting of the Board. The plan will be requested to appear for a formal discussion on its non-compliant status.<sup>2</sup> At the meeting, the Chairman will recommend what further compliance steps are required, if necessary.
- XI. **Further Action.** To address the non-compliance of a plan, the Board may consider use of its statutory powers contained in sections 801.204, 801.205, and 802.003(d) of the Texas Government Code.

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<sup>2</sup> Each primary contact listed in the PRB database will receive notice of the Board's request for the plan to appear for a formal discussion of the plan's non-compliant status. The plan may designate a representative of the plan to appear for such discussion.



**Policy for Promoting Compliance with Required Reporting  
Adopted Month Day, 2026**

- I. **Applicability.** This policy applies to all public retirement systems, as defined in Chapter 802, Texas Government Code, subject to the requirements of Section 801.211 and Chapter 802, Texas Government Code, which require public retirement systems to submit certain reports to the Pension Review Board within specified time frames.<sup>1</sup>
- II. **Notification.** The PRB will notify each system 60 days prior to the system's reports being due to the PRB.<sup>2</sup> Additionally, the PRB will notify each system 15 days prior to the system's report(s) being due to the PRB if the PRB has not yet received the report(s). The PRB will notify the person(s) listed as primary contact(s) for each system.
- III. **Noncompliant.** A system is considered noncompliant if the PRB does not receive a required report before the due date specified in Chapter 802, Texas Government Code or 40 T.A.C. Chapter 607.140.
- IV. **Late Notification.** A system that has not submitted its report(s) within 15 days following the due date will be notified, through email, by the PRB of its noncompliant status and will be requested to submit the required report(s). The PRB will send a second notification through email if the system remains noncompliant after 45 days following its due date.
- V. **Staff Action.** If the PRB does not receive the required report(s) within 15 days following the 45-day late notification, PRB staff will notify the system of its noncompliant status and attempt to resolve the compliance matter.

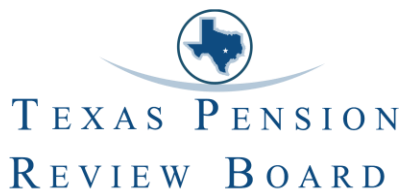
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<sup>1</sup> [Section 801.211, Texas Government Code](#), allows the PRB to adopt rules for the Minimum Educational Training (MET) program and reporting requirements for MET are found in [40 T.A.C. Chapter 607.140](#); [Sections 802.2015](#) and [802.2016](#), Texas Government Code, are exempt from this policy as there is a [separate compliance policy for Funding Soundness Restoration Plans](#).

<sup>2</sup> Notifications will not be sent for reports that are due when adopted or amended. The PRB may reach out to a system to request a copy of such report if the PRB becomes aware of an updated version that was not submitted.

## PRB Policy for Promoting Compliance with Required Reporting

- VI. Action of the Executive Director. If a system is still noncompliant 60 days after the date its reports were due to the PRB and staff has been unable to informally resolve the compliance matter, the system's name will be included on the *List of Plans Noncompliant Over 60 Days* posted on the PRB website and the executive director will send a letter to the sponsoring entity of the retirement system to notify the sponsor of the system's noncompliant status and that the system's noncompliant status may be addressed by the PRB at an upcoming board meeting. The letter to the sponsor will also be forwarded to the retirement system.
- VII. Information to the Board. At each PRB meeting, staff will provide the board with a report on system compliance, which will include a listing of all systems noncompliant with reporting requirements under Chapter 802, Texas Government Code, for more than 60 days.
- VIII. Board Determination. The board will determine whether the noncompliant system(s) require formal attention at a future board meeting. If such determination is made, PRB staff will notify the system that it will be placed on the agenda for formal discussion as a noncompliant system at a future PRB meeting. The board will designate a specific time frame that the system has to submit its report(s) prior to being requested to appear before the board to discuss the noncompliance with the board.
- IX. Board Discussion and Action. If the system does not comply within the time specified, it will be placed on the agenda for the next meeting of the board. The system will be requested to appear for formal discussion of its noncompliant status. Each primary contact listed in the PRB database will receive notice of the board's request for the system to appear for a formal discussion of its noncompliant status. At the meeting, the board will recommend any further compliance steps are required, if necessary, such as notifying the legislature and the office of the governor.
- X. Further Action. To address the noncompliance of a system, the board may consider use of its statutory powers contained in sections 801.204, 801.205, and 802.003(d), Texas Government Code.



Policy for ~~Regulation of Promoting Compliance Non-Compliant Retirement Systems with Required Reporting~~  
Adopted ~~Month Day, 2026~~ August 28, 2013

- I. Applicability. This policy applies to all public retirement systems, as defined in Chapter 802, ~~of the~~ Texas Government Code, subject to the requirements of ~~Sections 802.103, 802.104, and 802.108 of the Texas Government Code~~ said Section 801.211 and Chapter 802, Texas Government Code, which requires public retirement systems to submit certain reports to the Pension Review Board ~~annual reports~~ within ~~a~~ specified time frames.<sup>1</sup>
- II. Notification<sup>2</sup>. The PRB will notify each system 60 days prior to the system's ~~annual~~ reports being due to the PRB.<sup>2</sup> Additionally, the PRB will notify each system 15 days prior to the system's report(s) being due to the PRB if the PRB has not yet received the report(s). The PRB will notify the person(s) listed as primary contact(s) for each system.
- III. Non-~~c~~Compliant. A ~~system plan~~ is considered non-compliant if the PRB does not receive ~~an audited annual financial report, annual membership report, and an investment returns and assumptions report before the 211<sup>th</sup> day after the last day of the plan's fiscal year~~ a required report before the due date specified in Chapter 802, Texas Government Code or 40 T.A.C. Chapter 607.140.
- IV. Late Notification. A ~~system plan~~ that has not submitted ~~their-its annual~~ report(s) within 15 days ~~of following their-the~~ due date will be notified, through email, by the PRB of ~~their-its~~ non-compliant status and will be requested to submit the required report(s). The PRB will send a second notification through email if the system remains noncompliant after 45 days following its due date.
- V. Staff Action. If the PRB does not receive the required report(s) within 15 days ~~of following~~ the 45-day late notification, ~~the PRB staff of the PRB will contact notify~~ the ~~system plan to notify them of their-its~~ non-compliant status and attempt to resolve the compliance matter.

<sup>1</sup> Section 801.211, Texas Government Code, allows the PRB to adopt rules for the Minimum Educational Training (MET) program and reporting requirements for MET are found in 40 T.A.C. Chapter 607.140; Sections 802.2015 and 802.2016, Texas Government Code, are exempt from this policy as there is a separate compliance policy for Funding Soundness Restoration Plans.

<sup>2</sup> Notifications will not be sent for reports that are due when adopted or amended. The PRB may reach out to a system to request a copy of such report if the PRB becomes aware of an updated version that was not submitted.

- VI. Action of the Executive Director. If a systemplan is still non-compliant 60 days ~~from~~after the date its reports were due to the PRB and ~~the~~ staff has been unable to ~~work with the system~~ ~~to~~informally resolve the compliance matter, the system's name will be included on the List of Plans Noncompliant Over 60 Days ~~list of non-compliant public retirement systems~~ posted on the PRB website and the executive director will ~~contact~~send a letter to the sponsoring entity of the retirement systemplan to notify the ~~sponsorm plan~~ of the system's noncompliant status and that the system's noncompliant status may be addressed by the PRB at an upcoming board meeting. The letter to the sponsor will also be forwarded to the retirement system.
- ~~VII.~~ ~~Notification to Sponsoring Entity.~~ ~~The Board shall notify the sponsoring entity of a plan that has its name included on the list of non-compliant public retirement systems posted on the PRB website in accordance with the Government Code Section 801.209 (c).~~
- ~~VIII.~~VII. Information to the Board. At each PRB meeting, staff will ~~recommend to the Board non-compliant plans for discussion. Staff's recommendation will be based on the severity of non-compliance for each plan, indicating the amount of time that each plan has been non-compliant and efforts by staff to bring the plan into compliance, as well as the total net asset value of the plan and the total membership of the plan.~~ provide the board with a report on system compliance, which will include a listing of all systems noncompliant with reporting requirements under Chapter 802, Texas Government Code, for more than 60 days.
- ~~IX.~~VIII. Board Determination. The Bboard will determine whether the non-compliant system(s) require formal attention at ~~the next~~ future Bboard meeting. If such determination is made, ~~the~~ PRB staff will notify the systemplan advising them that ~~their plan~~theyit will be placed on the agenda for formal discussion as a non-compliant systemplan at ~~the next~~ future PRBBoard meeting. The Bboard will designate a specific time frame that the systemplan has to submit ~~their~~its report(s) prior to or they will being requested to appear before the Bboard to discuss ~~their compliance issue~~noncompliance with the Bboard.
- ~~X.~~IX. Board Discussion and Action. If the systemplan does not comply within the time specified, ~~theyit plan~~ will be placed on the agenda for the next meeting of the Bboard. The systemplan will be requested to appear for ~~a~~ formal discussion ~~on~~of its non-compliant status<sup>ii</sup>. Each

primary contact listed in the PRB database will receive notice of the board's request for the system to appear for a formal discussion of its noncompliant status. At the meeting, the board will recommend ~~what any~~ further compliance steps are required, if necessary, such as notifying the legislature and the office of the governor.

~~XI.X.~~ Further Action. To address the non-compliance of a system plan, the board may consider use of its statutory powers contained in sections 801.204, 801.205, and 802.003(d), ~~of the~~ Texas Government Code.

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~~Each primary contact listed in the PRB database will receive notice of the Board's request for the plan to appear for a formal discussion of the plan's non-compliant status. The plan may designate a representative of the plan to appear for such discussion.~~