



Policy for Promoting Compliance with Funding Soundness Restoration Plan Requirements

(Adopted October 6, 2022)

1. Purpose. This policy communicates the Pension Review Board's (PRB) approach to promoting compliance with the requirements and standards in the Funding Soundness Restoration Plan (FSRP) statute and rules.¹ This policy describes how the PRB will assist systems in complying with the requirements and the tools PRB will use to ensure the systems, sponsors, the legislature, and the public are aware of instances of noncompliance with FSRP requirements.

2. Notifications. Most FSRP deadlines are outlined in statute. As a courtesy, the PRB will notify each system after becoming aware the system meets certain conditions, as follows:

- a. Notification of at-risk status when a system has one or more actuarial valuations with a funding period above the maximum.
- b. Notification of actuarial valuation triggering FSRP or revised FSRP (R-FSRP) when a system's most recent actuarial valuation has made them subject to the requirement.
- c. Acknowledgement of receipt of FSRP materials from a retirement system when the PRB receives a system's FSRP materials.
- d. Notice of inadequate materials when the PRB determines that a system's FSRP materials are missing or do not meet the standards necessary to be considered compliant with the requirements.
- e. Notice when a progress update is due or late as outlined in Sections 802.2015(f) or 802.2016(f), Texas Government Code.
- f. Notice when FSRP is due or late as outlined in Sections 802.2015(2) or 802.2016(2), Texas Government Code.

3. Regular reports. Staff will regularly report the FSRP status of systems subject to the FSRP requirements and systems at risk of becoming subject to the requirements based on a system's most recent actuarial valuation. Staff will provide these regular reports to the Actuarial Committee, the board, and as part of the agency's Biennial Report to the Legislature.

4. Late notification. If a system does not submit materials within 15 days after the deadline, the PRB will notify the system of its noncompliant status and will request submission of the required materials.

5. Staff action. If the PRB does not receive the requested materials within 30 days after the notification, staff will contact the system and attempt to resolve the compliance matter.

¹ Sections 802.2015 and 802.2016, Texas Government Code and Title 40 Chapter 610, Texas Administrative Code

6. Executive director action. If the plan is still noncompliant 60 days after the deadline and staff has been unable to reach a resolution with the system, the names of the system and sponsor will be included on the list of noncompliant public retirement systems posted on the PRB website. The executive director will contact the system and sponsor to notify them of the noncompliant status and that the issue may be addressed at an upcoming board meeting.

7. Role of the board. At each board meeting, staff may provide a list of noncompliant systems to the board. The list will indicate the severity of noncompliance for each plan, including the amount of time that each plan has been noncompliant, and efforts by staff to bring the plan into compliance. The board will determine whether to place the noncompliant system(s) on the agenda for the next board meeting. If the board so determines, the PRB staff will notify the system, advising them that they will be placed on the agenda for formal discussion as a noncompliant plan at the next board meeting. The board will designate a specific time frame that the plan must submit their materials. If the system does not submit the required materials timely, representatives of the system and sponsor will be requested to appear at a board meeting to formally address the noncompliant status.

8. Notifications to legislative and governor's offices. In addition to the PRB's regular reports to the legislature and governor's office, if a retirement system is noncompliant and has not responded to the board's efforts to resolve the issue, the PRB may notify the senator and house member representing the districts where the retirement system is located, the presiding officer of the committees responsible for retirement legislation, and any other offices if necessary.

9. Further action. To address the noncompliance of a plan, the board may conduct inspections, issue subpoenas, and seek other legal action, as set forth in Sections 801.204, 802.205, and 802.003(d) of the Texas Government Code.