TEXAS PENSION REVIEW BOARD

Effectiveness of Funding Soundness Restoration Plans in Texas

When a Texas public retirement system does not meet minimum funding standards established in state law, it may trigger a required remediation plan, known as a Funding Soundness Restoration Plan (FSRP). The FSRP development process brings public retirement systems and their sponsors, usually a municipality, together to formulate and commit to a long-term joint funding solution. The Pension Review Board (PRB), the state's public pensions oversight agency, administers this requirement and provides technical assistance to systems and sponsors as needed. The FSRP requirement has evolved significantly in three main phases since its inception in 2015 in terms of funding standards and time to complete, among other aspects, as depicted in the graphic below.

In 2015, 14 systems triggered the requirement and were required to work with their sponsor to adopt an FSRP. However, several issues with the process became apparent over time. While some systems completed successful FSRPs that reduced their funding period below the then- 40-year target, others had to revise their FSRP when the original plan proved ineffective. As a result, the PRB recommended several significant reforms to the FSRP law that were ultimately passed by the legislature in 2021, as follows:

- lowering the target funding period from 40 to 30 years with an initial deadline of September 1, 2025;
- shortening the time to reach the target funding period after triggering the requirement; and
- providing stricter provisions for systems whose initial plan failed to meet the target.[1]

While there were five systems subject to FSRPs when the reforms passed, that number grew to 12 as the 30-year threshold caused more FSRP triggers. By the September 2025 deadline, the number of systems subject to an FSRP had reduced to two, and the number of systems with funding periods greater than 30 years had decreased to 18. **As of September 2026, there were no remaining systems subject to an FSRP**, and the number of systems with funding periods over 30 years had decreased to eight. Of those eight, six had implemented contribution increases that were not yet reflected in an actuarial valuation report, effectively leaving **only two** remaining systems with funding periods longer than 30 years out of the 100 total Texas public retirement systems.

Phase[2]	Key Provisions	Time Period	Remaining Systems at End of Phase
1	• Six months to complete • Targeted 40-year funding period within 10 years	6/2015 to 9/2021	• 5 subject to FSRP • 37 over 30 years
2	• Target 30-year funding period by Sep 2025 due date • Stricter revised FSRP if first FSRP unsuccessful	9/2021 to 9/2025	• 2 subject to FSRP • 18 over 30 years
3	• Tighter deadline to reach 30-year funding period (two years after the triggering valuation date) • Immediate trigger if severely underfunded	After 9/2025	• 0 subject to FSRP • 2 over 30 years

[1] HB 3898 (87R)

[2] Phase 1 represents FSRPs as first introduced in HB 3310 (84R) in 2015. Phase 2 represents FSRPs as revised in HB 3898 (87R) in 2021. Phase 3 represents FSRPs after the initial September 2025 deadline passed in Phase 2.