TEXAS PENSION REVIEW BOARD

BOARD MEETING

SEPTEMBER 25, 2024

TEXAS PENSION REVIEW BOARD
P.O. BOX 13498
AUSTIN, TX 78711-3498

(512) 463-1736
WWW.PRB.TEXAS.GOV

TEXAS PENSION REVIEW BOARD
MEETING AGENDA

Wednesday, September 25, 2024 – 10:00 AM
William P. Clements Building, Fourth Floor, Room 402
300 W. 15th Street, Austin, TX, 78701

Board members may attend this meeting by videoconference pursuant to Texas Government Code §551.127. One or more board 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/88403074965. A livestream of this meeting, agenda materials of the meeting, and a recording of the meeting will be made available at www.prb.texas.gov.

The board may discuss or take action regarding any of the items on this agenda.

1. Meeting called to order
2. Roll call of board members and consideration to excuse absence
3. Consideration and possible action to approve July 25, 2024, board meeting minutes
4. Recognition of outgoing Board member
5. Public comment
6. Update from Austin Firefighters Retirement Fund on potential plan changes
7. Update on status of Midland Firemen's Relief and Retirement Fund's FSRP progress
8. Update from Nacogdoches County Hospital District Retirement Plan
9. Education Committee
    a. Consideration and possible action to repeal 40 T.A.C. Chapter 607 and adopt new rules in 40 T.A.C. Chapter 607, pertaining to the minimum educational training program
10. Investment Committee
    a. Consideration and possible action to adopt the repeal of 40 T.A.C. Section 609.109 and amendments to 40 T.A.C. Sections 609.105 and 609.111, pertaining to investment expense reporting
    b. Draft Investment Performance Report and consideration and possible action to adopt Investment Practices and Performance Evaluations recommendations

11. Actuarial Committee
    a. Actuarial Valuation Report
    b. Funding Soundness Restoration Plan (FSRP) report, including compliance
    c. Public retirement system reporting and compliance, including noncompliant retirement systems under Texas Government Code §801.209
    d. Consideration and possible action to adopt Texas Local Fire Fighters Retirement Act (TLFFRA) governance recommendations
    e. *Funding Soundness Restoration Plans: Overview, Implementation and Case Studies* Report
12. Update on Pension Online Reporting Tool
13. Executive Director Report
    a. Conference updates
    b. 2023-2024 Biennial Report
    c. Legislative Update
    d. Updated Fiscal Year 2025 Operating Budget
14. Future meetings: agenda items, dates, locations, and other arrangements
15. Adjournment

NOTE: The board may go into closed session concerning any item on this agenda as authorized under the Texas Open Meetings Act, Government Code, Chapter 551. Persons with disabilities who plan to attend this meeting and who may need special assistance are requested to contact Lindsay Seymour 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 board 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 Lindsay Seymour (lindsay.seymour@prb.texas.gov) no later than Tuesday, September 24, 2024. Note that public comments will be limited to no more than three minutes.

Item 3. July 25, 2024, minutes

TEXAS PENSION REVIEW BOARD

Board Meeting Minutes
July 25, 2024

1. **Meeting called to order (07:27)**

The second meeting of 2024 of the Pension Review Board (PRB) was called to order Thursday, July 25, 2024, at 10:00 a.m. in the William P. Clements building, room 402, 300 W. 15th Street, Austin, TX, 78701.

2. **Roll call of board members and consideration to excuse absence (07:46)**

A quorum being present, the meeting was called to order by Chair Leibe.

Board members present:

Chair Stephanie Leibe
Keith Brainard
Marcia Dush
Christopher Gonzales
Rob Ries
Christopher Zook, via videoconference

3. **Consideration and possible action to approve March 6, 2024, board meeting minutes (08:29)**

Chair Leibe entertained a motion to suspend reading the minutes of the July 25, 2024, board meeting and approve them as circulated.

The motion was made by Mr. Gonzales and seconded by Ms. Dush.

The motion passed unanimously.

4. **Public comment (09:21)**

Sally Bakko, Director of Policy and Governmental Relations for the City of Galveston, commented on Galveston Firefighter's Relief & Retirement Fund participants' ability to enact changes to system provisions without input from its board. She stated her support for joint funding policies for systems and sponsors before detailing best practices suggestions.

Chair Leibe stated representatives from the city of Midland and Midland Fire had comments that would take place during the FSRP report agenda item.

5. **Rule adoptions (13:15)**

   a. **Consideration and possible action to adopt a new rule, 40 T.A.C. Section 601.70, pertaining to employee leave pools**

   Tamara Aronstein stated the new section would adopt rules for the operation of two statutorily required state employee leave pools, the sick leave pool and family leave pool.

Chair Leibe entertained a motion to adopt new rule, 40 Texas Administration Code Section 601.70, pertaining to employee leave pools.

The motion was made by Mr. Brainard and seconded by Ms. Dush.

The motion passed unanimously.

b. Consideration and possible action to adopt amendments to 40 T.A.C. Sections 605.1 and 605.3, pertaining to the adoption of standardized forms

Ms. Aronstein stated that statute requires the PRB to adopt a standard form to assist the board in determining the actuarial soundness and financial condition of each public retirement system. She summarized the rule updates, which included creating an additional form and adding a reference to the statute that requires the PRB to adopt these rules.

Chair Leibe entertained a motion to adopt amendments to 40 Texas Administration Code Sections 605.1 and 605.3, pertaining to standardized forms.

The motion was made by Mr. Zook and seconded by Mr. Ries.

The motion passed unanimously.

6. <u>Education Committee (19:23)</u>

a. Consideration and possible action to propose repeal of 40 T.A.C Chapter 607 and propose new rules in 40 T.A.C. Chapter 607, pertaining to the minimum educational training program

Ms. Aronstein discussed the goals of the rule revisions and the PRB's engagement with stakeholders during the revision process, including stakeholder feedback. Jasmin Loomis detailed suggested rule revisions, which include:

- Modifying the definition for "first year of service" for new trustees that would change the core MET cycle to calendar year. This recommendation provided a transition period if a trustee's date of hire or first day on the board begins after September 1.
  - Chair Leibe asked for clarity on how this recommended change would affect a trustee that joined a board towards the end of a calendar year but before September 1. Ms. Loomis replied that the rules allow trustees to apply for a three-month extension in that circumstance.
- Modifying annual reporting deadlines and establishing further requirements for submitting forms PRB-150 and PRB-2000.
- Modifying ongoing obligations for accredited sponsors.
- Moving continuing education (CE) cycles to a one-year cycle requiring two credit hours per cycle, rather than a two-year, four-hour requirement.
  - Staff and the board discussed how this revision could best be enacted to engage trustees while enhancing the PRB's administrative efficiency. Amy Cardona clarified that a trustee cannot take a CE course offered on the PRB's website more than once every two years. After discussing the possible effect of the revision on CE conference

attendance, Chair Leibe requested that PRB staff reach out to the larger providers of those offerings for feedback.

- Adding a requirement for the PRB to report noncompliance annually.

Mr. Ries requested staff to research the possibility of and seek stakeholder feedback regarding a possible future annual increase of CE required hours.

Ms. Dush entertained a motion to approve the publication in the Texas Register of the proposed repeal of Texas Administration Code Chapter 607 and of the proposed new rules in 40 Texas Administration Code Chapter 607, pertaining to the minimum educational training program.

The motion was made by Mr. Brainard and seconded by Ms. Dush.

The motion passed unanimously.

7. Investment Committee (1:06:35)

a. Consideration and possible action to propose repeal of 40 T.A.C Section 609.109 and propose amendments to 40 T.A.C. Sections 609.105 and 609.111, pertaining to investment expense reporting

Ms. Aronstein provided a summary of how PRB engaged stakeholders and received feedback on the recommended rule changes, such as modifying definitions. Mr. Gonzales asked if the updated "investment service" definition included the price of software tools used by vendors. Robert Munter stated those amounts were usually provided elsewhere in reports.

Mr. Zook entertained a motion to approve the publication in the Texas Register of the proposed repeal of 40 Texas Administration Code Section 609.109 and of the proposed amendments to 40 Texas Administration Code Sections 609.105 and 609.111, pertaining to investment expense reporting.

The motion was made by Mr. Ries and seconded by Ms. Leibe.

The motion passed unanimously.

b. Investment Data Report (1:14:39)

Mr. Munter explained updates to the investment data report that incorporated board feedback and included a summary sheet and ordering system organized by 10-year return versus assumption. Mr. Zook provided context of key updates and tables available in the report. The board discussed the report and Mr. Munter stated that quarterly investment data from publicly available reports and liquidity metrics would be added to the report in the future.

c. Update on Investment Practices and Performance Evaluations and Investment Performance Report

Mr. Munter informed the board that four systems had not yet submitted their FY 2022 Investment Practices and Performance Evaluations (IPPEs) as of June 1. Mr. Munter presented preliminary legislative recommendations to update to Texas Government Code Section 802.109 regarding the IPPE requirement. Mr. Munter stated that request for feedback from stakeholders on the preliminary recommendations would be sent out shortly with a deadline of September 6.

d. Consideration and possible action to adopt investment policy statement guidelines, guidance, and tools

Mr. Munter presented the final drafts of the proposed investment policy statement guidelines, guidance, and tools based on board and stakeholder feedback.

Mr. Zook entertained a motion to adopt the investment policy statement guidelines, guidance, and tools.

The motion was made by Mr. Gonzales and seconded by Mr. Ries.

The motion passed unanimously.

At 11:45 a.m. Mr. Zook called for a 15-minute break and the meeting resumed at 12:00 p.m.

8. Actuarial Committee (2:07:01)

a. Actuarial Valuation Report

David Fee provided an overview of changes systems have made to address funding issues, including increasing contributions, and significant economic assumption changes. Mr. Fee highlighted significant pension system news and Ms. Dush clarified a comment she made at a previous Actuarial Committee meeting regarding Midland Fire.

Mr. Fee provided a summary of current metrics for systems. Ms. Dush and Mr. Fee discussed that some valuation reports for these systems included a qualification report from the actuary. Mr. Fee noted a new slide which showed the funding periods after which the unfunded liability would be expected to begin to decrease. The board discussed the importance of setting reasonable assumptions and that the actuary must specify if they believe the assumptions are reasonable. Mr. Brainard asked staff to provide the board with a list of the consulting actuary for each system.

Ms. Dush commented that the system members on the *Systems with employer normal costs under one percent* slide are paying the full cost or more of their benefit without contributing to social security.

b. Funding Soundness Restoration Plan (FSRP) report, including compliance

Mr. Fee provided an overview of FSRP progress updates, including systems immediately subject to 30-year FSRP formulation requirement, those at risk, and those not-yet-at-risk.

Mr. Brainard called on representatives from the City of Midland and Midland Fire to provide remarks on the status of Midland Fire's FSRP requirement. The board, city, and system discussed recent challenges impacting the FSRP progress.

c. Public retirement system reporting and compliance, including noncompliant retirement systems under Texas Government Code §801.209

Bryan Burnham stated Killeen Fire and McAllen Fire had been added to the list of systems noncompliant over 60 days. Mr. Burnham noted that Northwest Healthcare System Retirement Plan's board approved plan termination in March 2024 and the system is now considered defunct.

d. Consideration and possible action to adopt PRB Pension Funding Guidelines and Guidance for Developing a Funding Policy

Ashley Rendon provided an overview of stakeholder feedback and major changes made with consideration to the feedback before presenting the updated guidelines and guidance final drafts to the board.

Mr. Brainard entertained a motion to adopt the PRB Pension Funding Guidelines and Guidance for Developing a Funding Policy.

The motion was made by Mr. Zook and seconded by Ms. Dush.

The motion passed unanimously.

e. Consideration and possible action to adopt Guidance for Calculating and Administering Lump Sums

Mr. Fee highlighted important components that made up the guidance, which covered actuarial equivalence, reasonable assumptions, and administrative practices. He detailed changes made to the guidance based on stakeholder feedback before presenting the final draft to the board.

Mr. Brainard entertained a motion to adopt the Guidance for Calculating and Administering Lump Sums.

The motion was made by Ms. Dush and seconded by Mr. Ries.

The motion passed unanimously.

f. Update on Texas Local Firefighters Retirement Act (TLFFRA) governance project

Ms. Rendon presented staff-identified issues and proposed recommendations divided into four topic areas. The board discussed the topic areas and Ms. Rendon noted staff would incorporate discussion and provide stakeholders another opportunity for feedback.

9. <u>2024 Customer Service Survey</u>

Ms. Rendon provided an overview of the survey process and feedback received.

10. <u>2026-2027 Appropriations Request (4:38:38)</u>

Wes Allen presented an overview of the appropriations request timeline before highlighting exceptional item requests regarding technology needs and salary increases for PRB staff. Chair Leibe recommended that the request include an additional item to raise the executive director to a higher job classification group.

Chair Leibe entertained a motion to direct staff to work with the Chair and Vice Chair to finalize the 2026-2027 Legislative Appropriations Request.

The motion was made by Ms. Ries and seconded by Mr. Gonzales.

The motion passed unanimously.

11. **Executive Director Report (4:47:06)**

a. **TEXPERS and TLFFRA conference updates**

Amy Cardona discussed the PRB staff presentations at the 2024 TEXPERS conference and TLFFRA peer review conference before detailing upcoming conferences.

b. **2025-2029 Strategic Plan**

Ms. Cardona presented an overview of the strategic plan, which was completed in June.

c. **Updated Fiscal Year 2024 Operating Budget**

Ms. Cardona presented the updated fiscal year 2024 operating budget.

d. **Approval of Fiscal Year 2025 Operating Budget**

Ms. Cardona presented the proposed fiscal year 2025 operating budget.

Chair Liebe entertained a motion to approve the fiscal year 2025 operating budget as presented.

The motion was made by Mr. Gonzales and seconded by Ms. Dush.

The motion passed unanimously.

12. **Future meetings: agenda items, dates, locations, and other arrangements (4:50:31)**

Chair Leibe announced the next board meeting will take place at 10:00 a.m. on September 25 with the location TBD.

13. **Adjournment (4:50:00)**

The meeting was adjourned at 2:43 p.m.

PRB staff in attendance:

Amy Cardona	David Fee	Tamara Aronstein	Lindsay Seymour
Ashley Rendon	Robert Munter	Wes Allen	Jasmin Loomis
Bryan Burnham			

Members of the public in attendance:

Terry Bratton- Houston Police Officers' Pension System	Kelly Gottschalk- Dallas Police and Fire Pension System	Art Alfaro- TEXPERS
Lori Blong- City of Midland	Tyler Grossman- El Paso Firemen & Policemen's Pension	Scott Olguin- Dimensional Fund Advisors

Morris Williams, Jr.- City of Midland

Eric Davidson- City of Midland

Robin Poole- City of Midland

Erik Brown- Odessa Firemen's Relief and Retirement Fund

Brian Hebert- Beaumont Firemen's Relief and Retirement Fund

Travis Jones- Odessa Firemen's Relief and Retirement Fund

Ben Marts- Odessa Firemen's Relief and Retirement Fund

Francis Kurio- Matz and Company

Paul Thompson- El Paso Firemen & Policemen's Pension

Joe Gimenez- TEXPERS

Laura Matz- Matz and Company

Lily Tu- Sage Advisory

Adam Cheng- Dimensional Fund Advisors

Pat Haggerty- El Paso Firemen & Policemen's Pension

John Posey- Legislative Budget Board

Jay Dyer- TCDRS

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Stephanie Leibe, Chair

Item 9a: Consideration and possible action to repeal 40 T.A.C. Chapter 607 and adopt new rules in 40 T.A.C. Chapter 607, pertaining to the minimum educational training program

Jasmin Loomis and Tamara Aronstein

Overview

- Timeline
- Public comment
- Summary of rule changes
- Next steps

Stakeholder Engagement and Input

- The PRB engaged stakeholders to discuss current minimum education training program rules and proposed revisions.
- Rule repeal and proposed new rules published in Texas Register in August. No public comments received.

Timeline

- May 9, 2024 – Presented proposed rule changes to Education Committee.
- May 2024 – Sent draft proposed rules based on feedback from Education Committee and stakeholders.
- July 25, 2024 – Presented proposed rules to full board.
- Aug. 9, 2024 – Proposed rules published in Texas Register for 30-day comment period. No formal comments received.
- **Sept. 25, 2024 – Potential final adoption of Chapter 607 rules.**

Summary of Changes

Subchapter	Subject	Key Changes
Subchapter A	General Provisions	• Alter terminology to "PRS board" and "training provider." • Modify "first year of service" to reflect calendar year training cycles and a transition period for new rules.
Subchapter B	Training Requirements for Trustees and System Administrators	• Create limited extension process for core requirement. • Change CE cycle to a one-year cycle requiring two credit hours. • Grant ability to earn credit for teaching an MET activity. • Clarify excess credit hours cannot be carried over to subsequent cycles. • Add language regarding transition to new rules. • Extend time a trustee or system administrator can be off the board before repeating core.

Summary of Changes, cont'd.

Subchapter	Subject	Key Changes
Subchapter C	MET Sponsors	• Add methods for verifying attendee participation. • Computation of course credit for certain digital media and for attendees who are late or leave early. • Removal of a sponsor number. • Recordkeeping for course evaluations. • Require sponsors to provide core training participation info directly to the PRB. • Match individual course approval applications to current practice. • Exemption from certain requirements for systems providing in-house training.
Subchapter D	Compliance with MET	• Move PRB-2000 due date to April 1. • Add annual April 1 due date to PRB-150. • Add section to PRB-150 notifying the PRB of a trustee or system administrator serving multiple retirement systems. • Removal of sponsor number.

Next Steps

- If board so moves:
  - Public notice of adopted rules.
  - Rules take effect 20 days after filing with the Secretary of State.
- Continue preparing materials for implementation of new rule changes to present and distribute to stakeholders.

40 TAC Chapter 607

The Texas Pension Review Board (Board) adopts the repeal of 40 T.A.C. Chapter 607 pertaining to the Minimum Educational Training program. This repeal is in conjunction with the adoption of new rules in Chapter 607, also published in this issue of the *Texas Register*. The rule is repealed without changes to the proposed text as published in the August 9, 2024, issue of the *Texas Register* (49 TexReg 5921) and will not be republished.

BACKGROUND AND JUSTIFICATION

The Board adopts the repeal of its existing rules in Chapter 607 in order to adopt new, updated rules in Chapter 607 that increase clarity of the rules, streamline training cycles to improve compliance with the training requirements, increase the efficiency of program tracking and reporting, and strengthen agency oversight for accredited training activities.

PUBLIC COMMENTS

The agency did not receive any comments on the proposed repeal during the public comment period.

STATUTORY AUTHORITY

The repeal is proposed under Government Code §801.211(e), which authorizes the Board to adopt rules necessary to implement the Minimum Educational Training program.

<rule>

Subchapter A. General Provisions

§607.101. Authority.

§607.103. Purpose.

§607.104. Definitions.

§607.105. Applicability.

§607.107. Exemption for Certain System Administrators

Subchapter B. Minimum Educational Training Requirements for Trustees and System Administrators

§607.110. Minimum Educational Training Requirements.

§607.113. Minimum Educational Training Requirements for Reappointed and Re-elected Trustees and Rehired System Administrators

Subchapter C. Minimum Educational Training Program Sponsors

§607.120. Program Standards for All Sponsors.

§607.122. MET Credit Hour Computation for Sponsors.

§607.124. Sponsor Accreditation.

§607.126. Obligations of Accredited Sponsors.

40 TAC Chapter 607

The Texas Pension Review Board (Board) adopts new rules in 40 TAC Chapter 607 relating to the Minimum Educational Training program for public retirement system trustees and administrators.

The Board adopts the new rules in §§607.101, 607.103, 607.104, 607.105, 607.107, 607.113, 607.120, 607.122, 607.124, 607.126, 607.128, 607.130, 607.140, and 607.142 without changes to the proposed text published in the August 9, 2024, issue of the Texas Register (49 TexReg 5923), and the rules will not be republished.

The Board adopts the new rule in §607.110 with a change to the proposed text published in the August 9, 2024, issue of the Texas Register (49 TexReg 5923), and the rule will be republished. The change makes a minor, technical change to §607.110(i) to correct a reference to another subsection within §607.110.

EXPLANATION OF AND JUSTIFICATION FOR THE RULES

Section 801.211, Texas Government Code requires the Board to develop and administer an educational training program for trustees and administrators, and Section 801.211(e), Texas Government Code authorizes the Board to adopt rules to implement this requirement. The new rules clarify and improve the Minimum Educational Training program in conjunction with the repeal of the rules under separate action.

SECTION-BY-SECTION SUMMARY

The adopted rules in 40 TAC §607.101 provide the authority to adopt these rules.

The adopted rules in 40 TAC §607.103 provide the purpose of the rules, to ensure that trustees and administrators of Texas public retirement systems have the pension education needed to successfully discharge their duties.

The adopted rules in 40 TAC §607.104 provide definitions pertinent to the rules for the Minimum Educational Training program.

The adopted rules in 40 TAC §607.105 provide the applicability of the rules, which apply to trustees, except in certain cases, statutorily authorized designees, and administrators of public retirement systems.

The adopted rules in 40 TAC §607.110 provide the Minimum Educational Training program requirements for trustees and administrators in their first year of service and each calendar year thereafter. Trustees and administrators must complete seven credit hours of core training in the first year of service and two credit hours of training for continuing education each calendar year thereafter. The proposed rules create a one-time extension application process for the first year of service training requirement. The proposed rules specify that continuing education hours completed in excess of the annual requirement may not be carried over to a subsequent calendar year. The proposed rules provide for the transition from current requirements, proposed for repeal under separate action, to the new requirements effective January 1, 2025.

The adopted rules in 40 TAC §607.113 specify that trustees and administrators reappointed to, re-elected to, or rehired by a public retirement system are not required to repeat the first year of service training requirement unless more than five years have passed since the last date of the most recent term of service or employment.

The adopted rules in 40 TAC §607.120 provide program standards for training providers offering Minimum Educational Training activities, such as compliance with program requirements and the Board's curriculum guide, method of delivery for training activities, and verification of attendance for online training.

The adopted rules in 40 TAC §607.122 detail the computation of credit hours by training providers. Credit hours are based on net actual instruction time for all activities, with additional parameters provided for both digital and in-person activities.

The adopted rules in 40 TAC §607.124 provide for the accreditation of training providers by the Board. Training providers must conform with Board standards outlined in rule, conduct its business lawfully, and follow the application process provided in rule. This rule also creates a process for complaints regarding training providers and the Board's authority if a training provider is noncompliant with training program standards or Board rules.

The adopted rules in 40 TAC §607.126 create several requirements for accredited training providers, including recordkeeping, allowing review by the Board, and providing participants a certificate of completion.

The adopted rules in 40 TAC §607.128 allow for accreditation of training activities by a non-accredited training provider through a case-by-case application process outlined in the rule. Such activities, once approved, may be offered through repeat presentations for 36 months without requiring a new application.

The adopted rules in 40 TAC §607.130 provide details on accreditation of in-house training activities offered by a public retirement system for its own trustees and/or administrators. In-house training must meet all standards for training providers included in Chapter 607, except that in-house training is exempted from certain requirements listed in the rule.

The adopted rules in 40 TAC §607.140 pertain to Minimum Educational Training program reporting requirements, creating an annual April 1 deadline for two reports to be submitted by public retirement systems to provide the Board information on trustees and administrators and the training they completed during the preceding calendar year. This section also includes a requirement for the Board to report annually on the noncompliance status of trustees and administrators, as reported to the Board pursuant to this section.

The adopted rules in 40 TAC §607.142 create recordkeeping requirements for public retirement systems, which must retain records detailed in the rule for five years from the date a training activity is completed, and provide a copy of these records to the Board upon request.

PUBLIC COMMENTS

The agency did not receive any comments on the proposed rules during the public comment period.

BOARD ACTION

The Board met on July 25, 2024, to discuss the proposed rules. The Board recommended the proposed rules be published in the Texas Register. At its meeting on September 25, 2024, the Board adopted the rules as published in the Texas Register, with one change to §607.110 as discussed above.

STATUTORY AUTHORITY

The rules are adopted under Government Code §801.211 (e), which authorizes the Board to adopt rules necessary to implement the Government Code §801.211 educational training requirement.

<rule>

Subchapter A. General Provisions

§607.101. Authority.

This chapter is promulgated under the authority of Texas Government Code, §801.201, relating to rulemaking, and §801.211, relating to a public retirement system educational training program.

§607.103. Purpose.

(a) The Public Retirement System Educational Training Program, as mandated by §801.211 of the Texas Government Code, is intended to ensure that every trustee and system administrator of a public retirement system in Texas pursues the necessary education relating to public pension matters throughout his or her tenure to successfully discharge their duties.

(b) This chapter will establish Minimum Educational Training requirements for Trustees and Administrators to help ensure that these trustees and administrators participate in training activities that maintain and improve their core competencies, and keep them abreast of recent developments in public pension matters and issues impacting their respective duties.

(c) This chapter is not intended to dictate that trustees and system administrators pursue only the Minimum Educational Training, but to set a minimum standard for training/education. Trustees and system administrators are encouraged to pursue additional educational opportunities in public pension-related areas.

§607.104. Definitions.

The following words and terms, for the purposes of this chapter, shall have the following meanings, unless the rule indicates otherwise.

(1) "Board" means the State Pension Review Board.

(2) "Credit hour" means the actual amount of instruction time for an MET activity expressed in terms of hours. The number of MET credit hours shall be based on sixty (60) minutes of instruction per hour.

(3) "First year of service" means:

(A) On or before December 31, 2024, the twelve-month period beginning from the date of assuming one's position on the PRS board or date of hire for an administrator.

(B) On or after January 1, 2025, the calendar year in which an individual assumes one's position on the PRS board or is hired to serve as administrator if that date occurs before September 1 of that calendar year. For individuals who assume a position on the PRS board or are hired to serve as administrator on or after September 1 of a calendar year, the first year of service refers to the next calendar year.

(4) "Minimum Educational Training" shall have the same meaning as assigned by §607.110 of this chapter.

(5) "MET" means Minimum Educational Training.

(6) "MET activity" means any organized in-person or on-line pension-related educational activity, which may include, but is not limited to, organized seminars, courses, conferences, lectures, panel discussions, audio, teleconference, video, and digital media presentations, question-and-answer periods, and in-house education.

(7) "Net actual instruction time" means time spent on instruction, not including any breaks, or other non-educational activities including promotion of particular products or services as prescribed by §607.120(a)(3) of this chapter (relating to Program Standards for All Training Providers).

(8) "Public retirement system" shall have the same meaning as assigned by §801.001(2) and §802.001(3) of the Texas Government Code, but shall not include defined contribution plans as defined by Texas Government Code, §802.001(1-a) and retirement systems consisting exclusively of volunteers organized under the Texas Local Fire Fighters' Retirement Act as defined by Texas Government Code, §802.002(d).

(9) "PRS" means public retirement system.

(10) "PRS board" has the same meaning as "governing body of a public retirement system," as provided in Texas Government Code §802.001(2).

(11) "Statutorily authorized designee" means an individual other than the trustee, designated by the trustee as authorized under the governing statute of the PRS or any other statute.

(12) "System administrator" means as defined by Texas Government Code §801.001(3) and §802.001(4).

(13) "Training provider" means an individual or organization offering training programs to trustees and system administrators. The training provider may or may not have developed the program materials. However, the training provider is responsible for ensuring the program materials present the necessary learning objectives and for maintaining the documentation required by this chapter.

(14) "Trustee" means as provided in Texas Government Code §801.001(4).

§607.105. Applicability.

This chapter is promulgated to establish the MET requirements for the following.

(1) Trustees, as defined in Texas Government Code, §801.001(4), in their capacity as members of the governing body of a PRS, as that term is defined in Texas Government Code §802.001(2). However, this chapter does not apply to:

(A) members of a PRS' sponsoring entity board that is only responsible for the creation, termination and amendment of the PRS; and

(B) members of a committee appointed by a PRS' sponsoring entity board to act in an advisory or oversight capacity only by providing guidance or recommendations.

(2) Statutorily authorized designees serving as members of the governing body of a PRS.

(3) System administrators, as defined by Texas Government Code, §801.001(3) and §802.001(4).

§607.107. Exemption for Certain System Administrators.

(a) For the purposes of this section, an "outside entity" is a bank or financial institution.

(b) The Board may grant an exemption to a PRS for certain types of system administrators from the MET requirements on a case-by-case basis if:

(1) the PRS designates an outside entity as the system administrator, and the PRS board of trustees or its designee completes and forwards to the Board a request for exemption on a form provided by the Board indicating the same; or

(2) the PRS does not have a system administrator that meets the statutory definition as contained in the Texas Government Code, §801.001(3) and §802.001(4) and the PRS board or its designee completes and forwards to the Board a request for exemption, on a form provided by the Board, certifying that the PRS does not have a system administrator. The request shall include a statement affirming that one or more trustees of the PRS are responsible for the duties of the system administrator and are already subject to the MET requirements.

(c) If the Board granted an exemption to a PRS under subsection (a) of this section and the exemption is no longer applicable, the PRS shall report the same to the Board, and the exemption shall be revoked.

Subchapter B. Minimum Educational Training Requirements for Trustees and System Administrators

§607.110. Minimum Educational Training Requirements.

(a) First year of service. A new trustee and a new system administrator shall complete at least seven (7) credit hours of training in the core content areas within the first year of service. The seven credit hours shall include training in all of the core content areas. A trustee or system administrator must earn no less than half a credit hour in each content area. No more than two credit hours earned in any one core content area shall be applied toward meeting the 7-hour minimum requirement contained in this subsection. The core content areas are:

(1) fiduciary matters;

(2) governance;

(3) ethics;

(4) investments;

(5) actuarial matters;

(6) benefits administration; and

(7) risk management.

(b) A new trustee or system administrator may submit to the Board an application for a one-time extension period of three months to complete the first year of service core training requirement, which the Board may approve in exceptional circumstances. The request for extension must be approved by the chair of the PRS' board, or, for an extension request by the PRS board chair, approved by the vice chair of the PRS' board or its administrator. The application must be submitted to the Board on a form prescribed by the Board and must include an explanation of the circumstances necessitating the extension.

(c) Subsequent years of service. A trustee and a system administrator shall complete at least two (2) credit hours of continuing education in either the core content areas in subsection (a) of this section, continuing education content areas, or any combination thereof, within each calendar year after the first year of service as a new trustee or new system administrator. The continuing education content areas include:

(1) compliance;

(2) legal and regulatory matters;

(3) pension accounting;

(4) custodial issues;

(5) plan administration;

(6) Texas Open Meetings Act; and

(7) Texas Public Information Act.

(d) A trustee or administrator may not carry over continuing education credit hours earned in excess of the requirement under subsection (c) of this section to a subsequent calendar year.

(e) MET completed up to six months before the trustee's date of assuming position on the PRS board or system administrator's hiring date may be counted for the first-year-of-service requirement in subsection (a) of this section.

(f) A trustee serving concurrently on multiple PRS boards and a system administrator employed concurrently by multiple PRSs shall only be required to complete the MET requirements in this section for service with one PRS, so long as the concurrent service or employment is reported to the Board pursuant to §607.140(b)(3) of this chapter.

(g) Credit hours for attending MET activities shall be based on net actual instruction time. Credit hours for viewing or listening to audio, video, or digital media shall be based on the running time of the recordings, and credit hours for attending in-person educational programs shall be based on actual instruction time.

(h) A trustee or administrator may gain credit for teaching an accredited MET activity. Credit hours shall be based on net actual presentation time, but may not include repeated presentations of the same activity in a single calendar year.

(i) The Board hereby adopts by reference the Curriculum Guide for Minimum Educational Training to provide further direction on core and continuing education content areas as contained in subsections (a) and (c) of this section. Trustees and system administrators are encouraged to review the Curriculum Guide for content area guidance.

(j) The Board shall make the Curriculum Guide for Minimum Educational Training available to the PRSs. A PRS can obtain the most current version of the Curriculum Guide for Minimum Educational Training from the offices of the State Pension Review Board and from its website at http://www.prb.texas.gov.

(k) The 2025 calendar year training cycle for trustees and administrators shall be based on their MET compliance status on December 31, 2024, as detailed below. This subsection expires on December 31, 2025.

(1) Trustees and administrators within their first year of service on December 31, 2024 who have completed by that date the training required by subsection (a) of this section shall begin their first continuing education cycle in calendar year 2025.

(2) Trustees and administrators within their first year of service on December 31, 2024 who have not completed by that date the training required by subsection (a) of this section shall complete the first year of service training in calendar year 2025.

(3) Trustees and administrators who began a continuing education cycle, as required by subsection (c) of this section, in calendar year 2024 may carry over any hours completed in that year to the calendar year 2025 continuing education cycle. If a trustee or administrator completed more than two continuing education hours, those hours will not carry over to calendar year 2026.

(4) Trustees and administrators who began a continuing education cycle, as required by subsection (c) of this section, in calendar year 2023 will begin a new continuing education cycle on January 1, 2025. Trustees and administrators who did not complete the training hours required in previous cycles will remain noncompliant and must complete all outstanding required credit hours.

§607.113. Minimum Educational Training Requirements for Reappointed and Re-elected Trustees and Rehired System Administrators.

(a) The following provisions shall apply to:

(1) A trustee who is reappointed or re-elected to a subsequent term of service for the same PRS or who leaves one PRS and is appointed as a trustee to another PRS;

(2) A trustee who serves on multiple PRS boards;

(3) A trustee who is subsequently hired by a PRS to serve as system administrator;

(4) A system administrator who is rehired to a subsequent term of employment by the same PRS or who leaves one PRS and is hired as system administrator by another PRS;

(5) A system administrator who is employed by multiple PRSs; and

(6) A system administrator who is subsequently appointed or elected to a PRS board.

(b) Unless more than five years have passed since the last date of the most recent term of service or employment, a person under subsection (a) of this section shall not be required to repeat the core training requirement already completed under §607.110(a) of this subchapter (relating to Minimum

Educational Training Requirements) but shall complete the continuing education requirement in §607.110(c) of this subchapter within each calendar-year period served.

(c) If more than five years have passed since the last date of most recent term of service or employment, a person under subsection (a) of this section shall be subject to both the core training requirement within the first year of service as contained in §607.110(a) of this subchapter and the continuing education requirement within each calendar-year period after the first year of service as contained in §607.110(c) of this subchapter.

Subchapter C. Minimum Educational Training Program Sponsors

§607.120. Program Standards for All Training Providers.

(a) MET activities offered by training providers must comply with the following standards.

(1) An MET activity shall constitute an organized program of learning dealing with matters related to public pensions, including the MET's core or continuing education content areas in §607.110 of this chapter (relating to Minimum Educational Training Requirements). Training providers are required to review the Curriculum Guide as referenced in §607.110 of this chapter for content area guidance.

(2) An MET activity shall be conducted in a suitable facility by an individual or group qualified by professional or academic experience.

(3) An MET activity shall be educational in nature and shall not include the promotion of particular products or services.

(4) An MET activity shall be conducted in person, online via the internet, or by teleconference.

(5) An MET activity shall meet all of the other requirements contained in this chapter.

(b) An MET activity training provider shall determine, and inform participants, in advance of the course, of the course's learning or content objectives, any necessary prerequisites, the credit hours the course provides for each core and continuing education content area, and the total credit hours the course provides.

(c) An MET activity training provider is responsible for ensuring the participants register their attendance during the MET activity. Training providers are responsible for assigning the appropriate number of credit hours for participants, including reduced hours for those participants who arrive late or leave early.

(d) An MET activity training provider conducting online or other electronically-delivered courses including via pre-recorded audio or video shall verify participation by participants using one of the following methods:

(1) Provide a completion code to the participant upon successful completion of the course. The participant shall provide the completion code to the training provider to demonstrate attendance and completion. Without receiving such code, the training provider shall not issue a certificate of completion to the participant.

(2) Require participants to successfully complete a quiz on topics covered in the course.

(3) Use software-based student verification or attendance checks to verify participation.

(4) Use of another method to verify participation with approval from the Board.

(e) Staff meetings and other settings cannot be claimed for fulfilling the MET requirements if they do not meet the provisions of this chapter.

§607.122. MET Credit Hour Computation for Training Providers.

(a) Credit hours for attending MET activities shall be based on net actual instruction time. Training providers shall calculate the number of credit hours that should be given for an MET activity offered based on the net actual instruction time to be spent, and shall indicate the number on the MET activity materials. Fractional credit hours should be stated as decimals.

(b) Credit hours for viewing or listening to audio, video, or digital media shall be based on the running time of the recordings. For digital media activities that do not consist entirely of audio or video recordings, training providers shall reasonably estimate the time needed to complete the course.

(c) Credit hours for attending in-person educational programs shall be based on actual instruction time. Training providers shall adjust the credit hours for attendees who arrive late or leave early, as required by §607.120(c) of this chapter.

§607.124. Training Provider Accreditation.

(a) The Board may allow any training provider of MET to become Board accredited if the training provider, in the opinion of the Board, demonstrates that it will comply with its obligations to the Board and that its programs will conform to the Board's standards as outlined in:

(1) §607.120 of this chapter (relating to Program Standards for All Training Providers); and

(2) §607.122 of this chapter (relating to MET Credit Hour Computation for Training Providers).

(b) The Board will also require that each organization or individual applying to become a Board-accredited MET training provider agree that in the conduct of its business it will:

(1) Not commit fraud, deceit or engage in fiscal dishonesty of any kind;

(2) Not misrepresent facts or make false or misleading statements;

(3) Not make false statements to the Board or to the Board's agents; and

(4) Comply with the laws of the United States and the State of Texas.

(c) Each organization or individual applying to become a Board accredited MET training provider must submit an application on a form provided by the Board. The Board will consider for approval only applications that are complete. As part of the application process, the Board may require the training provider to submit information regarding its organization, purpose, history of providing educational training activities, course outlines, and such additional information that the Board may deem relevant.

(d) The Board shall review each application and notify the training provider of its acceptance or rejection. Approval of accredited training provider status will be based upon information received with the application, and such other information the Board shall deem relevant including, but not limited to, course offering and attendance history, approvals and denials of accreditation by other governmental entities, and complaints concerning past programs or the marketing thereof. An acceptance in any given year shall not bind the Board to accept a training provider in any future year.

(e) Upon accreditation a training provider can represent that it is a Board accredited MET training provider. An accredited training provider shall include in promotional materials the following language: "We are accredited by the State Pension Review Board as a Minimum Educational Training (MET) training provider for Texas public retirement systems. This accreditation does not constitute an endorsement by the Board as to the quality of our MET program."

(f) An accredited training provider is not required to comply with provisions contained in §607.128 of this chapter (relating to Accreditation of MET Activities from Non-Accredited Training Providers).

(g) The Board may accredit a training provider to offer MET activities in the core content areas under §607.110(a) of this chapter (relating to Minimum Educational Training Requirements), the continuing education content areas under §607.110(c)(1) of this chapter, or both.

(h) An accredited training provider shall be reviewed for renewal of accredited training provider status after an initial two-year period of accreditation, and again after each subsequent four-year period of accreditation, or at such other times as the Board deems reasonable. To be considered for renewal, an accredited training provider must submit a renewal application on a form provided by the Board. Review for renewal shall be based on the criteria stated in subsection (d) of this section.

(i) Complaints concerning accredited training providers and MET activities may be directed to the Board. If the Board determines that a response is necessary from the training provider, the training provider shall be notified in writing and provided a copy of the complaint. The Board shall respond to all complaints within a reasonable time.

(j) The Board, in its sole and exclusive discretion, may determine that an accredited training provider is not in compliance with the registration requirements, MET standards, or applicable Board rules. The Board will provide the accredited training provider reasonable notice of such a determination and shall provide the accredited training provider a reasonable opportunity to become compliant. If the Board determines the training provider is not in compliance, the Board may require the training provider to take corrective action and/or may terminate the training provider's accreditation. A training provider that has had its accreditation terminated or that has voluntarily surrendered its accreditation in lieu of corrective action may apply for reinstatement no sooner than six months after the effective date of the termination or surrender.

(k) A training provider that requests reinstatement may do so by submitting a completed application as required by subsection (c) of this section. The applicant will be subject to all the requirements of this section.

(l) Board decisions under this chapter are final and are not appealable. No portion of this chapter shall be interpreted or construed to create a right to a hearing, or to acknowledge or create any private right or interest.

§607.126. Obligations of Accredited Training Providers.

(a) In order to support the reports required of PRSs, a training provider accredited under §607.124 of this chapter (relating to Training Provider Accreditation) shall retain the following records for five years following the date the program is completed:

(1) an agenda or outline that describes the course content;

(2) the name and title of each instructor for each topic;

(3) time devoted to each topic;

(4) each date and location of the presentation;

(5) record of participation that reflects:

(A) the credit hours earned by each trustee and system administrator participant; and

(B) the number of non-trustee and non-administrator attendees; and

(6) evaluations completed by trustee and system administrator participants pursuant to subsection (f) of this section.

(b) The accredited training provider, upon request of the Board, shall immediately submit any of the records retained in subsection (a) of this section for review.

(c) An accredited training provider shall at any reasonable time allow a member of the Board or Board staff, as part of a review of the training provider, to inspect the training provider's teaching facilities, examine the training provider's records, attend its courses or seminars at no charge, and review its program to determine compliance with the training provider accreditation requirements, MET standards, and all applicable Board rules.

(d) An accredited training provider shall not use advertising that is false or misleading, or use any communication that, in the training provider's effort to promote its services, is coercive.

(e) An accredited training provider, promptly upon the conclusion of the activity, but not later than 30 calendar days after the conclusion of the activity, shall provide to each trustee or system administrator participant a certificate of completion, reflecting the following information:

(1) Name of participant;

(2) Activity title;

(3) Date and location of the activity;

(4) Total accredited MET hours; and

(5) Training provider name and contact information.

(f) A training provider accredited to offer MET activities in the core content areas under §607.110(a) of this chapter (relating to Minimum Educational Training Requirements) shall promptly provide the information specified in subsection (e) of this section to the Board within 30 days of the conclusion of a core MET activity offered to satisfy the first year of service training requirement.

(g) An accredited training provider shall include in each MET activity a process for participants and instructors to evaluate the quality of the activity, including whether:

(1) Course objectives were met;

(2) Facilities and technology were satisfactory;

(3) Each instructor was effective; and

(4) Program content was timely and effective.

(h) Training providers shall inform instructors of the results of their performance evaluation in subsection (f) of this section, and should systematically review the evaluation process to ensure its effectiveness.

§607.128. Accreditation of MET Activities from Non-Accredited Training Providers.

(a) MET activities may be accredited, on a case-by-case basis, upon the written application of a training provider or PRS on behalf of its own trustees or system administrator. All applications for accreditation of an MET activity by a non-accredited training provider shall:

(1) be submitted at least 30 days in advance of the activity, although the Board, at its discretion, may approve applications filed less than 30 days in advance of the activity, or may approve applications filed after the activity;

(2) be submitted on a form provided by the Board;

(3) contain all information requested on the form;

(4) be accompanied by a sample agenda or course outline that describes the course content, designates the courses sought to be accredited as an MET activity, identifies the instructors, lists the time devoted to each topic, and shows each date and location at which the program will be offered; and

(5) include a detailed calculation of the total MET hours for the course and the hours that correspond to each core and continuing education topic the course covers.

(b) A separate application is required for each activity unless the activity is being repeated in exactly the same format but on different dates and/or locations. Repeat presentations may be added to an existing application for a 36-month period following the effective date of accreditation.

(c) The Board shall review each application and notify the applicant of acceptance or rejection of the activity. An acceptance in any given year shall not bind the Board to accept a training provider or activity in any future year.

§607.130. Accreditation of In-House Training Activities.

(a) MET activities provided by PRSs or their hired consultants primarily for the education of their trustees and/or system administrators are considered in-house training, and may be accredited for MET credit. Education provided in-house must meet the standards in §607.120 of this chapter (relating to Program Standards for All Training Providers) and §607.122 of this chapter (relating to MET Credit Hour Computation for Training Providers), except that in-house training is not required to comply with the following provisions:

(1) Section 607.120(c) of this chapter, regarding the requirement for ensuring participants register their attendance.

(2) Section 607.126(a)(5)(B) of this chapter, regarding the requirement to maintain a record of the non-trustee and non-administrator attendees.

(3) Section 607.126(e) of this chapter, regarding the requirement to provide participants a certificate of completion.

(4) Section 607.126(f) of this chapter, regarding the requirement to provide the Board participant information for accredited core activities satisfying the first year of service training requirement because this training will be reported as specified in §607.140 of this chapter.

(b) PRSs that conduct in-house training may apply to become accredited training providers under §607.124 of this chapter (relating to Training Provider Accreditation).

(c) PRSs that conduct in-house training may submit individual courses for accreditation under §607.128 of this chapter (relating to Accreditation of MET Activities from Non-Accredited Training Providers).

Subchapter D. Compliance with the Minimum Training Requirements

§607.140. PRS Reporting.

(a) By April 1 of each year, a PRS shall accurately report to the Board on behalf of its trustees and system administrator the MET credit hours completed during the preceding calendar year and any previous unreported training, as required by subchapter B. A PRS shall submit the report on a completed PRB-2000 form provided by the Board.

(b) By April 1 of each year, a PRS shall be responsible for providing the following information to the Board. A PRS shall also notify the Board of any changes in such information within 30 days after the date of the changes. A PRS shall submit this information on a completed PRB-150 form provided by the Board.

(1) For each trustee: the name, mailing address, phone number, e-mail, position (such as Chair, Vice-Chair, Secretary, etc.), trustee type (such as Active, Retired, Citizen, etc.), term start date, the term length, and the term end date.

(2) For a system administrator: the name, title, phone number, e-mail, and date of hire.

(3) For each trustee serving concurrently on multiple PRS boards or system administrator employed concurrently by multiple PRSs, the name of the other PRSs.

(c) The Board shall report on the noncompliance status of trustees and administrators annually.

§607.142. PRS Records.

(a) For each trustee and system administrator, a PRS shall retain the following records for five years following the date an MET activity is completed:

(1) the training provider's name;

(2) the location of the MET activity;

(3) date(s) of completion; and

(4) the credit hours earned by the trustee or system administrator participant.

(b) The PRS, upon request of the Board, shall immediately submit a copy of any of the records retained in subsection (a) of this section for review.

Item 10a: Consideration and possible action to adopt the repeal of 40 T.A.C. Section 609.109 and amendments to 40 T.A.C. Sections 609.105 and 609.111, pertaining to investment expense reporting

Tamara Aronstein

Overview

- Timeline
- Public comment
- Summary of rule changes
- Next steps

Timeline

- May 2, 2024 – Present proposed revisions to Investment Committee.
- May 2024 – Sent draft rules to stakeholders for informal stakeholder input.
- May-June 2024 – Revise draft proposed rules based on feedback from Investment Committee and stakeholders
- July 25, 2024 – Present proposed Ch. 609 rules to full board
- August 2024 – Proposed rules published in Texas Register for 30-day comment period.
- **September 25, 2024 – Potential final adoption of Ch. 609 rules.**

Stakeholder Engagement and Input

- The PRB engaged stakeholders to discuss current investment expense reporting rules and proposed revisions.
- Proposed amendments and repeal published in Texas Register in August. No public comments received.

Overview of Recommended Rule Changes

Section	Subject	Recommended Action
609.101	Authority	No changes
609.103	Purpose	No changes
609.105	Definitions	Clarify “direct and indirect fees and commissions” includes fees netted from returns; Clarify “investment service” includes in-house investment staff.
609.107	Applicability	No changes
609.109	Investment expense reporting (for first reporting period)	Strike entire section
609.111	Investment expense reporting structure	Clarify that investment expenses must be reported by type of fees and commissions; and specify the information may be provided in an unaudited supplemental schedule.

Next Steps

- If Board so moves:
  - Publish notice of adopted rules.
  - Rules take effect 20 days after filing with the Secretary of State.

40 TAC §609.105, §609.111

The Texas Pension Review Board (Board) adopts amendments to 40 TAC §609.105, Definitions, and §609.111, Investment Expense Reporting Structure and the repeal of 40 TAC §609.109, regarding the initial investment expense reporting period.

The Board adopts the amendments and repeal without changes to the proposed text published in the August 9, 2024, issue of the Texas Register (49 TexReg 5931), and the rules will not be republished.

EXPLANATION OF AND JUSTIFICATION FOR THE RULES

Government Code §802.103(e) authorizes the Board to adopt rules necessary to implement the Government Code §802.103(a)(3) investment expense reporting requirement.

The purpose of the amendments is to clarify the provisions in the current rule for ease of reference and understanding by the public and improve consistency and accuracy of investment expense reports to improve transparency for the public, members of the systems, and policymakers.

SECTION-BY-SECTION SUMMARY

The rules in 40 TAC §609.105 pertain to definitions for investment expense reporting. The rule is modified to specify that "direct and indirect fees and commissions" include "fees netted from returns," which is defined in the previously existing rule language. The amendments also specifies that "investment service" includes "in-house investment staff."

The rules in 40 TAC §609.111 pertain to the investment expense reporting structure. The amendments clarify that direct and indirect fees and commissions must be reported by type of fee and commission, and specify the types as defined in 40 TAC §609.105(4), as the definition is amended by this rulemaking. The amendments also specify that investment expense information may be reported in an unaudited supplemental schedule within the public retirement system's annual financial report.

The rules in 40 TAC §609.109 pertain to the initial investment expense reporting period, which has already passed. The rule expressly states this section expired on April 1, 2022. The repeal will remove this obsolete provision from the rules.

PUBLIC COMMENTS

The agency did not receive any comments on the proposed amendments or repeal during the public comment period.

BOARD ACTION

The Board met on July 25, 2024, to discuss the proposed amendments and repeal. The Board recommended the proposed amendments be published in the Texas Register. At its meeting on September 25, 2024, the Board adopted the proposed amendments and repeal as published in the Texas Register.

STATUTORY AUTHORITY

The amendments and repeal are adopted under Government Code §802.103(e), which authorizes the Board to adopt rules necessary to implement the Government Code §802.103(a)(3) investment expense reporting requirement.

<rule>

§609.105. Definitions.

The following words and terms, for the purposes of this chapter, shall have the following meanings, unless the rule indicates otherwise.

(1) "Annual financial report" means as defined by §802.103 of the Texas Government Code.

(2) "Asset class" means a group of securities that share similar characteristics, perform comparably in the marketplace, and are generally governed by the same laws and regulations.

(3) "Board" means the State Pension Review Board.

(4) "Direct and indirect fees and commissions" means amounts paid to investment managers for managing assets; commissions paid to brokers for trading securities on a per share basis; profit share as defined by §815.3015(a)(2) of the Texas Government Code; and fees netted from returns.

(5) "Fees netted from returns" means an amount that an investment manager collects or retains from earned investment returns rather than from the pension trust fund.

(6) "Governing body of a public retirement system" means as provided by Texas Government Code §802.001(2).

(7) "Investment expense" means direct and indirect fees and commissions and amounts retained or paid for investment services.

(8) "Investment manager" means as defined by §802.204 of the Texas Government Code.

(9) "Investment service" means a service provided to a public retirement system for general purposes of administering its investment program such as custodial, investment consulting, investment-related legal services, research, and in-house investment staff.

(10) "Public retirement system" means as defined by §801.001(2) and §802.001(3) of the Texas Government Code, but shall not include defined contribution plans as defined by Texas Government Code, §802.001(1-a) or retirement systems consisting exclusively of volunteers organized under the Texas Local Fire Fighters' Retirement Act as defined by Texas Government Code, §802.002(d).

§609.111. Investment Expense Reporting Structure.

(a) Public retirement systems shall report direct and indirect fees and commissions:

(1) in the fiscal year they are incurred;

(2) by asset class;

(3) by type of fees and commissions, specifically:

(A) amounts paid to investment managers for managing assets;

(B) commissions paid directly by the public retirement system to brokers for trading securities on a per share basis;

(C) profit share as defined by §815.3015(a)(2) of the Texas Government Code; and

(D) fees netted from returns.

(4) in a supplemental schedule, which may be unaudited, as part of the system's annual financial report.

(b) Investment services provided to the system shall be reported in a supplemental schedule contained in the notes to the financial statements that are part of a public retirement system's annual financial report.

(c) A retirement system shall report expenses incurred for investment services by type of service provided, even if multiple investment services are provided by a single firm. Those expenses should not be reported by asset class.

(d) The asset classes are:

(1) Cash;

(2) Public Equity;

(3) Fixed Income;

(4) Real Assets;

(5) Alternative/Other.

(e) The Board hereby adopts by reference the 2020 Asset Class Categorization Guide (2020 ACC Guide) to assist in categorizing items by asset class.

(f) The Asset Class Categorization Guide is available to all public retirement systems. A public retirement system may obtain the most current version of the Asset Class Categorization Guide from the offices of the State Pension Review Board and from its website at http://www.prb.texas.gov.

(g) For an investment product containing investments in more than one asset class, a public retirement system shall report fees according to the corresponding asset class.

(h) For a fund of funds, reported fees must include the top-layer management fees charged by the fund-of-fund manager and the fees charged by all subsidiary fund managers, and all profit share, reported as a single amount.

(i) A public retirement system must list the types of investment included in the "Alternative/Other" asset class as described in the 2020 ACC Guide.

40 TAC §609.109

STATUTORY AUTHORITY

The repeal is adopted under Texas Government Code §801.201, which authorizes the Board to adopt rules and Texas Government Code §802.103(e), which authorizes the Board to adopt rules for investment expense reporting and other annual financial report requirements.

<rule>

§609.109. Investment Expense Reporting.

Item 10b: Investment Practices and Performance Evaluation (IPPE) and Investment Performance Report (IPR) Update

Robert Munter

IPPE Status Update

- Three systems still need to submit their evaluations, expected in September:
  1. JPS Pension Tarrant County Hospital (THA)
  2. Citizens Medical (THA)
  3. Denton Fire

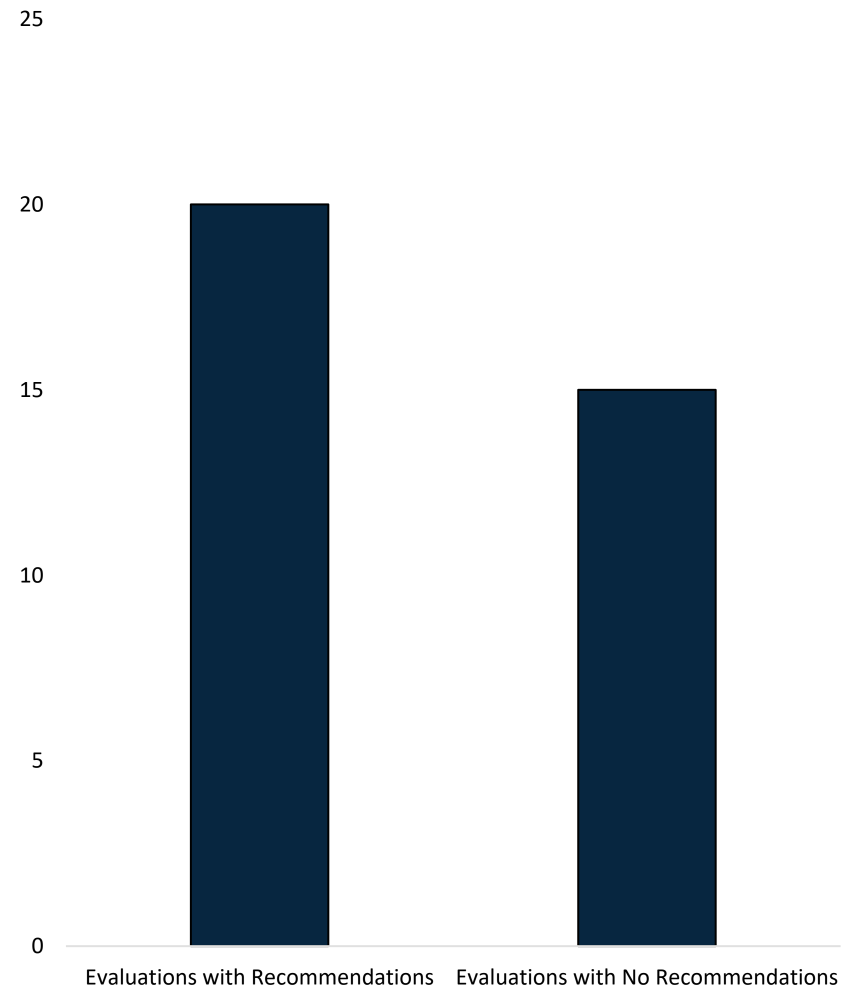
- All systems have communicated to the PRB evaluations are in progress

PRB Duties Required Under §802.109 Update

- Staff tasks:
  - (Completed) Make available received IPPE reports on the PRB website
  - (Completed) Review received IPPE reports and create summaries
  - (Completed) Create a draft of the summarized and compiled recommendations document
  - (In progress) Investment Performance Report (IPR) to be included in the Biennial
- Requested feedback from systems on legislative recommendations due **September 6th**.
  - No feedback received

IPPE Key Findings for IPR

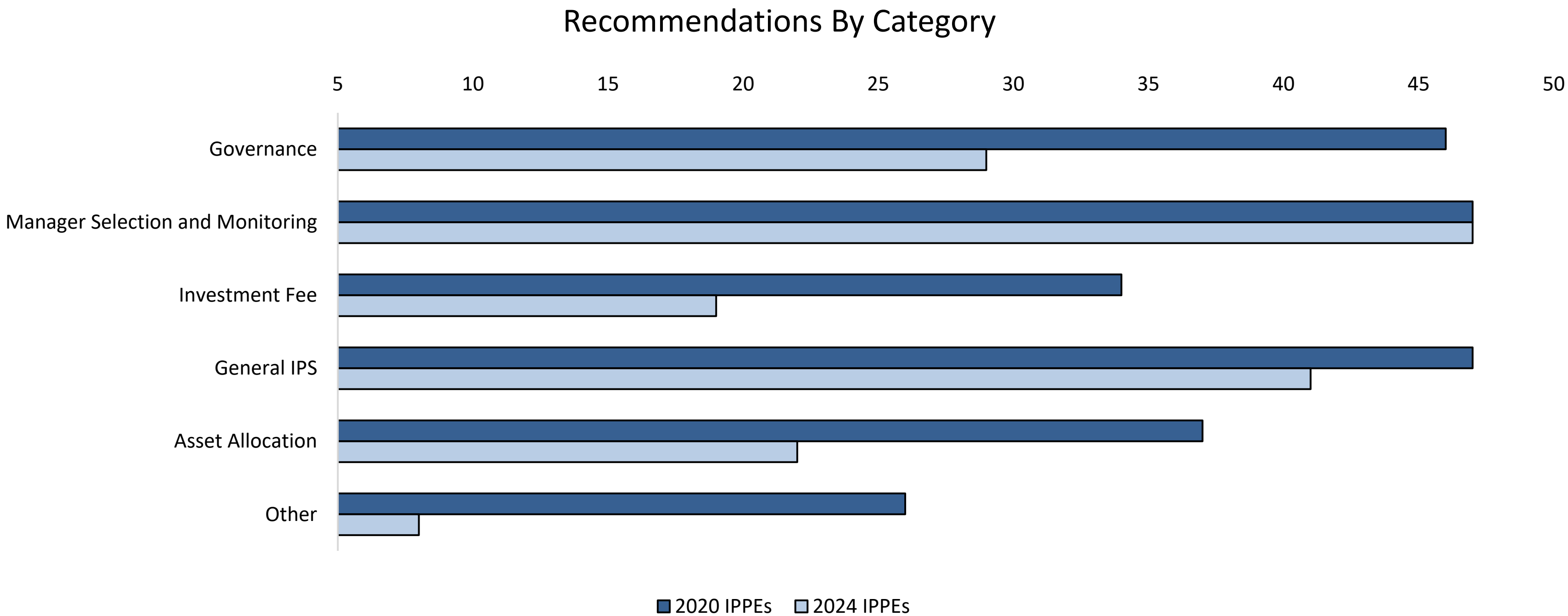
- Most evaluations contained recommendations for improvements or considerations.
- Staff did not consider recommendations to continue doing an identified practice as a recommendation.
- 57% of evaluations contained recommendations which is similar to 2020 results.



Pension Review Board

IPPE Key Findings for IPR

- Variety of recommendations decreased compared to 2020
- 2024 evaluations focused on timelier and market driven recommendations
- Total recommendations in 2020 were 237 compared to 166 in 2024
- Most categories had a reduction in recommendations other than Manager Selection and Monitoring



Pension Review Board

IPPE Key Findings for IPR

- Out of all recommendations, seven similar types were found in at least five evaluations

Manager Selection and Monitoring

1. Include the selection criteria in the IPS as well as document rationale for all hiring and firing decisions
2. Consider new benchmark for performance reports or IPS
3. Add specific measurable criteria for monitoring performance to the IPS

IPPE Key Findings for IPR

Asset Allocation

1. Document existing practice or recommend potential changes for determining and evaluating the asset allocation
2. Provides specific language changes to be more specific regarding rebalancing ranges and guidelines

IPPE Key Findings for IPR

General IPS

1. Include a discussion of risk in the IPS.

Investment Fee

1. Add language to document various processes regarding the reconciliation and payment of fees or the level of detail recorded for direct and indirect compensation.

IPR Draft Key Topic Sections

- Overview of 2024 Cycle
  - Summary of updated 2021 statute
  - 2020 vs. 2024 evaluation results
  - Potential PRB legislative recommendations (if approved)
  - PRB implementation
- PRB Analysis
  - Data on recommendations
  - Top recommendations by section
  - Concerns of overly similar evaluations to be monitored at the next submission.

New Additions to IPR Analysis

- Provide examples of:
  - evaluations commenting or referring to their 2020 IPPE and the benefits
  - systems using the subsequent evaluation to include a status update on past IPPE recommendations
  - improved transparency from the evaluations including a review-and-comment section

Recommended Legislative Updates

<u>Recommendation One</u>

<u>Goal:</u> Clarify how often IPPE reports should be completed by retirement systems, the expected due dates of the reports, and change to reporting cycles for simplification.

<u>Update to statute:</u> Adjust language for reporting timeline to a cycle-based approach that has a three-year and six-year reporting period based on applicability. Additionally, clarify as follows, “If a retirement system’s asset size increases in a fiscal year to above one of the specified thresholds, they will complete the evaluation by the next cycle’s due date.”

1) For systems already reporting, this change would not impact current expectations.
2) The update would provide additional clarification on how to handle reporting expectations as retirement system assets grow over time and their requirements change.

Recommended Legislative Updates

Recommendation Two

Goal: Clarify the criteria for retirement system applicability by adjusting the language that references the total assets of the preceding fiscal year.

Update to statute: Adjust applicability language to include additional criteria that prevents normal asset fluctuations between years from obscuring reporting expectations. Below are three options to improve the current statute with simplified examples for demonstration of current expectations.

Three options (A, B, C) were provided to systems for feedback on any or all options.

Recommended Legislative Updates

Option A: Add language so that the applicability for a three-year or six-year reporting requirement will still use the preceding fiscal year's assets to determine the reporting requirement; however, once the assets rise above the specified asset threshold, only when both the assets and the total pension liability (TPL) decrease below the asset threshold will the reporting requirement be lowered or no longer applicable. In practice this would keep systems near the asset thresholds in a more frequent reporting requirement unless they are at or above fully funded status.

Statute	Assets 2024	TPL 2024	Assets 2025	TPL 2025	Requirement
Current	$105 mil	$190 mil	$120 mil	$185 mil	3 years
Current	$105 mil	$190 mil	$98 mil	$185 mil	6 years
Option A	$105 mil	$190 mil	$98 mil	$185mil	3 years

Pension Review Board

Recommended Legislative Updates

Option B: Adjust language so that instead of using the preceding fiscal year, look at a longer time period, such as the preceding three fiscal years to determine applicability.

Statute	Assets 2024	Assets 2025	Assets 2026	Assets 2027	Requirement
Current	$105 mil	$106 mil	$101 mil	$105 mil	3 years
Current	$105 mil	$106 mil	$101 mil	$98 mil	6 years
Option B	$105 mil	$106 mil	$101 mil	$98 mil	3 years

Recommended Legislative Updates

Option C: Adjust language so that the applicability based on assets is treated as a high-water mark. This means a retirement system once above the $30 million or $100 million asset threshold in a preceding fiscal year must follow the higher asset size requirement.

Statute	Assets 2024	Assets 2025	Assets 2026	High-water mark	Requirement
Current	$98 mil	$106 mil	$101mil	$106 mil	3 years
Current	$98 mil	$106 mil	$98 mil	$106 mil	6 years
Option C	$98 mil	$106 mil	$98 mil	$106 mil	3 years

Appendix
Summary of Investment Practices and Performance Evaluation Recommendations

Number of Recommendations	Governance Recommendations	2020 Total	2024 Total
OPERATIONAL PRACTICE			
3	Annual IPS and/or system review	21	14
1	Issue RFP at least once every 3-5 years for Investment Consultant		
1	Review RFP process and its potential impact on delays/missing investment opportunities		
1	Build staff expertise		
1	Create a key person risk policy		
1	Create an implementation policy from executive director to the Board		
1	Establish formal procedure to review the CIO and Executive Director		
1	Improve in-house investment staff recruiting, compensation, and career development		
1	Improve operational efficiency with industry best practices		
1	Perform periodic or ad hoc vendor reviews		
1	Increase board continuity		
1	Review service providers		
0	Quarterly board meetings should formally review underperforming investment managers		
0	Conduct more frequent AVs		
0	Limit and stagger committee member terms		
0	Fund counsel reviews all legal contracts		
0	Review investing core beliefs anytime significant investment changes occur		
0	Create an implementation policy to assist in documentation of policies/procedures		
0	IPS should always be under review		
DOCUMENTATION			
1	Develop a written governance policy	9	5
1	Improve descriptions of existing policies and responsibilities		
2	Document existing governance practice		
1	Document purpose, function, membership, and possible actions of all committees		
0	Develop an ethics policy specifically dedicated to the Plan and those charged with overseeing it.		
0	Include ESG-related and internal management considerations in the IPS		
TRAINING			
4	Ensure training stays up to date	7	4

0	Develop materials specifically for new board members		
0	Document training requirements or practice in IPS		
TRANSPARENCY			
2	Make additional information available online	**7**	**3**
1	Post additional documents to the website		
0	Maintain a focus on transparency		
0	Modernize website		
OTHER			
1	Maintain current reviews of performance, providers and consultants	**2**	**3**
1	Review compliance staffing levels		
1	Review personal trading policy		
0	Improve plan adherence by adjusting policies exceeding best practice to align more with best practices		
0	State in IPS the frequency of investment consultant RFP process		
Total Governance Recommendations		**46**	**29**

Number of Recommendations	Manager Selection and Monitoring Recommendations	2020 Total	2024 Total
INVESTMENT MANAGER HIRING AND FIRING PROCESS			
10	Include the selection criteria in the IPS as well as document rationale for all hiring and firing decisions	**16**	**14**
1	Update selection and monitoring process language to match current practice		
1	Simplify the process description, providing high-level guidelines for flexibility with specificity where necessary		
1	Add language that the manager must affirm that they act in a fiduciary capacity		
1	Add a conflict-of-interest policy when selecting investment managers		
0	Refine the manager selection criteria so that it places less emphasis on past performance		
0	Discuss investment manager selection criteria		
BENCHMARKING OR PERFORMANCE MEASURES			
10	Consider new benchmark for performance reports or IPS	**11**	**22**
6	Add specific measurable criteria for monitoring performance to the IPS		
2	Include net- and gross-of-fee returns relative to benchmark and peers in each quarterly report		

1	Add section in IPS that covers Asset/Liability studies		
1	Perform a benchmarking study to review fees, admin costs and staff levels		
1	Perform formal benchmark reviews of each public investment manager one every three years		
1	Periodically review the asset class benchmarks		
0	Create a performance metric and reporting requirement for non-public securities		
0	Additional qualitative information should be included in the manager performance review summary		
0	Add a process for comparing total portfolio and investment managers' risk adjusted returns to peers and benchmark		
ADD POLICIES OR PROCEDURE			
3	Document existing policy on how performance is measured		
0	Add formal investment manager review process, criteria, and procedures		
0	Prepare adequate documentation to ensure/demonstrate process has been followed	**8**	**3**
0	Add a watch list policy		
0	Add a policy documenting proxy voting rationale		
OTHER			
2	Update policy language regarding reporting/reviewing for investment managers		
2	Improve documentation of processes being followed		
1	Clarify due diligence required by investment type		
1	Improve watch list policy		
1	Maintain annual report addressing qualitative factors for each investment manager		
1	Review performance objectives for consistency with IPS		
0	IPS should specify that performance reporting include net of investment management fee	**12**	**8**
0	Investment performance reports should be quarterly with monthly flash reports		
0	Separate reporting requirement by asset class instead of consultant or investment manager		
0	Add policy language defining a reporting or valuation process for less liquid or illiquid securities		
0	Revisit the watch list for alternative		
0	Review Private Equity performance benchmarking to IPS policy		
0	Standardize investment monitoring processes across all asset classes		
0	Generalize watch list language to avoid being overly prescriptive		
Total Manager Selection and Monitoring Recommendations		**47**	**47**

Number of Recommendations	Investment Fee Recommendations	2020 Total	2024 Total
	IPS GUIDELINES		
6	Add language to document various processes regarding the reconciliation and payment of fees or the level of detail recorded for direct and indirect compensation	**12**	**7**
1	Add language to review expenses annually		
0	Adhere to existing policies		
0	Expand investment fee study policy to provide more specifics on who is responsible, the frequency and metrics		
	REPORTING		
1	Disaggregating research and securities brokerage costs	**7**	**1**
0	Trade cost analysis summarizing explicit and implicit trading expenses		
0	Management fees netted from returns		
0	Profit share/carried interest from alternative investments		
0	Expenses related to cash (if any)		
0	Expenses related to real estate		
0	Reconciling actual payments with negotiated rates		
0	Document the results of its provider service and fee review at least annually		
0	Tracking the difference between negotiated rates and "headline rates" charged to smaller investors as fee savings		
	FEE REDUCTIONS		
4	Include (more) passive investment, where appropriate	**6**	**8**
2	Utilize a benchmarking firm to compare investment fees and other expenses to peers		
1	Maintain passive investment allocation, where appropriate		
1	Evaluate ways to reduce fees in private markets		
1	Evaluate ways to reduce fees in private markets		
0	Seek no fee or discounted fee arrangements		
	OTHER		
1	Benchmark fees against peer group or industry averages	**9**	**3**

1	Re-evaluate fee benchmarks		
1	Conduct annual review of available fund vehicles		
0	"Remaining diligent" comments		
1	Understand that overall portfolio fees are influenced by size and asset allocation		
1	Consider an evaluation metric for securities brokerage vendors based on execution skill		
1	Review vendor contracts regularly for cost saving improvements		
Total Investment Fee Recommendations		**34**	**19**

Number of Recommendations	General IPS Recommendations	2020 Total	2024 Total
ROLES AND RESPONSIBILITIES			
4	Define Investment Committee		
1	Define who conducts fee review and reporting		
1	Define CIO/Executive Director role		
1	Define custodian responsibilities		
1	Define Legal's responsibilities		
1	Define Staffs role		
1	Statement that the Board is ultimately responsible, and the board hires other roles		
0	Define Fiduciary Duty		
0	Define Broker/Dealer		
0	All parties involved in oversight of Plan investments, investment fee monitoring process, along with fund selection and monitoring criteria	**24**	**10**
0	Define Specialty Consultants role		
0	Define Fund Administrator responsibilities		
0	Define Investment Consultant responsibilities		
0	Define reporting requirements for Investment Managers		
0	Define who selects Investment Managers		
0	Define who sets benchmarks		
0	Define Actuary responsibilities		
0	Update Investment Committees responsibilities to include assigned tasks		

0	Define who is responsible for notifying managers of "unusually large liquidity needs" by the system and explain responsibility		
	IPS LANGUAGE		
5	Include a discussion of risk in the IPS	**15**	**20**
3	Language discussing funding and liquidity needs in reference to systems liabilities		
1	Language on IPS and governance review frequency		
1	Language to meet or exceed the Fund's actuarial assumed rate of return over the long term		
2	Add policy similar to GFOA for determining and evaluating asset allocations		
2	Improve proxy voting language or process		
1	Language explaining investment beliefs		
1	Fiduciary language to certain roles to make decisions in the best economic interest of the fund's participants and their beneficiaries		
1	Define total fund benchmark aligned with asset allocation targets in IPS or reference in appendix		
1	Include a discussion of leverage in the IPS		
1	Language specifying if an external service provider is used and have authority to create compliance reporting		
1	Language that general objective is to provide promised benefits to members		
0	Language explaining Emerging Manager program definition and scope		
0	Language discussing funded status		
0	Update IPS target allocation to match current allocation in practice		
0	Define mandatory reporting expectations to the board		
0	Language around plan expenses		
0	Add language to better reflect alternative investments and their unique aspects		
0	Language should also be added to address that investments into mutual funds, exchange-traded funds or comingled investment trusts that may not follow the investment stipulations of the Statement of Investment Policy		
	OTHER		
4	Cleanup or remove IPS language	**8**	**11**
1	Continue simplifying the IPS		
4	Review IPS to PRB and industry best practices		
1	List IPS revision dates in IPS appendix with past IPS documents retained		

1	Consider combining the IPS and operating procedures		
0	Finalize the update to Investment Beliefs and Fee Policy		
0	Improve the IPS with more explicit and measurable details		
0	Generalize policy language to avoid being overly prescriptive		
Total General IPS Recommendations		**47**	**41**

Number of Recommendations	Asset Allocation Recommendations	2020 Total	2024 Total
UPDATE IPS ALLOCATION SECTION			
5	Document existing practice or recommend potential changes for determining and evaluating the asset allocation	**24**	**12**
5	Provides specific language changes to be more specific regarding rebalancing ranges and guidelines		
1	Add language to review of the expected return assumptions, expected risk assumptions, portfolio standard deviation and peer group rankings at least annually or more frequently if needed		
1	Add section in IPS that covers Asset/Liability studies		
0	Include general language regarding diversification		
0	Add language for informal annual reviews of capital markets to improve flexibility of investments		
0	Add language defining maximum allocation to illiquid investments		
0	Define a more precise definition but more flexible with the timing of asset allocation studies		
0	Add language in IPS to define annual review as an asset allocation (or asset-only) study		
0	Including language specific to commingled funds stating the guidelines in the prospectus or similar governing document will prevail		
0	Clarify policy language regarding “readily marketable securities”		
OTHER TOPICS			
4	Recommending specific changes or to consider investments	**13**	**10**
2	Avoid large changes in the strategic asset allocation too frequently		
2	Update the asset allocation study		
0	Continue deep dive reviews of all asset classes annually		
0	Review the strategic asset allocation annually		
0	Review the strategic asset allocation biennially or more frequently if needed based on market assumptions		

0	Incorporating the target allocation weights and ranges, along with preferred benchmark, into an appendix.		
Total Asset Allocation Recommendations		**37**	**22**

Number of Recommendations	Other Topics	2020 Total	2024 Total
LIQUIDITY OR CASHFLOW CONCERNS			
2	Contribution levels and/or negative non-investment cash flow concerns	**10**	**2**
0	Make enhancements to liquidity reporting or management		
0	Add language discussing plan liquidity risk and every three years provide a comprehensive report		
OTHER TOPICS			
4	Complete an asset/liability study or study considerations	**16**	**6**
1	Add schedule for completing asset/liability studies to the IPS		
1	Improve in-house staff analytical expertise in scenario analysis and third-party reviews		
0	Consider potential plan design changes		
0	Develop/foster capital market assumptions with the investment consultant and actuary working closely		
0	Perform an experience study and make changes to assumptions as needed		
0	Different investment managers should attend board meetings semi-annually to provide updates		
0	Complete an asset allocation study every 3-5 years		
0	Utilize the expertise of investment consultants to ensure alternative assets are properly valued and managed		
0	Allow managers to select most efficient way to obtain their foreign currency hedge		
Total Other Topics		**26**	**8**

Item 11a: AV Report and Item 11b: FSRP Report

David Fee

Pension Review Board

Summary

- AV report
  - Changes since July board meeting
    - System news
    - Major assumption changes
  - Funding progress
  - System overview
  - Systems with funding periods over 40 years
- FSRP Report
  - FSRP status changes since July board meeting
  - FSRP status by category

Actuarial Valuation Report

Texas Public Pension System News

- Beaumont Fire
  - Reduced funding period to 33 years
- Dallas ERF
  - Updated preliminary FSRP
  - Member contribution increases for Tier A but not Tier B
  - 12/31/24 UAAL amortized over 30 years with 5-year phase in
  - Future gains/losses amortized over later of 20 years or 2054
  - Guardrails in place on city contribution rate could result in future FSRP
    - City council has discretion to waive the guardrails when funding period > 30 years
- Denison Fire
  - Removed flat dollar cap on benefits
  - Funding period is 15.3 years after the benefit enhancement
- Floresville Electric
  - Created new tier with smaller benefits for new hires

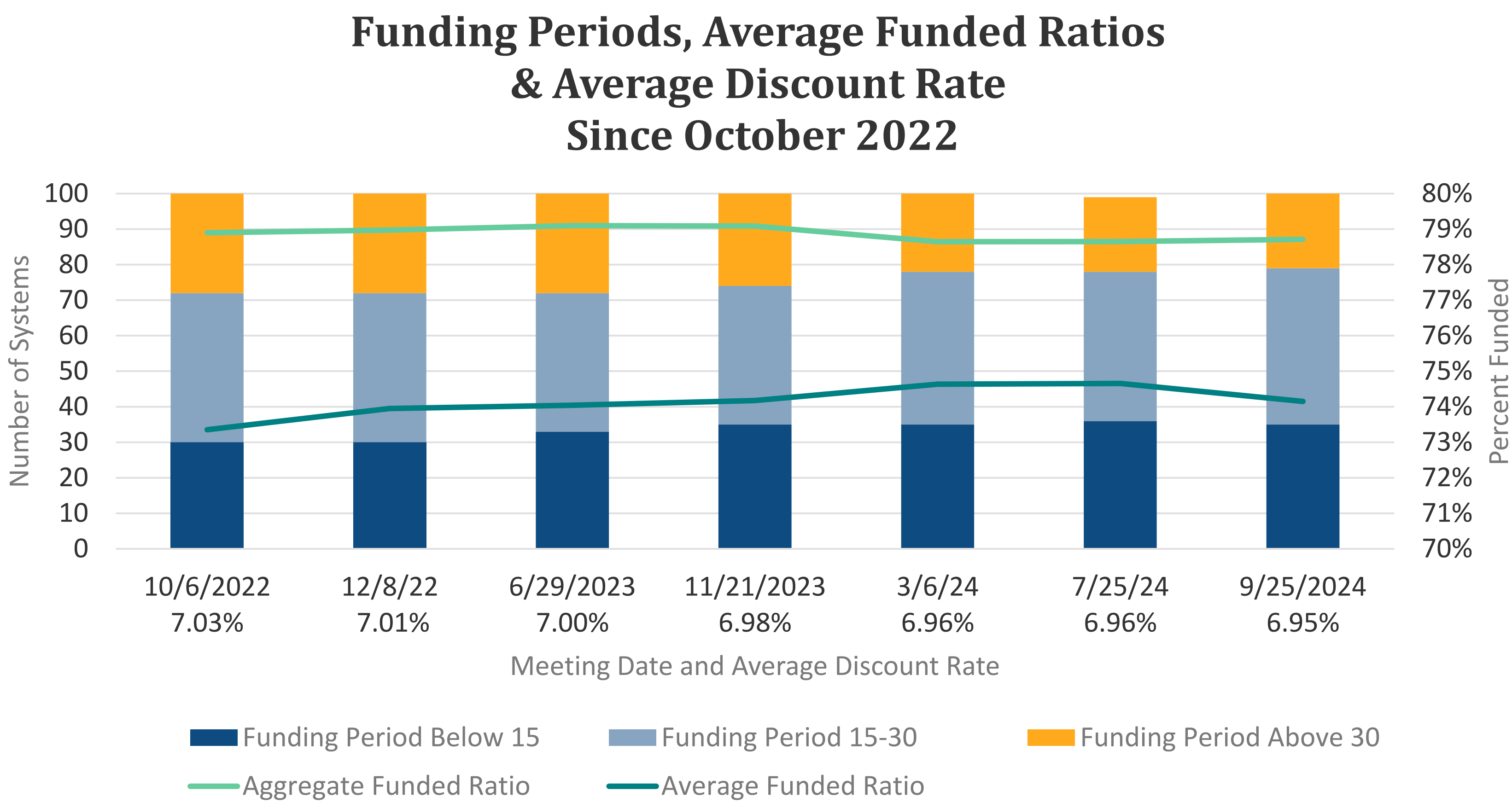
Texas Public Pension System News

- Irving Fire
  - Both city and member contributions decreased under shared ADC
- Nacogdoches County Hospital District
  - Triggered FSRP
- Sweetwater Fire
  - Sent FSRP update
  - Considering $90,000 flat dollar cap on annual benefits
- Wichita Falls Fire
  - Triggered FSRP

Significant Economic Assumption Changes

	Changed Discount Rate 7/25/24 → 9/25/24		Changed Payroll Growth Rate 7/25/24 → 9/25/24	
System	Current Rate	Prior Rate	Current Rate	Prior Rate
Austin Police			2.50%	3.00%
Beaumont Fire			3.25%	3.00%
Colorado River MWD	6.00%	5.75%		
Denison Fire	7.25%	7.50%		
Galveston Wharves	7.00%	7.25%		
Wichita Falls Fire	7.50%	7.75%	3.00%	4.00%

Funding Progress 2022-2024



PENSION REVIEW BOARD

System Overview By Type

System Type	System Count	Median Expected Return	Median Funding Period	Median Funded Ratio
Statewide	7	7.00%	14	89%
TLFFRA	42	7.25%	27	63%
Muni	17	7.00%	24	77%
810	34	6.50%	11	85%
Total	**100**	**7.00%**	**20**	**76%**

Numbers in **teal** denote improvements from the previous report

Systems With Funding Periods > 40 Years

System Name	Funding Period	System Type	Notes
Nacogdoches County Hospital District	**Infinite**	810	
Midland Firemen's Relief & Retirement Fund	**Infinite**	TLFFRA	Proposed $47M city contribution
Sweetwater Firemen's Relief & Retirement Fund	**Infinite**	TLFFRA	Increased city contributions
Dallas Police & Fire Pension System-Combined Plan	82.0	Muni	Proposed 30-yr funding in budget
Marshall Firemen's Relief & Retirement Fund	72.0	TLFFRA	Recently triggered FSRP
Wichita Falls Firemen’s Relief & Retirement Fund	56.7	TLFFRA	Recently triggered FSRP
Brownwood Firemen's Relief & Retirement Fund	52.8	TLFFRA	Completed FSRP
Dallas Employees’ Retirement Fund	51.0	Muni	Submitted preliminary FSRP
Austin Fire Fighters Relief & Retirement Fund	48.6	Muni	Could trigger FSRP with 2024 AV
Harlingen Firemen’s Relief & Retirement Fund	45.0	TLFFRA	Could trigger FSRP with 2025 AV

Wichita Falls Fire and Austin Fire were added to the list since the previous report
Beaumont Fire was removed from the list since the previous report

FSRP Updates

September 25, 2024

FSRP Status Changes

Status	Added	Removed
Systems Immediately Subject to 30-Year FSRP Formulation Requirement	Nacogdoches Memorial Hospital, Wichita Falls Fire	
Systems at Risk of 30-Year FSRP Formulation Requirement	Longview Fire	
Systems with Amortization Periods between 30-40 Years (not yet at risk)	N/A	
Previously Submitted FSRPs – Legacy FSRPs	N/A	Wichita Falls Fire
Systems That Previously Completed FSRP Requirement		N/A

Systems Immediately Subject to 30-Year FSRP Formulation Requirement

These systems had amortization periods above the applicable threshold (40 years prior to September 1, 2021 and 30 years thereafter) for three consecutive annual actuarial valuations (AVs), or two consecutive non-annual AVs. An FSRP must now be developed under the new law, **targeting 30 years by Sept. 1, 2025,** and must be developed by the public retirement system and the associated governmental entity in accordance with the system's governing statute.

Systems Immediately Subject to an FSRP Formulation Requirement

Retirement System	Am Period	Date of AV	Am Period	Date of AV	Am Period	Date of most recent AV	FSRP Due Date
Midland Firemen's Relief & Retirement Fund[1,3]	Infinite	12/31/2019	Infinite	12/31/2021	Infinite	12/31/2023	9/1/2025
Beaumont Firemen's Relief & Retirement Fund[1,5]	Infinite	12/31/2020	67	12/31/2022	33	12/31/2023	9/1/2025
Dallas Employees' Retirement Fund[1,4]	51	12/31/2020	50	12/31/2021	51	12/31/2022	9/1/2025
Sweetwater Firemen's Relief & Retirement Fund[2]	63.3	12/31/2018	68.9	12/31/2020	Infinite	12/31/2022	9/1/2025
Dallas Police & Fire Pension System (Combined Plan)	63.0	1/1/2021	68.0	1/1/2022	82.0	1/1/2023	9/1/2025
Marshall Firemen's Relief & Retirement Fund[1,6]	59.0	12/31/2018	41.0	12/31/2020	72.0	12/31/2022	9/1/2025
Nacogdoches County Hospital District	Infinite	7/1/2021	Infinite	7/1/2022	Infinite	7/1/2023	9/1/2025
Wichita Falls Firemen's Relief & Retirement Fund[6]	43.3	1/1/2020	32.1	1/1/2022	56.7	1/1/2024	1/1/2026

[1] Previously submitted an FSRP or Revised FSRP under previous law.

[2] Previously completed an FSRP or Revised FSRP under previous law.

[3] Triggering valuation was 12/31/2017

[4] Triggering valuation was 12/31/2019

[5] Triggering valuation was 12/31/2018

[6] Previously adhering to Legacy FSRP

Pension Review Board

Orange font indicates the triggering valuation.

Systems at Risk of 30-Year FSRP Formulation Requirement

These at-risk systems' most recent actuarial valuation shows an amortization period that exceeds the applicable threshold but does not yet trigger the FSRP requirement.

Systems at Risk of an FSRP - Not Yet Subject to FSRP Requirement

Retirement System	Am Period	Date of AV	Am Period	Date of AV	Am Period	Date of AV	Funded Ratio
Austin Fire Fighters Relief & Retirement Fund	23.3	12/31/2020	**35.7**	**12/31/2022**	**48.6**	**12/31/2023**	85.6%
Greenville Firemen's Relief & Retirement Fund	40.7	12/31/2018	36.6	12/31/2020	**35.0**	**12/31/2022**	**41.0%**
Harlingen Firemen's Relief & Retirement Fund	38.0	9/30/2019	23.0	9/30/2021	**45.0**	**9/30/2023**	**62.3%**
Longview Firefighter's Relief & Retirement Fund	Infinite	12/31/2021	27.6	12/31/2022	**32.0**	**12/31/2023**	70.5%
McAllen Firemen's Relief & Retirement Fund	Infinite	9/30/2018	27.7	9/30/2020	**34.6**	**9/30/2022**	68.7%
San Benito Firemen Relief & Retirement Fund	26.1	9/30/2019	16.9	9/30/2021	**32.0**	**9/30/2023**	**62.2%**

Orange font indicates the amortization period above the applicable threshold.

Teal font indicates funded ratio less than 65%

Systems with Amortization Periods between 30-40 Years (not yet at risk)

These systems have not yet triggered the requirement to notify their sponsors that their amortization period is above the FSRP threshold of 30 years. This list is intended to keep the board apprised of systems that may receive a subsequent AV showing an amortization period above 30 years, thus becoming at-risk of triggering the FSRP requirement.

Systems not yet at Risk of an FSRP - Not Subject to FSRP Requirement							
Retirement System	Am Period	Date of AV	Am Period	Date of AV	Am Period	Date of AV	Funded Ratio
Galveston Firemen's Relief & Retirement Fund[1]	Completed FSRP		30.9	12/31/2022	31.6	12/31/2023	65.3%
Laredo Firefighters Retirement System[1]	Completed FSRP prior to 9/30/22 AV				31.1	9/30/2022	**59.1%**

[1] System remains on track to be fully funded by 9/1/2055 according to pre-9/1/2025 FSRP requirement.

Teal font indicates funded ratio less than 65%

Progress Report on Previously Submitted FSRPs – Legacy FSRPs

The following systems formulated and submitted an FSRP before Sept. 1, 2021. The table below outlines their progress towards the FSRP requirement.

Systems Still Working Towards Meeting the Target Amortization Period Requirement						
Retirement System	FSRP Trigger		Current Progress[1]			
	Am Period	Date	Am Period	Date	Target Date[2]	Next AV Expected
Plainview Firemen's Relief & Retirement Fund	79.7	12/31/2019	33.0	12/31/2021	2031	2025
Fort Worth Employees' Retirement Fund	72.5	12/31/2015	32.0	12/31/2023	2029	2025

[1] Based on the most recent actuarial valuation or FSRP.

[2] The year in which a system must reach an amortization period target.

Systems That Previously Completed FSRP Requirement

The following systems have submitted an FSRP or subsequent actuarial valuation that has demonstrated projected full funding prior to September 1, 2055.

Systems that Have Submitted Post-FSRP Actuarial Valuations Showing Amortization Period at or Below 30 Years

Retirement System	FSRP Trigger		Completed Progress[1]	
	Am Period	Date	Am Period	Date
Atlanta Firemen's Relief & Retirement Fund	Infinite	12/31/2020	26.6	12/31/2022
Brownwood Firemen's Relief & Retirement Fund	52.8	12/31/2021	31[2]	12/31/2021
Galveston Employees' Retirement Plan for Police	55.1	1/1/2014	27	1/1/2021
Galveston Firefighter's Relief & Retirement Fund	51.6	12/31/2021	30[2]	12/31/2021
Irving Firemen's Relief & Retirement Fund - Revised FSRP	63.4	1/1/2014	27.3[3]	12/31/2021
Laredo Firefighters Retirement System	56.8	9/30/2020	26[2]	9/30/2020
Longview Firefighter's Relief & Retirement Fund	Infinite	12/31/2018	27.5[2]	12/31/2021
Orange Firemen's Relief & Retirement Fund – Second Revised FSRP	Infinite	1/1/2019	20.7	1/1/2021
University Park Firemen's Relief & Retirement Fund – Revised FSRP	81.3	12/31/2012	26.8	12/31/2020

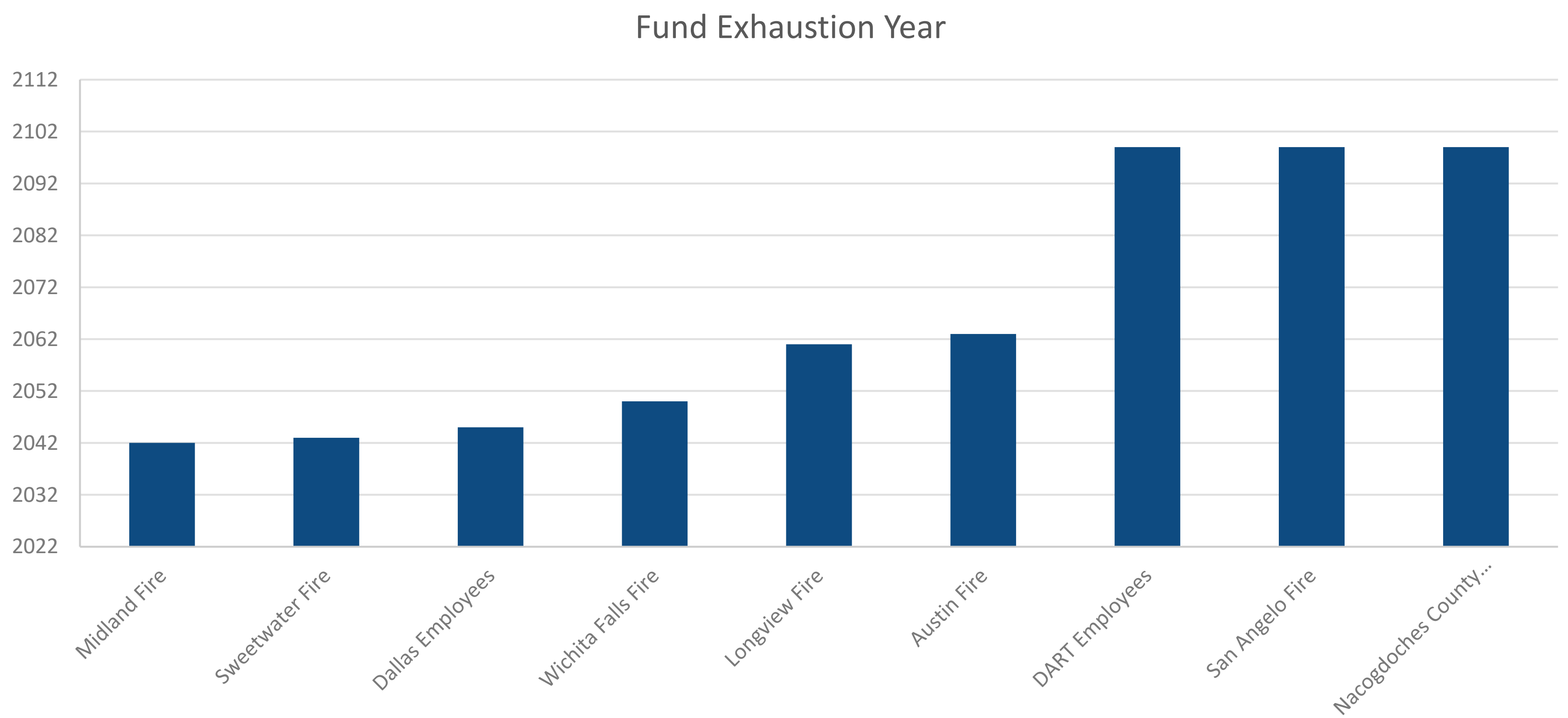
[1] Based on the valuation in which the system completed its FSRP requirement.

[2] Based on the additional analysis provided with the FSRP submission

[3] Based on the market value of assets

Appendix

Systems With Fund Exhaustion Year

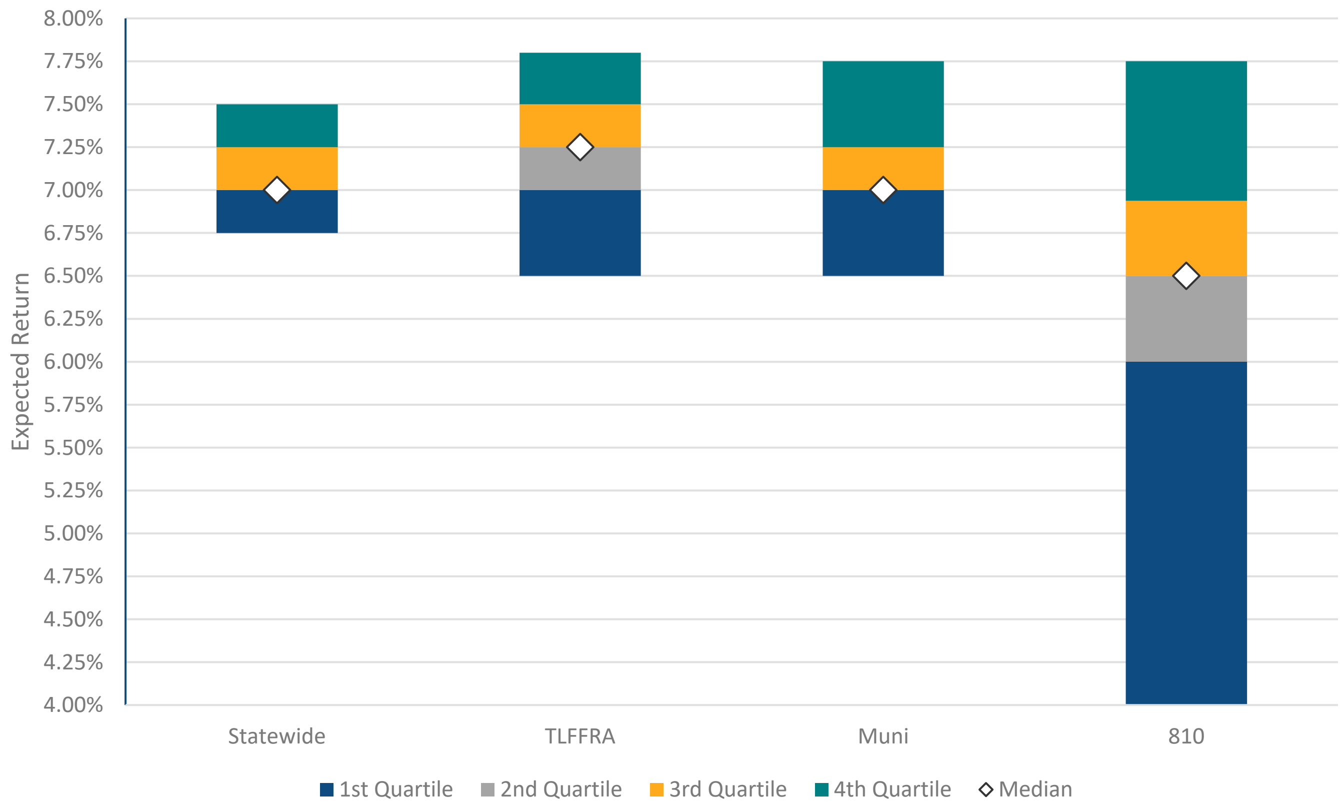


Longview Fire and Austin Fire were added to the list since the previous report.
LECOSRF, JRS II, Austin Employees and Beaumont Fire were removed since the previous report.

PENSION REVIEW BOARD

2099 is a placeholder for DART, San Angelo Fire, and Nacogdoches

Expected Return on Assets (Discount Rate)



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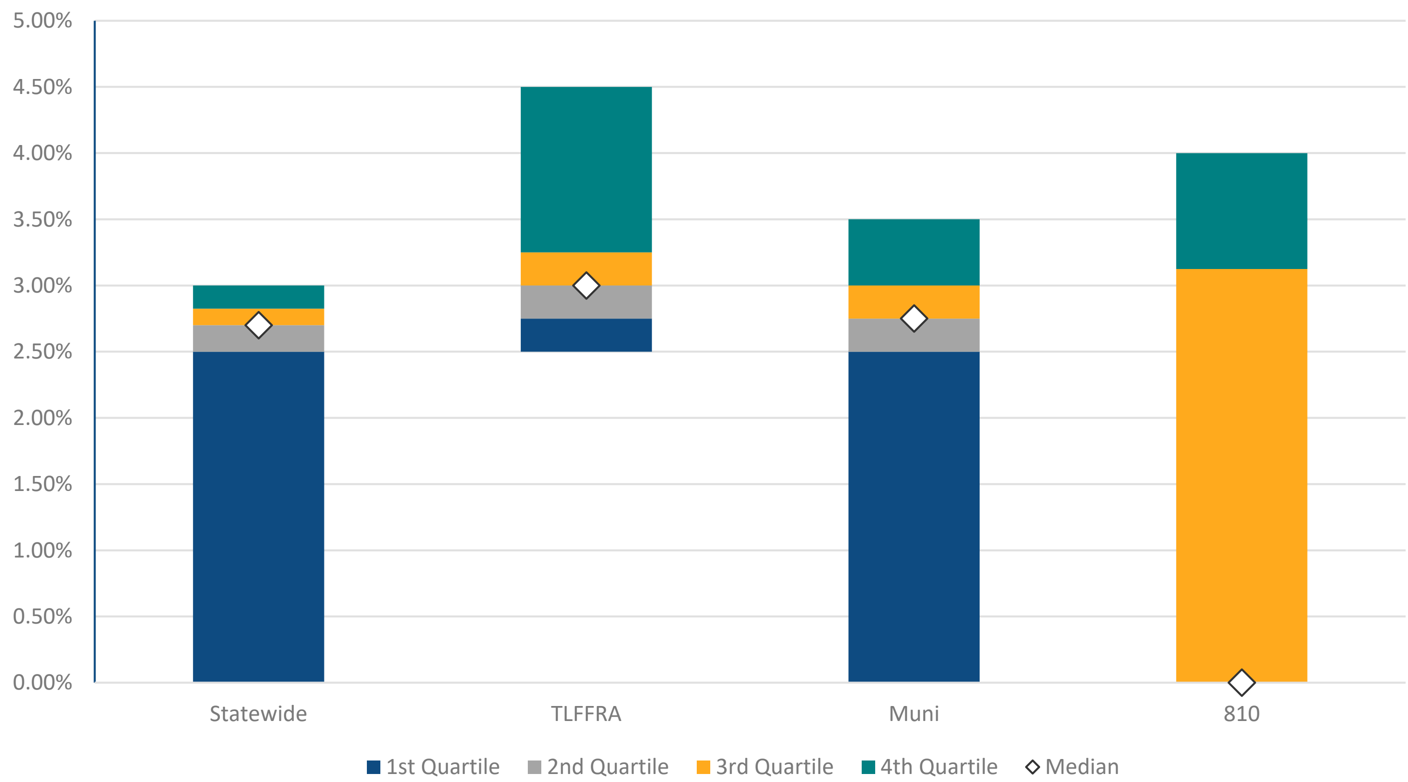
Systems with Discount Rate Above 7.5 Percent

System Name	Discount Rate	System Type
San Angelo Firemen's Relief & Retirement Fund	7.80%	TLFFRA
Big Spring Firemen's Relief & Retirement Fund	7.75%	TLFFRA
El Paso Firemen & Policemen's Pension Staff Plan	7.75%	810
El Paso Firemen's Pension Fund	7.75%	Muni
El Paso Police Pension Fund	7.75%	Muni
Harlingen Firemen's Relief & Retirement Fund	7.75%	TLFFRA
Orange Firemen's Relief & Retirement Fund	7.75%	TLFFRA
Temple Firemen's Relief & Retirement Fund	7.75%	TLFFRA

Wichita Falls Fire was removed from the list since the previous report

Expected Payroll Growth Rate



Pension Review Board

Systems With Actual 10-Year Payroll Growth Missing Expectations by More Than 75 bp

System Name	Expected Payroll Growth Rate	Actual Payroll Growth Rate	City Population Growth Rate[1]	Expected Inflation[2]	System Type
Arlington Employees	3.00%	1.10%	0.76%	2.50%	810
Austin Police	2.50%	0.88%	2.33%	2.50%	Muni
Big Spring Fire	4.50%	3.57%	-0.43%	3.00%	TLFFRA
Harlingen Fire	3.50%	2.58%	1.03%	2.50%	TLFFRA
Houston Fire	3.00%	0.59%	0.94%	2.50%	Muni
Marshall Fire	3.25%	2.43%	-0.06%	2.50%	TLFFRA
San Antonio Fire & Police	3.00%	2.10%	0.78%	3.00%	Muni
San Benito Fire	3.00%	2.09%	1.51%	2.50%	TLFFRA
Texarkana Fire	2.90%	1.05%	-0.06%	2.90%	TLFFRA

[1] A growing city supports a higher payroll growth assumption

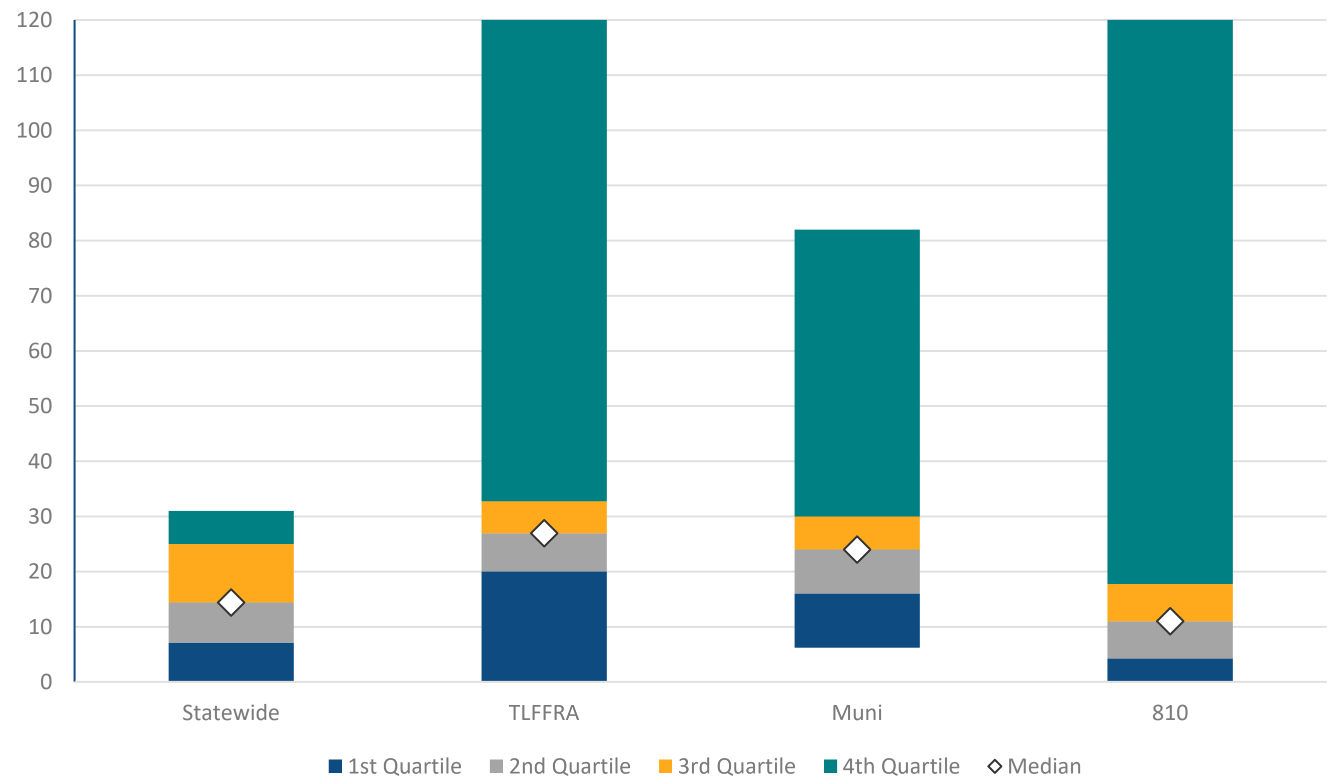
[2] A payroll growth assumption equal to expected inflation may not be considered aggressive

Funding Period To Avoid Negative Amortization

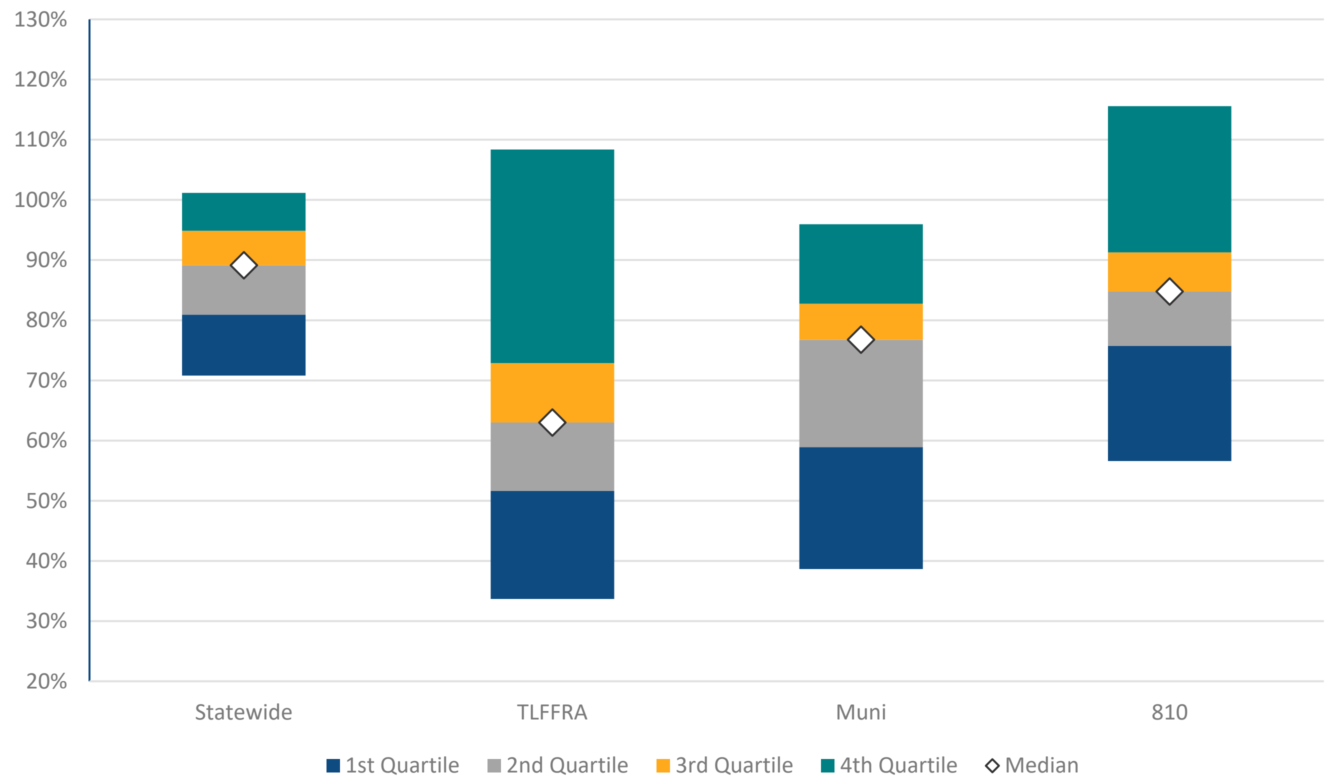
Expected Return

Expected Payroll Growth	6.75%	7.00%	7.25%	7.50%	7.75%
4.25% 4.50%	18	18	18	18	(18) Big Spring Fire
4.00%	20	(19) Waxahachie Fire	(19) Greenville Fire, Conroe Fire	18	18
3.75%	20	20	19	19	(19) Temple Fire
3.50%	(21) Citizens Medical Ctr	(20) DFW Airport, Galveston Police	(20) Paris Fire	20	(19) Harlingen Fire, San Angelo Fire
3.25%	21	(21) San Antonio Metro, University Health	(21) Weslaco Fire, Marshall Fire	(20) Lubbock Fire, Plainview Fire, Beaumont Fire	20
3.00%	(22) Denton Fire	(22) FWERF, Houston Fire, Midland Fire, Odessa Fire	(21) Austin Police, San Antonio F&P, Texas City Fire	(21) Abilene Fire, Cleburne Fire, Longview Fire, San Benito Fire, Sweetwater Fire, TCDRS, Wichita Falls Fire	21
2.75%	(23) Irving Supplemental, Plano, TMRS	(23) Atlanta Fire, Brownwood Fire, Houston Muni, Houston Police, Irving Fire, Tyler Fire	(22) Galveston Employees, Killeen Fire, Lufkin Fire, Port Arthur Fire	(22) Amarillo Fire, Galveston Fire, Laredo Fire	(21) El Paso Fire, El Paso Police, El Paso Staff

Funding Period



Funded Ratio



Pension Review Board

Systems with Funded Ratios < 50 Percent

System Name	Total Funded Ratio	Retiree Funded Ratio	System Type
Marshall Firemen's Relief & Retirement Fund	33.7	61.5	TLFFRA
Odessa Firemen's Relief & Retirement Fund*	36.4	51.2	TLFFRA
Dallas Police & Fire Pension System-Supplemental*	38.7	51.4	Muni
Dallas Police & Fire Pension System-Combined Plan	39.1	57.6	Muni
Greenville Firemen's Relief & Retirement Fund	41.0	77.1	TLFFRA
Texas City Firemen's Relief & Retirement Fund*	42.2	59.1	TLFFRA
Galveston Employees' Retirement Plan for Police*	42.8	70.8	Muni
Midland Firemen’s Relief & Retirement Fund	43.1	78.3	TLFFRA
Plainview Firemen's Relief & Retirement Fund	43.6	72.1	TLFFRA
University Park Firemen's Relief & Retirement Fund*	44.9	77.4	TLFFRA
Abilene Firemen's Relief & Retirement Fund*	45.3	66.5	TLFFRA
Brownwood Firemen's Relief & Retirement Fund	46.2	78.9	TLFFRA
Orange Firemen’s Relief & Retirement Fund	47.8	73.2	TLFFRA

Paris Fire was removed since the previous report.

*Amortization period is under 30

Additional Systems with Retiree Funded Ratios < 100 Percent

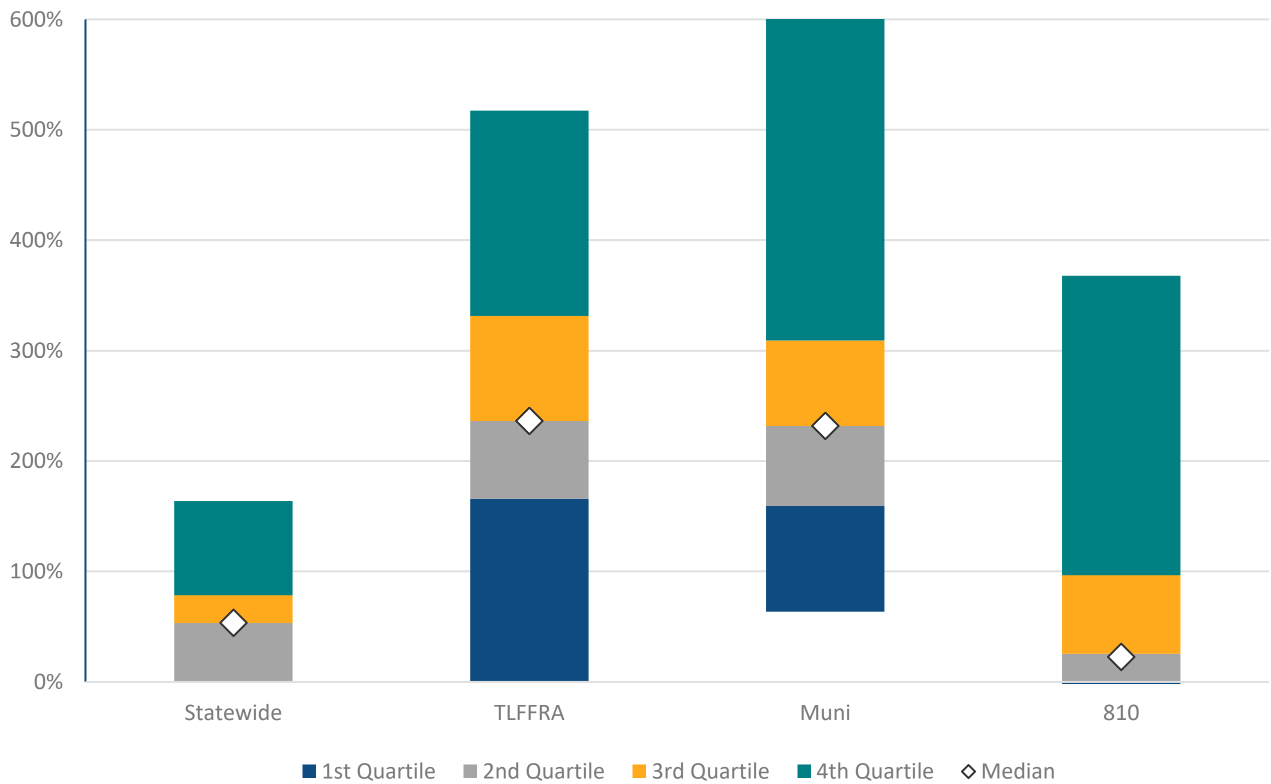
System Name	Total Funded Ratio	Retiree Funded Ratio	System Type
Sweetwater Firemen's Relief & Retirement Fund	55.1	76.2	TLFFRA
Capital MTA Bargaining*	63.4	77.6	810
Beaumont Firemen's Relief & Retirement Fund	55.4	92.4	TLFFRA
Fort Worth Employees' Retirement Fund	55.1	94.6	Muni
Brazos River Authority Retirement Plan*	73.5	96.7	810

DART Employees was removed from the list since the previous report.
No systems were added to the list

*Amortization period is under 30

Pension Review Board

UAAL as Percentage of Payroll



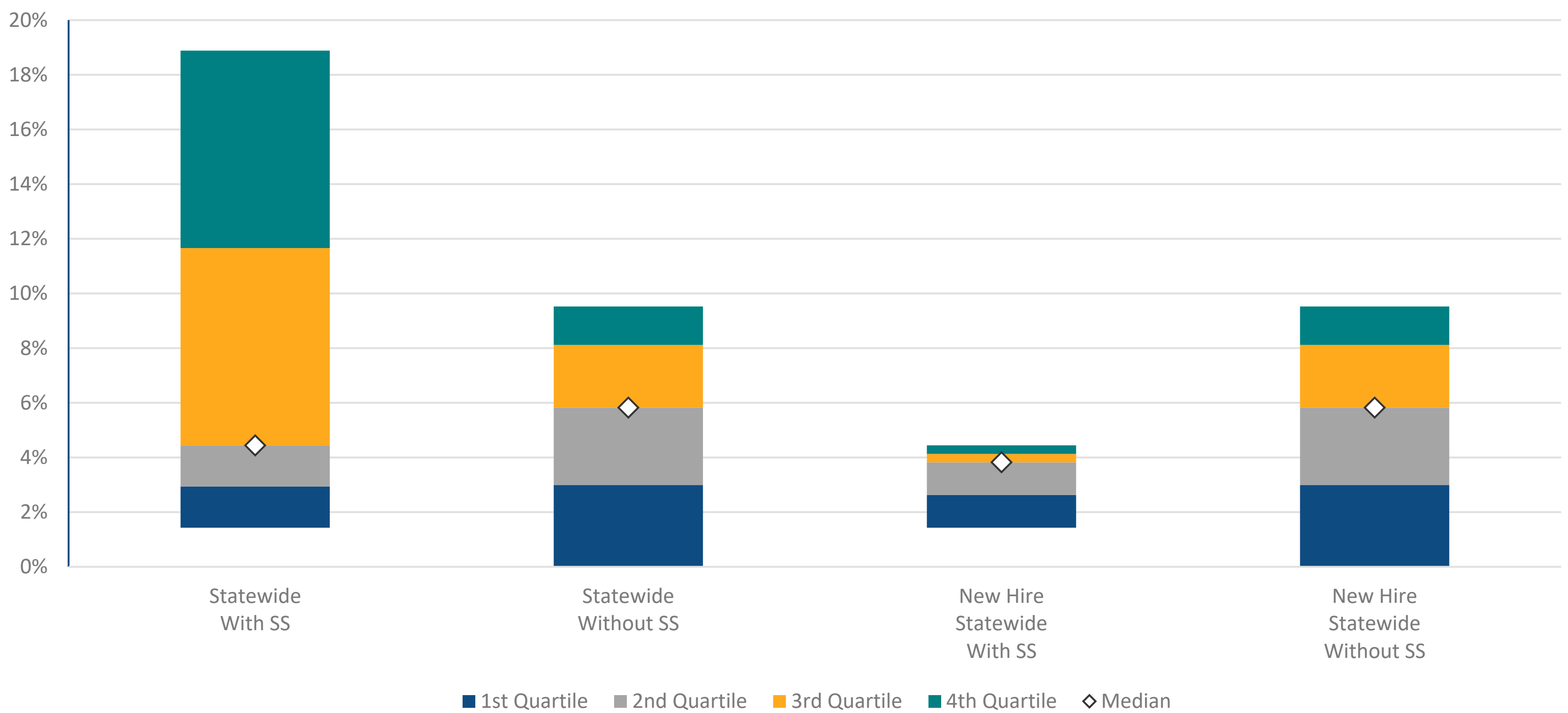
Pension Review Board

Systems With UAAL as Percent of Pay > 300 Percent and Funding Period >30

System Name	UAAL % of Pay	Funding Period	System Type
Midland Firemen’s Relief & Retirement Fund	467%	Infinite	TLFFRA
Sweetwater Firemen’s Relief & Retirement Fund	440%	Infinite	TLFFRA
Dallas Police & Fire Pension System-Combined Plan	690%	82.0	Muni
Marshall Firemen's Relief & Retirement Fund	517%	72.0	TLFFRA
Wichita Falls Firemen’s Relief & Retirement Fund	368%	56.7	TLFFRA
Brownwood Firemen's Relief & Retirement Fund	304%	52.8	TLFFRA
Greenville Firemen's Relief & Retirement Fund	380%	35.0	TLFFRA
Orange Firemen's Relief & Retirement Fund	321%	34.5	TLFFRA
Plainview Firemen's Relief & Retirement Fund	451%	33.0	TLFFRA
Beaumont Firemen's Relief & Retirement Fund	374%	33.0	TLFFRA
Fort Worth Employees' Retirement Fund	393%	32.0	Muni
Laredo Firefighters Retirement System	314%	31.1	TLFFRA

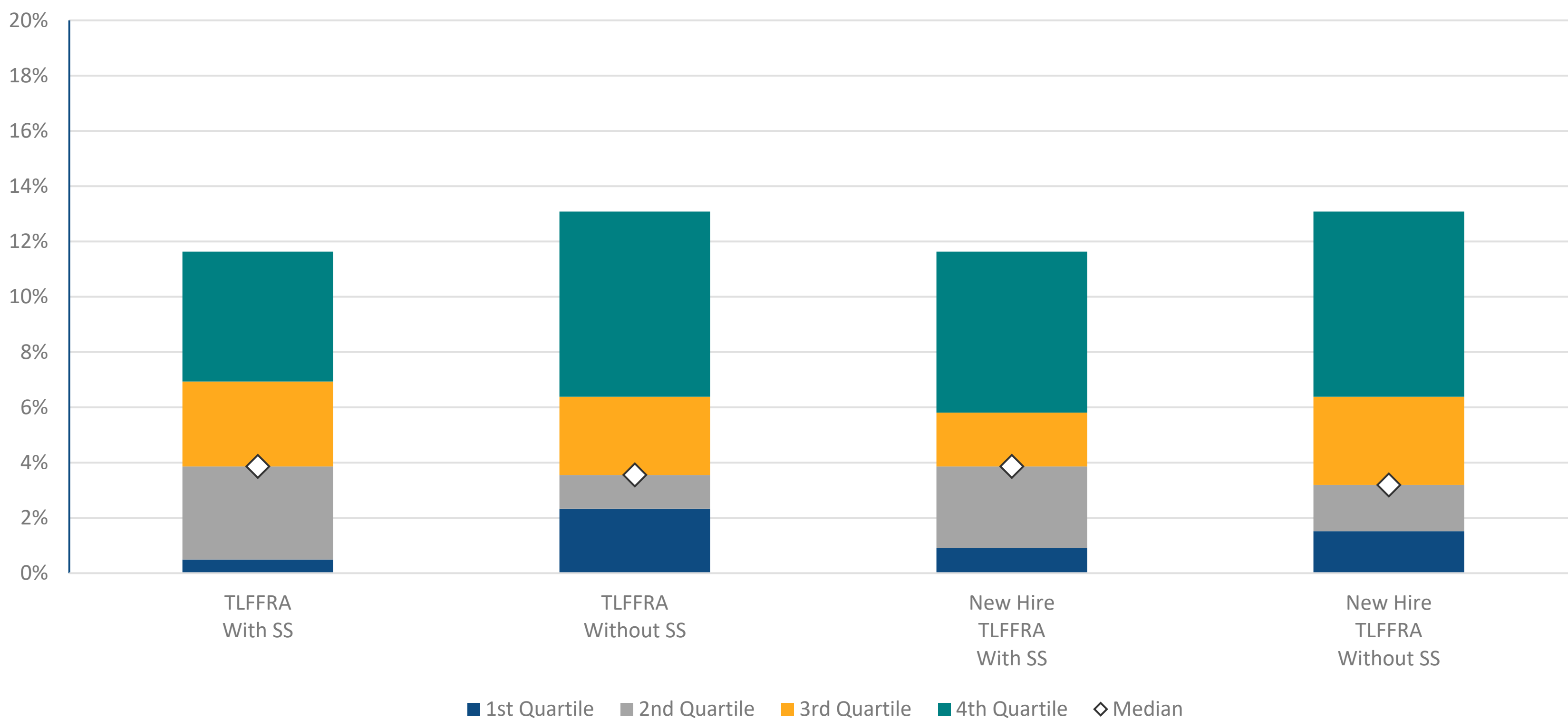
Wichita Falls Fire was added to the list since the previous report.

Employer Normal Cost – Statewide Systems



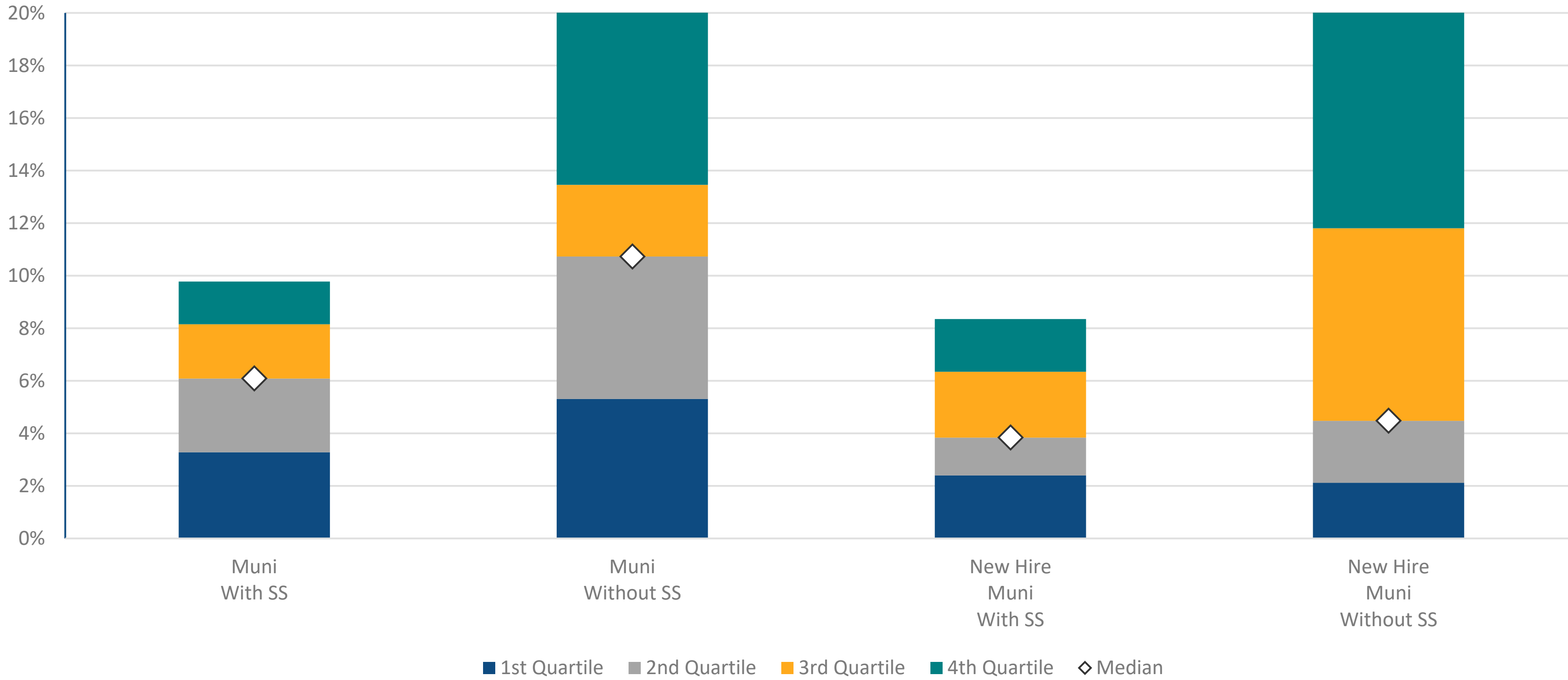
Pension Review Board

Employer Normal Cost – TLFFRA Systems



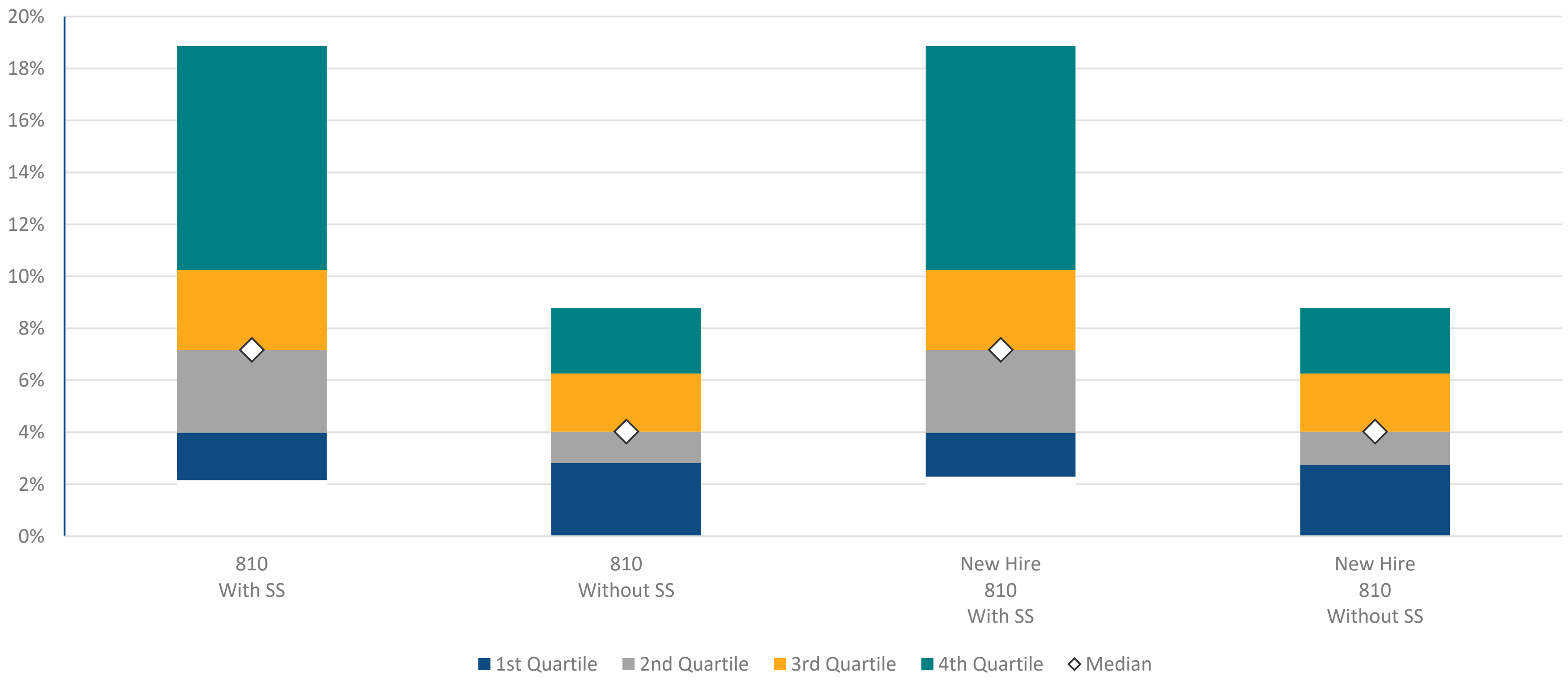
PENSION REVIEW BOARD

Employer Normal Cost – Municipal Systems



Pension Review Board

Employer Normal Cost – 810 Systems



Pension Review Board

Systems With Employer Normal Costs < 1 Percent

System Name	Employer Normal Cost	Normalized Employer Normal Cost	Social Security	System Type
El Paso Police	-3.3%	-1.1%	N	Muni
Texas City Fire	-1.9%	-1.1%	N	TLFFRA
Galveston Police	-0.9%	-0.9%	Y	Muni
Orange Fire	-0.9%	1.1%	Y	TLFFRA
Abilene Fire	-0.5%	1.0%	N	TLFFRA
Longview Fire	0.0%	1.7%	N	TLFFRA
Odessa Fire	0.3%	0.3%	Y	TLFFRA
Corsicana Fire	0.3%	0.3%	Y	TLFFRA
Plainview Fire	0.4%	2.0%	N	TLFFRA
Wichita Falls Fire	0.5%	1.8%	Y	TLFFRA
El Paso Fire	0.0%	2.7%	N	Muni

Normalized employer normal cost is based on an estimated normal cost if the system had assumed 7% expected returns

Systems With Employer Normal Costs for New Hires at or Below Zero Percent

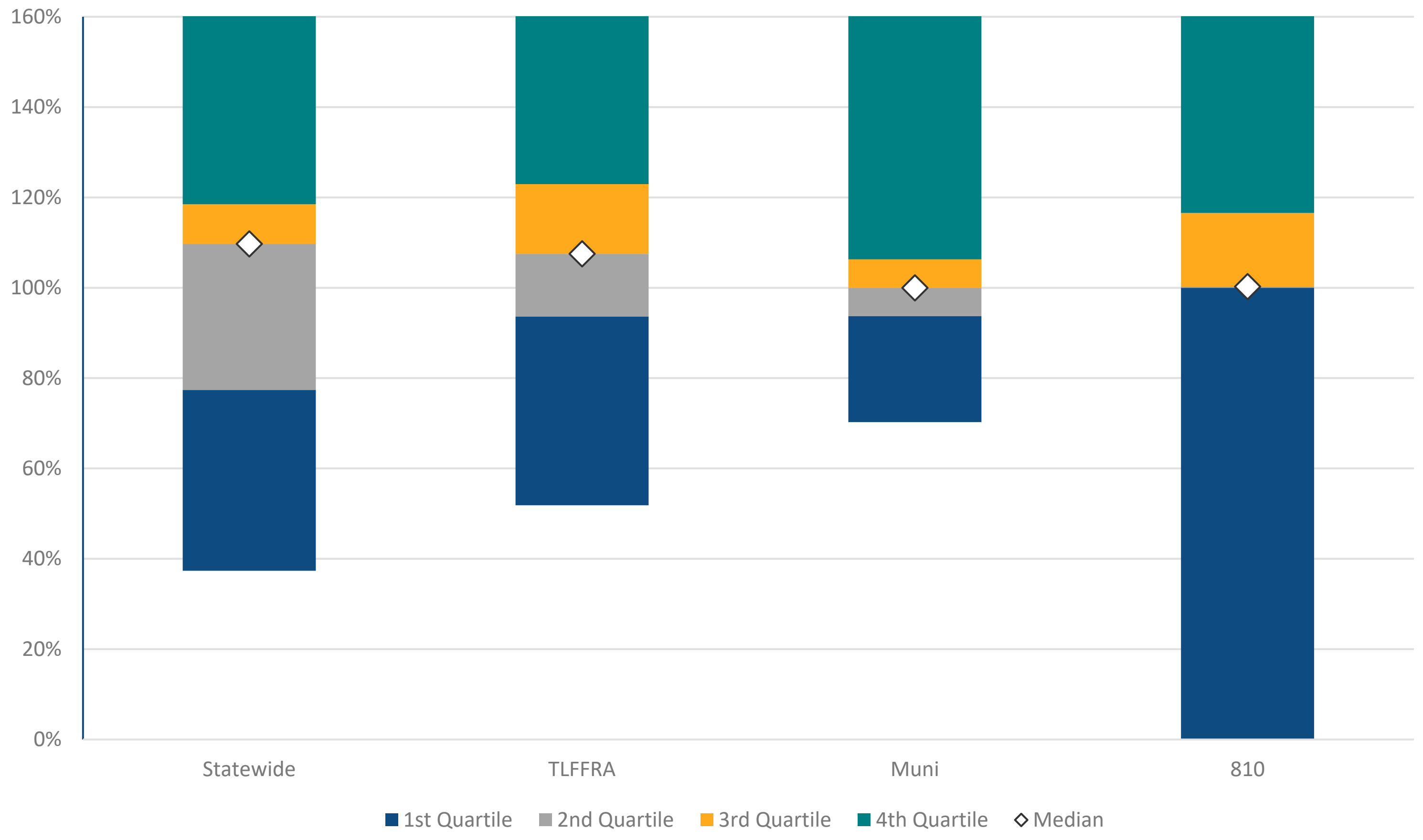
System Name	Employer Normal Cost	Normalized Employer Normal Cost	Social Security	System Type
Abilene Fire	**-4.5%**	**-3.4%**	**N**	TLFFRA
Galveston Police	**-2.6%**	**-2.6%**	Y	Muni
Texas City Fire	**-1.9%**	**-1.1%**	**N**	TLFFRA
Wichita Falls Fire	**-1.6%**	0.1%	Y	TLFFRA
Orange Fire	**-0.9%**	1.1%	Y	TLFFRA
Beaumont Fire*	**-0.8%**	0.9%	**N**	TLFFRA
Longview Fire	**-0.7%**	0.7%	**N**	TLFFRA
El Paso Police	**-0.4%**	2.3%	**N**	Muni
Marshall Fire*	**0.0%**	0.8%	**N**	TLFFRA

* Not on previous list

Normalized employer normal cost is based on an estimated normal cost if the system had assumed 7% expected returns

Pension Review Board

Employer Percent of Recommended Contribution



Pension Review Board

Employers Contributing < 90 Percent of Recommended Contribution

System Name	Employer Portion	System Type
Nacogdoches Memorial Hospital	0%	810
Midland Firemen's Relief & Retirement Fund	52%	TLFFRA
Beaumont Firemen's Relief & Retirement Fund	76%	TLFFRA
Dallas Employees' Retirement Fund	70%	Muni
Dallas Police & Fire Pension System – Combined Plan	74%	Muni
Fort Worth Employees' Retirement Fund	84%	Muni
Galveston Firefighters Relief & Retirement Fund	82%	TLFFRA
Sweetwater Firemen's Relief & Retirement Fund	85%	TLFFRA
Atlanta Firemen's Relief & Retirement Fund	86%	TLFFRA
Brownwood Firemen's Relief & Retirement Fund	87%	TLFFRA
Austin Employees' Retirement System	88%	Muni
Laredo Firefighters Retirement System	88%	TLFFRA

Illustration of 30-Year Amortization Period

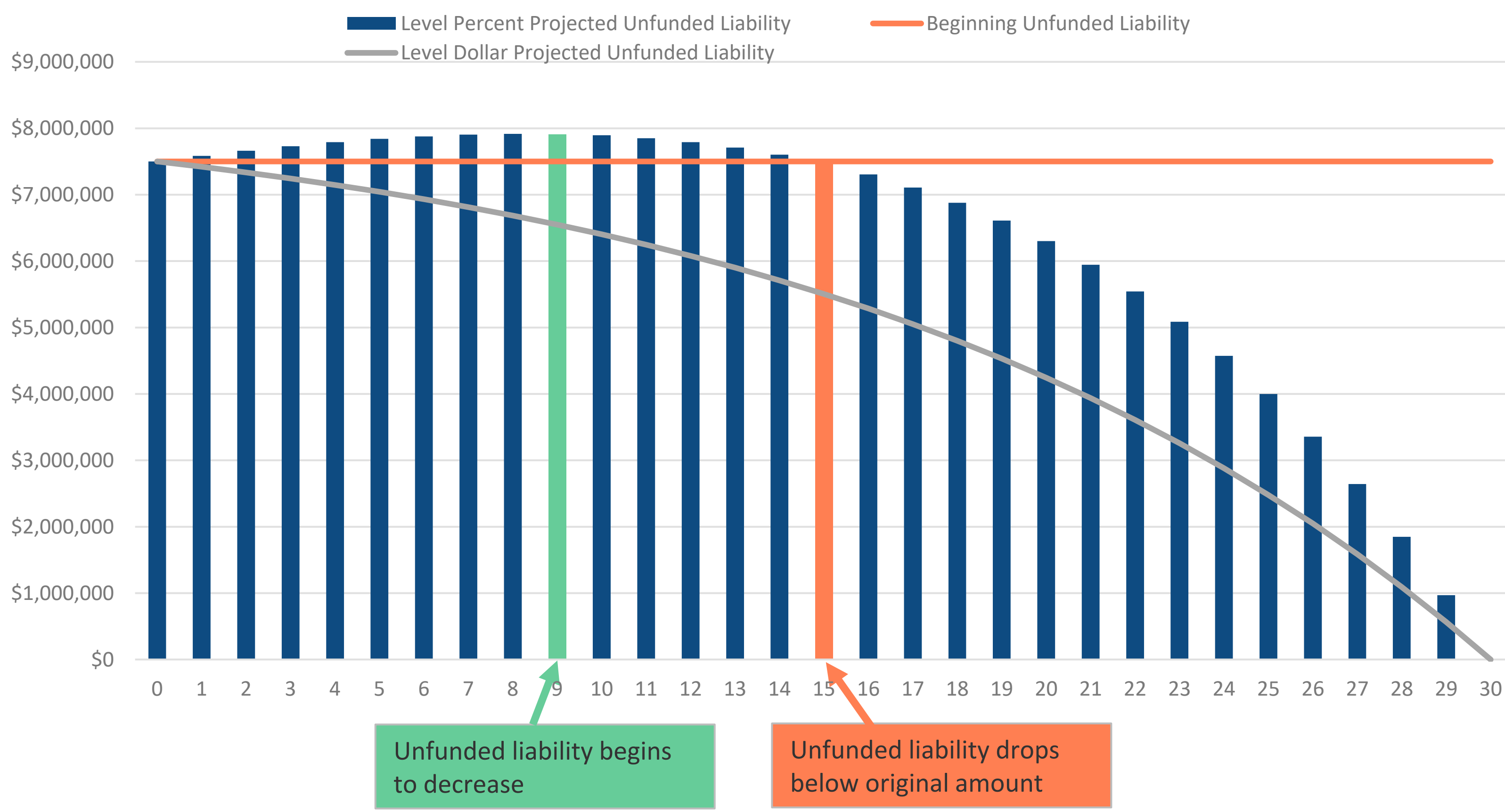
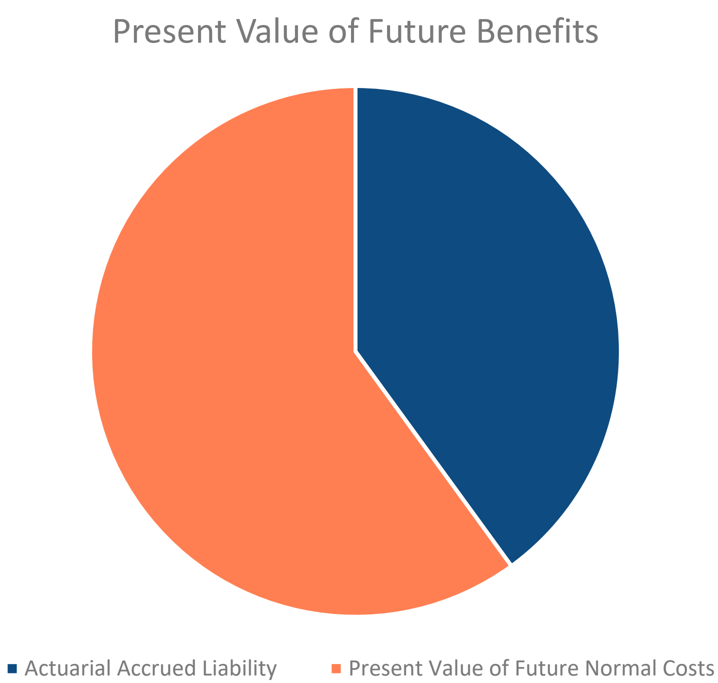


Chart illustrates amortization of $7.5 million unfunded liability using 7 percent expected returns and 3 percent payroll growth

PENSION REVIEW BOARD

Actuarial Terminology



- Example: Member with 10 years of service
  - Expected to retire with 25 years of service
  - Present value of future benefits (PVFB) is the whole pie (25 years)
  - Actuarial accrued liability is the blue section of pie only (10 years)
  - The remainder of the PVFB will be recognized over 15 future years through normal cost

Pension Review Board

What if payroll growth is less than expected?

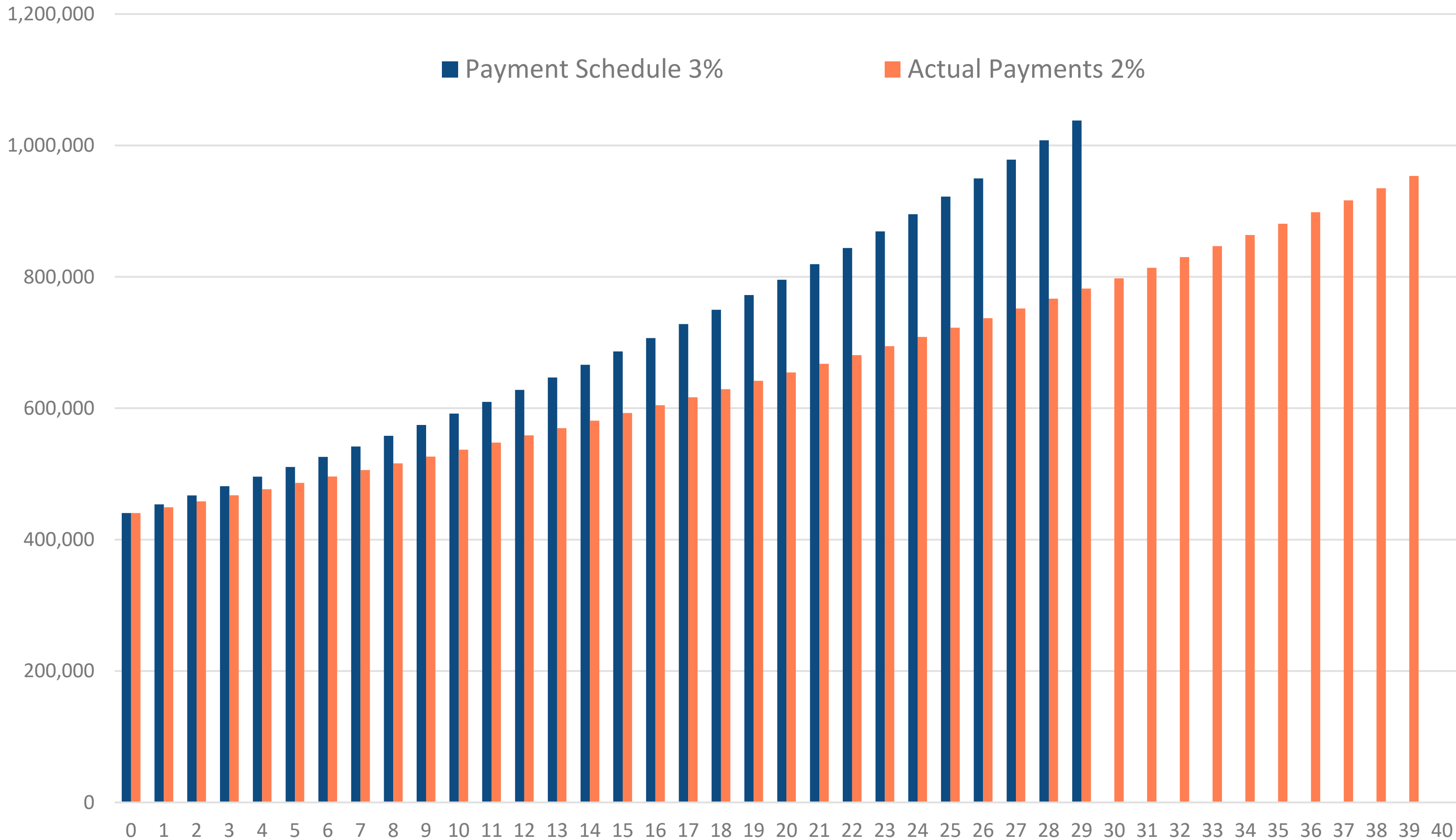


Chart illustrates amortization of $7.5 million unfunded liability using
7 percent expected returns and 3 percent payroll growth

Pension Review Board

Avoiding Negative Amortization

- Unfunded liability growth over next year
  - The unfunded liability will grow with:
    - Interest
    - Normal cost
  - The unfunded liability will decrease with:
    - Contributions
- To avoid an expected increase in unfunded liability
  - Expected contributions must cover
    - Interest on the unfunded liability
      - To avoid growth in the existing unfunded liability
    - Normal cost
      - To avoid creating new unfunded liability

Actuarial Valuation Report
September 25, 2024

Summary of Key Statistics

Assets and Liabilities

	Current Actuarial Valuation		Prior Actuarial Valuation
	9/25/2024	7/25/2024	
Market Value of Assets (MVA)	$ 357,643,332,962	$ 353,226,773,501	$ 342,723,877,784
Actuarial Value of Assets (AVA)	$ 369,405,397,067	$ 366,473,640,641	$ 353,450,492,220
Actuarial Accrued Liability (AAL)	$ 469,318,523,472	$ 465,952,485,487	$ 446,906,623,197
Unfunded Actuarial Accrued Liability (UAAL = AAL - AVA)	$ 99,913,126,405	$ 99,478,844,846	$ 93,456,130,977

Funded Ratios

	Current Actuarial Valuation		Prior Actuarial Valuation
	9/25/2024	7/25/2024	
Aggregate	78.7%	78.7%	79.1%
Low	33.7%	33.7%	28.8%
High	115.6%	121.1%	129.3%
Average	74.2%	74.7%	73.7%
National Average[1]	74.4%	74.4%	61.1%

Amortization Periods

	Current Actuarial Valuation		Prior Actuarial Valuation
	9/25/2024	7/25/2024	
Infinite	3	3	5
>= 40 years, but not infinite	7	6	10
> 30 years, < 40 years	11	12	14
> 25 years, <= 30 years	15	14	15
>= 10 years, <= 25 years	40	40	35
> 0 years, < 10 years	12	12	12
0 years	12	12	8
Total Plans Registered	100	99	99

System Discount Rates

	Current Actuarial Valuation		Prior Actuarial Valuation
	9/25/2024	7/25/2024	
>=8%	0	0	1
> 7.50%, < 8.00%	8	9	10
7.50%	12	12	14
> 7.00%, < 7.50%	21	21	21
7.00%	28	27	24
> 6.50%, < 7.00%	10	10	11
<= 6.50%	21	20	18
Total Plans Registered	100	99	99

	Current Actuarial Valuation		Prior Actuarial Valuation
	9/25/2024	7/25/2024	
Average	6.95%	6.96%	7.00%
Standard Deviation	0.60%	0.61%	0.62%
Median	7.00%	7.00%	7.00%
National Average[1]	6.91%	6.91%	6.67%

[1] Source: https://publicplansdata.org/

Actuarial Valuation Report
September 25, 2024

		Current Actuarial Valuation								Prior Actuarial Valuation		
Plan Name	**Plan Status (1)**	**Effective Date**	**Discount Rate**	**Effective Amort Period (2)**	**Funded Ratio %**	**Market Value of Assets (MVA)**	**Actuarial Value of Assets (AVA)**	**Unfunded Actuarial Accrued Liability (UAAL = AAL - AVA)**	**UAAL as % of Payroll**	**Effective Date**	**Prior Effective Amort Period (2)**	**Funded Ratio %**
Midland Firemen's Relief & Retirement Fund	Active	12/31/2023	7.00%	Infinite	43.1	$ 83,710,694	$ 91,467,898	$ 120,942,577	467.42%	12/31/2021	Infinite	45.7
Nacogdoches County Hospital District (4)	Frozen	7/1/2023	6.75%	Infinite	77.3	$ 34,833,311	$ 37,710,891	$ 11,050,877	0.00%	7/1/2022	Infinite	85.7
Sweetwater Firemen's Relief & Retirement Fund	Active	12/31/2022	7.50%	Infinite	55.1	$ 8,221,613	$ 9,718,394	$ 7,916,180	439.95%	12/31/2020	68.9	63.2
Dallas Police & Fire Pension System-Combined Plan	Active	1/1/2023	6.50%	82.0	39.1	$ 1,806,567,341	$ 2,053,388,085	$ 3,195,626,728	690.47%	1/1/2022	68.0	41.1
Marshall Firemen's Relief & Retirement Fund	Active	12/31/2022	7.25%	72.0	33.7	$ 8,017,137	$ 8,017,137	$ 15,782,008	517.41%	12/31/2020	41.0	40.2
Wichita Falls Firemen's Relief & Retirement Fund	Active	1/1/2024	7.50%	56.7	52.5	$ 55,156,185	$ 55,156,185	$ 49,817,398	367.60%	1/1/2022	32.1	65.0
Brownwood Firemen's Relief & Retirement Fund	Active	12/31/2021	7.00%	52.8	46.2	$ 5,789,089	$ 5,307,594	$ 6,190,796	304.42%	12/31/2019	94.7	42.8
Dallas Employees' Retirement Fund	Active	12/31/2023	7.25%	51.0	70.1	$ 3,649,102,000	$ 3,842,459,000	$ 1,640,792,000	309.17%	12/31/2022	51.0	73.3
Austin Fire Fighters Relief & Retirement Fund	Active	12/31/2023	7.30%	48.6	85.6	$ 1,162,694,392	$ 1,250,115,476	$ 210,466,254	183.57%	12/31/2022	35.7	86.9
Harlingen Firemen's Relief & Retirement Fund	Active	9/30/2023	7.75%	45.0	62.3	$ 36,952,555	$ 36,952,555	$ 22,395,656	293.75%	9/30/2021	23.0	71.7
Greenville Firemen's Relief & Retirement Fund	Active	12/31/2022	7.25%	35.0	41.0	$ 13,876,059	$ 15,263,665	$ 21,999,653	380.00%	12/31/2020	36.6	42.6
McAllen Firemen's Relief & Retirement Fund	Active	9/30/2022	7.25%	34.6	68.7	$ 53,418,206	$ 63,703,117	$ 29,032,232	200.37%	9/30/2020	27.7	69.5
Orange Firemen's Relief & Retirement Fund (7)	Active	1/1/2023	7.75%	34.5	47.8	$ 8,441,989	$ 8,441,989	$ 9,232,787	320.54%	1/1/2021	20.7	56.6
Beaumont Firemen's Relief & Retirement Fund	Active	12/31/2023	7.50%	33.0	56.4	$ 115,144,028	$ 121,686,772	$ 93,981,894	373.59%	12/31/2022	67.0	55.4
Plainview Firemen's Relief & Retirement Fund	Active	12/31/2021	7.50%	33.0	43.6	$ 8,106,289	$ 7,639,776	$ 9,901,935	450.82%	12/31/2019	79.7	34.0
Fort Worth Employees' Retirement Fund	Active	12/31/2023	7.00%	32.0	55.1	$ 2,739,641,644	$ 2,827,229,055	$ 2,302,993,682	393.37%	12/31/2022	36.0	54.8
Longview Firemen's Relief & Retirement Fund	Active	12/31/2023	7.50%	32.0	70.6	$ 93,254,184	$ 94,404,248	$ 39,409,276	236.48%	12/31/2022	27.6	74.8
San Benito Firemen Relief & Retirement Fund	Active	9/30/2023	7.50%	32.0	62.2	$ 4,595,445	$ 4,595,445	$ 2,793,916	186.18%	9/30/2021	16.9	70.7
Galveston Firefighter's Relief & Retirement Fund (5)	Active	12/31/2023	7.50%	31.6	65.3	$ 54,572,061	$ 58,683,288	$ 31,164,017	282.61%	12/31/2022	30.9	67.2
Laredo Firefighters Retirement System (5)	Active	9/30/2022	7.40%	31.1	59.1	$ 180,152,638	$ 198,167,902	$ 136,942,650	313.67%	9/30/2020	56.8	59.6
Employees Retirement System of Texas	Active	8/31/2023	7.00%	31.0	70.8	$ 34,234,697,324	$ 33,976,699,535	$ 14,015,751,489	163.94%	8/31/2022	32.0	68.9
Austin Employees' Retirement System	Active	12/31/2023	6.75%	30.0	62.1	$ 3,278,692,316	$ 3,486,138,920	$ 2,131,363,382	231.85%	12/31/2022	34.0	64.1
San Angelo Firemen's Relief & Retirement Fund	Active	12/31/2021	7.80%	29.7	65.0	$ 83,445,130	$ 79,696,498	$ 42,942,341	301.55%	12/31/2019	37.6	62.0
Abilene Firemen's Relief & Retirement Fund	Active	10/1/2023	7.50%	29.4	45.3	$ 54,237,586	$ 59,539,480	$ 71,966,773	393.70%	10/1/2021	29.4	49.4
Teacher Retirement System of Texas	Active	8/31/2023	7.00%	29.0	77.5	$ 187,170,535,558	$ 199,663,655,982	$ 57,879,603,456	100.16%	8/31/2022	26.0	79.0
Conroe Fire Fighters' Retirement Fund	Active	12/31/2023	7.25%	29.0	63.4	$ 45,909,009	$ 46,380,642	$ 26,760,936	168.80%	12/31/2021	34.3	58.7
Austin Police Retirement System	Active	12/31/2023	7.25%	28.2	58.9	$ 1,014,902,702	$ 1,047,377,832	$ 730,553,734	458.85%	12/31/2022	29.0	60.1
Lufkin Firemen's Relief & Retirement Fund	Active	12/31/2022	7.25%	28.0	51.3	$ 20,511,287	$ 23,602,777	$ 22,371,091	363.72%	12/31/2020	31.9	50.7
Texarkana Firemen's Relief & Retirement Fund	Active	12/31/2021	7.50%	27.5	84.6	$ 43,910,070	$ 40,273,543	$ 7,320,444	156.60%	12/31/2019	58.3	80.0

This report is a compilation of pension data reported by retirement systems in their most recent AVs, sorted by amortization period.

Actuarial Valuation Report
September 25, 2024

		Current Actuarial Valuation									Prior Actuarial Valuation		
Plan Name	**Plan Status (1)**	**Effective Date**	**Discount Rate**	**Effective Amort Period (2)**	**Funded Ratio %**	**Market Value of Assets (MVA)**	**Actuarial Value of Assets (AVA)**	**Unfunded Actuarial Accrued Liability (UAAL = AAL - AVA)**	**UAAL as % of Payroll**	**Effective Date**	**Prior Effective Amort Period (2)**	**Funded Ratio %**
Waxahachie Firemen's Relief & Retirement Fund	Active	10/1/2022	7.00%	27.1	63.0	$ 19,023,702	$ 19,023,702	$ 11,159,806	177.90%	10/1/2020	17.5	74.9
Tyler Firefighters' Relief & Retirement Fund	Active	12/31/2021	7.00%	26.8	73.0	$ 89,297,890	$ 82,134,149	$ 30,449,465	227.63%	12/31/2019	29.0	71.1
Atlanta Firemen's Relief & Retirement Fund	Active	12/31/2022	7.00%	26.6	72.6	$ 4,161,658	$ 4,577,824	$ 1,726,808	203.32%	12/31/2020	Infinite	77.4
Floresville Electric Light and Power System Pension Plan	Active	1/1/2023	6.50%	26.5	56.6	$ 11,200,178	$ 12,382,132	$ 9,480,283	280.40%	N/A	N/A	N/A
Fort Worth Employees' Retirement Fund Staff Plan (4)	Active	12/31/2023	7.00%	26.0	79.5	$ 9,485,947	$ 9,733,370	$ 2,514,789	116.11%	12/31/2022	27.0	77.1
Temple Firemen's Relief & Retirement Fund	Active	9/30/2022	7.75%	25.6	71.0	$ 47,415,090	$ 52,156,599	$ 21,300,957	202.12%	9/30/2020	26.6	70.5
Cleburne Firemen's Relief & Retirement Fund	Active	12/31/2022	7.35%	25.6	60.7	$ 23,463,033	$ 25,776,697	$ 16,722,894	281.39%	12/31/2020	37.3	59.6
Corsicana Firemen's Relief & Retirement Fund	Active	12/31/2022	7.00%	25.0	55.6	$ 10,935,219	$ 11,870,828	$ 9,463,300	206.72%	12/31/2020	52.2	54.7
Lubbock Fire Pension Fund	Active	12/31/2022	7.50%	24.8	70.8	$ 239,588,162	$ 246,194,850	$ 101,553,086	236.15%	12/31/2020	33.7	69.5
University Park Firemen's Relief & Retirement Fund	Closed	12/31/2022	7.00%	24.8	44.9	$ 11,122,437	$ 12,843,585	$ 15,784,371	445.56%	12/31/2020	26.8	42.3
Houston Municipal Employees Pension System	Active	7/1/2023	7.00%	24.1	69.0	$ 4,072,345,000	$ 3,836,122,000	$ 1,721,686,000	235.85%	7/1/2022	25.1	65.8
Houston Police Officers' Pension System	Active	7/1/2023	7.00%	24.0	89.3	$ 7,208,455,000	$ 6,876,727,000	$ 822,628,000	159.44%	7/1/2022	25.0	87.5
CPS Energy Pension Plan	Active	1/1/2023	7.00%	24.0	82.5	$ 1,919,159,263	$ 2,059,983,606	$ 437,562,382	142.02%	1/1/2022	25.0	87.6
Odessa Firemen's Relief & Retirement Fund	Active	1/1/2024	7.00%	22.7	36.4	$ 47,634,466	$ 52,101,721	$ 90,958,873	415.62%	1/1/2023	29.0	36.2
University Health System Pension Plan	Active	1/1/2023	7.00%	22.0	77.5	$ 527,334,203	$ 571,525,632	$ 165,736,638	33.49%	1/1/2022	23.0	77.0
Irving Firemen's Relief & Retirement Fund (4)	Active	12/31/2023	7.00%	21.7	88.9	$ 262,961,207	$ 275,055,055	$ 34,445,678	72.50%	12/31/2022	22.2	90.8
Dallas Co. Hospital Dist. Retirement Income Plan	Active	1/1/2023	6.00%	21.0	72.9	$ 1,426,685,005	$ 1,573,245,250	$ 584,880,948	73.78%	1/1/2022	22.0	73.3
Texas Emergency Services Retirement System	Active	8/31/2022	7.50%	21.0	84.3	$ 124,345,593	$ 139,476,860	$ 25,898,809	0.00%	8/31/2020	19.0	83.3
Killeen Firemen's Relief & Retirement Fund	Active	9/30/2022	7.25%	21.0	70.6	$ 53,899,683	$ 61,179,128	$ 25,456,247	133.71%	9/30/2020	28.4	70.3
San Antonio Fire & Police Pension Fund	Active	1/1/2024	7.25%	21.0	85.4	$ 3,923,604,117	$ 4,095,280,090	$ 697,784,867	181.99%	1/1/2023	20.1	85.5
Houston MTA Workers Union Pension Plan	Closed	1/1/2023	6.25%	20.0	70.7	$ 290,562,545	$ 325,081,142	$ 134,714,649	202.70%	1/1/2022	21.0	70.5
Houston MTA Non-Union Pension Plan	Closed	1/1/2023	6.25%	20.0	61.1	$ 177,050,322	$ 197,842,214	$ 125,789,388	383.91%	1/1/2022	21.0	64.5
Capital MTA Admin Employees (6)	Active	1/1/2023	6.75%	20.0	84.3	$ 47,786,903	$ 53,512,742	$ 9,984,525	22.64%	1/1/2022	20.0	87.0
Port Arthur Firemen's Relief & Retirement Fund	Active	12/31/2021	7.25%	19.7	77.8	$ 59,837,587	$ 56,103,170	$ 16,009,955	157.39%	12/31/2019	27.3	75.0
Texas City Firemen's Relief & Retirement Fund	Active	12/31/2022	7.25%	19.4	42.2	$ 14,756,200	$ 16,231,820	$ 22,239,202	272.69%	12/31/2020	28.2	45.4
Big Spring Firemen's Relief & Retirement Fund	Active	1/1/2023	7.75%	19.1	62.8	$ 14,214,795	$ 15,636,275	$ 9,256,219	205.39%	1/1/2021	33.7	54.7
San Antonio Metropolitan Transit Retirement Plan	Active	10/1/2023	7.00%	18.0	70.1	$ 338,073,462	$ 358,773,068	$ 153,222,254	323.83%	10/1/2022	19.0	71.0
Corpus Christi Fire Fighters' Retirement System	Active	12/31/2022	7.15%	17.2	63.0	$ 166,298,921	$ 190,524,854	$ 112,051,853	283.32%	12/31/2020	21.5	60.9
City of El Paso Employees Retirement Trust	Active	9/1/2023	7.25%	17.0	79.4	$ 907,700,487	$ 967,969,765	$ 251,903,575	136.13%	9/1/2022	14.0	80.9

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Actuarial Valuation Report
September 25, 2024

Plan Name	Plan Status (1)	Current Actuarial Valuation: Effective Date	Discount Rate	Effective Amort Period (2)	Funded Ratio %	Market Value of Assets (MVA)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL = AAL - AVA)	UAAL as % of Payroll	Prior Actuarial Valuation: Effective Date	Prior Effective Amort Period (2)	Funded Ratio %
Dallas Police & Fire Pension System-Supplemental	Active	1/1/2023	6.50%	17.0	38.7	$ 16,640,402	$ 16,640,402	$ 26,409,288	1380.42%	1/1/2022	18.0	45.7
Galveston Wharves Pension Plan	Closed	1/1/2024	7.00%	17.0	85.1	$ 14,342,721	$ 14,342,721	$ 2,512,876	207.91%	1/1/2023	18.0	77.5
Lower Colorado River Authority Retirement Plan	Closed	1/1/2024	7.00%	16.0	75.4	$ 456,573,872	$ 481,355,426	$ 156,862,720	170.07%	1/1/2023	17.0	74.5
Galveston Employees' Retirement Plan for Police	Active	1/1/2023	7.00%	16.0	42.8	$ 23,124,492	$ 25,653,169	$ 34,287,705	250.43%	1/1/2021	27.0	38.0
El Paso Firemen's Pension Fund	Active	1/1/2024	7.75%	15.8	82.8	$ 740,283,478	$ 781,397,952	$ 162,892,676	209.80%	1/1/2022	16.6	82.6
Denison Firemen's Relief & Retirement Fund	Active	12/31/2023	7.25%	15.3	76.7	$ 21,246,289	$ 23,822,890	$ 7,228,298	132.81%	12/31/2021	11.0	81.1
El Paso Police Pension Fund	Active	1/1/2024	7.75%	15.1	81.6	$ 1,054,931,421	$ 1,112,054,469	$ 250,217,688	232.83%	1/1/2022	16.4	81.8
Weslaco Firemen's Relief & Retirement Fund	Active	9/30/2022	7.25%	14.5	77.3	$ 14,565,196	$ 16,021,716	$ 4,719,234	92.90%	9/30/2020	16.3	73.3
Texas Municipal Retirement System (3)	Active	12/31/2023	6.75%	14.4	89.7	$ 39,486,559,882	$ 40,358,160,253	$ 4,622,901,515	53.49%	12/31/2022	14.9	89.7
Texas County & District Retirement System (3)	Active	12/31/2023	7.50%	14.2	89.1	$ 46,170,026,367	$ 43,609,465,937	$ 5,311,696,059	56.69%	12/31/2022	15.4	88.6
Sweeny Community Hospital	Closed	1/1/2024	5.75%	14.0	90.1	$ 3,206,347	$ 3,299,912	$ 363,638	320.38%	1/1/2023	15.0	93.3
DFW Airport Board (4)	Active	1/1/2022	7.00%	13.6	84.5	$ 651,080,013	$ 606,279,339	$ 111,351,626	365.07%	1/1/2021	15.0	88.9
Harris County Hospital District Pension Plan (4)	Closed	1/1/2023	5.75%	13.2	78.1	$ 821,202,643	$ 917,386,688	$ 257,816,477	203.35%	1/1/2022	14.3	76.1
DFW Airport Board DPS (4)	Active	1/1/2022	7.00%	12.7	87.2	$ 271,569,789	$ 253,346,612	$ 37,250,524	113.60%	1/1/2021	15.0	84.6
DART Employees (4)	Closed	10/1/2023	6.25%	12.3	87.3	$ 205,596,612	$ 218,794,370	$ 31,712,673	885.25%	10/1/2022	10.1	84.5
Corpus Christi Regional Transportation Authority	Active	1/1/2023	7.00%	11.0	87.4	$ 42,537,443	$ 46,791,187	$ 6,773,731	53.74%	1/1/2022	12.0	94.2
Capital MTA Bargaining	Frozen	1/1/2023	6.50%	11.0	63.4	$ 33,872,134	$ 39,904,358	$ 23,085,445	0.00%	1/1/2022	8.5	60.0
Lower Neches Valley	Frozen	1/1/2024	6.50%	10.0	75.8	$ 15,298,219	$ 15,298,219	$ 6,063,597	132.34%	1/1/2023	8.8	60.5
Denton Firemen's Relief & Retirement Fund	Active	12/31/2021	6.75%	9.1	88.8	$ 140,537,577	$ 126,483,819	$ 15,955,827	67.52%	12/31/2019	18.3	80.8
Brazos River Authority Retirement Plan	Frozen	3/1/2023	6.50%	9.0	73.5	$ 21,750,139	$ 22,767,471	$ 8,218,196	0.00%	3/1/2022	10.0	72.3
Galveston Employees' Retirement Fund	Active	12/31/2023	7.25%	8.9	76.8	$ 67,982,647	$ 72,187,628	$ 21,840,918	63.52%	12/31/2022	9.1	80.4
JPS - Tarrant County Hospital District	Active	10/1/2023	6.75%	8.8	90.4	$ 434,448,126	$ 446,129,071	$ 47,486,781	15.64%	10/1/2022	2.0	96.8
Refugio County Memorial Hospital (4)	Frozen	11/1/2023	6.00%	7.0	91.0	$ 1,198,251	$ 1,198,251	$ 118,949	0.00%	11/1/2022	7.0	88.1
Houston Firefighters' Relief & Retirement Fund	Active	7/1/2023	7.00%	6.2	96.0	$ 5,109,178,000	$ 5,064,764,000	$ 213,180,000	73.94%	7/1/2022	7.7	95.4
Guadalupe-Blanco River Authority	Frozen	1/1/2023	6.25%	6.0	88.8	$ 31,976,720	$ 36,255,883	$ 4,582,387	0.00%	1/1/2022	7.0	90.3
Amarillo Firemen's Relief & Retirement Fund	Active	12/31/2023	7.35%	5.9	95.2	$ 234,343,561	$ 248,693,082	$ 12,594,032	48.92%	12/31/2021	6.0	94.8
Travis County ESD #6 FRRF	Active	12/31/2021	6.50%	5.9	91.0	$ 43,124,916	$ 39,421,197	$ 3,922,061	45.43%	12/31/2019	4.6	88.6
Port of Houston Authority Retirement Plan	Closed	8/1/2023	6.00%	5.0	91.4	$ 201,357,241	$ 201,357,241	$ 19,017,865	67.54%	8/1/2022	6.0	89.4
Colorado River Municipal Water Dist. (4)	Active	1/1/2024	6.00%	4.9	82.1	$ 8,772,146	$ 8,772,146	$ 1,917,707	44.72%	1/1/2023	7.4	62.3

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Actuarial Valuation Report
September 25, 2024

Plan Name	Plan Status (1)	Current Actuarial Valuation: Effective Date	Discount Rate	Effective Amort Period (2)	Funded Ratio %	Market Value of Assets (MVA)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL = AAL - AVA)	UAAL as % of Payroll	Prior Actuarial Valuation: Effective Date	Prior Effective Amort Period (2)	Funded Ratio %
Supplemental Retirement Plan of University Medical Center	Active	1/1/2024	4.00%	4.0	75.7	$ 5,180,010	$ 5,180,010	$ 1,662,383	0.00%	1/1/2023	5.0	82.4
Law Enforcement & Custodial Off Sup. Ret. Fund	Active	8/31/2023	7.00%	0.0	100.0	$ 1,818,670,314	$ 1,799,822,260	$ (111,127)	-0.01%	8/31/2022	Infinite	58.6
Judicial Retirement System of Texas Plan Two	Active	8/31/2023	7.00%	0.0	101.2	$ 690,103,596	$ 679,356,349	$ (7,767,971)	-8.26%	8/31/2022	Infinite	86.2
Plano Retirement Security Plan	Active	12/31/2023	6.75%	0.0	101.5	$ 211,401,023	$ 219,976,423	$ (3,258,486)	-1.69%	12/31/2022	0.0	103.0
Citizens Medical Center	Active	3/1/2023	6.75%	0.0	115.6	$ 139,828,346	$ 147,508,130	$ (19,868,908)	-28.46%	3/1/2022	0.0	115.4
Irving Supplemental Benefit Plan	Active	1/1/2024	6.75%	0.0	103.0	$ 110,994,044	$ 115,480,256	$ (3,361,209)	-2.38%	1/1/2023	0.0	100.3
Guadalupe Regional Medical Center	Active	1/1/2024	6.75%	0.0	101.9	$ 110,936,921	$ 112,451,456	$ (2,088,429)	-5.30%	1/1/2023	0.0	101.9
The Woodlands Firefighters' Retirement System	Active	12/31/2023	7.00%	0.0	103.8	$ 68,565,239	$ 70,746,412	$ (2,581,351)	-16.33%	1/1/2022	0.0	129.3
Paris Firefighters' Relief & Retirement Fund	Frozen	12/31/2022	7.25%	0.0	108.4	$ 15,687,798	$ 16,770,624	$ (1,297,372)	-42.09%	12/31/2020	33.6	28.8
Employees of Brownsville Navigation District (4)	Active	1/1/2024	6.00%	0.0	103.3	$ 11,182,657	$ 11,375,733	$ (366,023)	-5.91%	1/1/2023	11.4	92.7
Arlington Employees Deferred Income Plan	Active	6/30/2022	5.00%	0.0	103.5	$ 3,142,712	$ 3,142,712	$ (104,955)	-3.23%	6/30/2021	0.0	120.3
Anson General Hospital	Frozen	7/1/2023	5.75%	0.0	102.5	$ 1,455,858	$ 1,569,490	$ (38,689)	-61.66%	7/1/2022	0.0	106.1
El Paso Firemen & Policemen's Pension Staff Plan	Active	1/1/2024	7.75%	0.0	107.8	$ 1,371,883	$ 1,432,994	$ (103,934)	-9.42%	1/1/2022	0.0	121.1
Grand Totals:					**78.7%**	**$ 357,643,332,962**	**$ 369,405,397,067**	**$ 99,913,126,405**				**79.1%**

Notes

(1) Plan status indicates whether a plan is active (admitting new hires), closed to new hires (but still accruing benefits), or frozen (not accruing benefits).

(2) The effective amortization period is the time it would take to theoretically eliminate the UAAL assuming no future gains or losses and taking into account both the plan's stated and historical contribution policy.

(3) Amortization period is calculated using system-wide aggregate UAAL and payroll amounts.

(4) Amortization period is calculated by the PRB.

(5) On track to satisfy FSRP requirements and be fully funded by September 1, 2055

(6) Reported amortization period is based on an open amortization funding policy.

(7) Amortization period is below 30 using actuarial value of assets

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AV Supplemental Report
September 25, 2024
(Dollars in Millions)

Plan Name	Fiscal Year End	Discount Rate	(a) Total Pension Liability (TPL) (1)	(b) Fiduciary Net Position (2)	(a) - (b) Net Pension Liability (NPL) (3)	(b) / (a) NPL Funded Ratio %	NPL at Disc. Rate -1% (4)	NPL -1% Funded Ratio %	10 Year Net Return (5)	Expected Depletion Date (6)
Midland Firemen's Relief & Retirement Fund	12/31/2022	4.11%	$ 301.11	$ 80.98	$ 220.13	26.9	$ 268.05	23.2	4.29%	2042
Sweetwater Firemen's Relief & Retirement Fund	12/31/2022	5.81%	$ 23.45	$ 8.22	$ 15.23	35.1	$ 18.78	30.5	4.88%	2043
Dallas Employees' Retirement Fund	12/31/2023	5.54%	$ 6,647.26	$ 3,649.10	$ 2,998.16	54.9	$ 3,875.55	48.5	6.01%	2045
Wichita Falls Firemen's Relief & Retirement Fund	12/31/2023	5.67%	$ 126.84	$ 55.26	$ 71.59	43.6	$ 87.76	38.6	6.73%	2050
Longview Firemen's Relief & Retirement Fund	12/31/2023	6.73%	$ 138.68	$ 93.25	$ 45.43	67.2	$ 62.97	59.7	5.17%	2061
Austin Fire Fighters Relief & Retirement Fund	12/31/2023	6.01%	$ 1,647.50	$ 1,162.69	$ 484.81	70.6	$ 662.77	63.7	6.84%	2063
DART Employees (7)	9/30/2023	6.21%	$ 251.38	$ 205.60	$ 45.78	81.8	$ 69.41	74.8	5.92%	2099
San Angelo Firemen's Relief & Retirement Fund (7)	12/31/2022	6.48%	$ 146.72	$ 68.90	$ 77.81	47.0	$ 96.30	41.7	5.73%	2099
Nacogdoches County Hospital District (7)	6/30/2021	4.99%	$ 61.47	$ 50.72	$ 10.75	82.5	$ 18.58	73.2	8.87%	2099
Abilene Firemen's Relief & Retirement Fund	9/30/2023	7.50%	$ 131.51	$ 54.24	$ 77.27	41.2	$ 92.21	37.0	4.51%	N/A
Amarillo Firemen's Relief & Retirement Fund	12/31/2023	7.35%	$ 261.29	$ 234.34	$ 26.94	89.7	$ 59.13	79.9	7.96%	N/A
Anson General Hospital	6/30/2023	6.00%	$ 1.55	$ 1.46	$ 0.10	93.8	$ 0.23	86.5	4.31%	N/A
Arlington Employees Deferred Income Plan	6/30/2023	5.00%	$ 3.37	$ 3.35	$ 0.01	99.7	$ 0.31	91.5	1.93%	N/A
Atlanta Firemen's Relief & Retirement Fund	12/31/2023	7.00%	$ 6.50	$ 4.62	$ 1.88	71.1	$ 2.66	63.5	4.77%	N/A
Austin Employees' Retirement System	12/31/2023	6.75%	$ 5,617.50	$ 3,278.69	$ 2,338.81	58.4	$ 3,061.39	51.7	5.71%	N/A
Austin Police Retirement System	12/31/2023	7.25%	$ 1,778.50	$ 1,014.90	$ 763.60	57.1	$ 978.82	50.9	6.35%	N/A
Beaumont Firemen's Relief & Retirement Fund	12/31/2023	7.50%	$ 215.75	$ 115.14	$ 100.61	53.4	$ 122.00	48.6	6.78%	N/A
Big Spring Firemen's Relief & Retirement Fund	12/31/2022	7.75%	$ 24.89	$ 14.21	$ 10.68	57.1	$ 13.88	50.6	5.80%	N/A
Brazos River Authority Retirement Plan	2/28/2023	6.50%	$ 30.92	$ 21.75	$ 9.17	70.3	$ 12.18	64.1	5.51%	N/A
Brownwood Firemen's Relief & Retirement Fund	12/31/2022	7.00%	$ 11.91	$ 4.66	$ 7.25	39.1	$ 8.78	34.7	4.45%	N/A
CPS Energy Pension Plan	12/31/2023	7.00%	$ 2,585.13	$ 2,136.99	$ 448.14	82.7	$ 765.19	73.6	6.74%	N/A
Capital MTA Admin Employees	12/31/2022	6.75%	$ 65.99	$ 47.79	$ 18.20	72.4	$ 27.50	63.5	7.02%	N/A
Capital MTA Bargaining	12/31/2022	6.50%	$ 62.99	$ 33.87	$ 29.12	53.8	$ 34.96	49.2	3.55%	N/A
Citizens Medical Center	2/28/2023	6.75%	$ 128.85	$ 139.79	$ (10.94)	108.5	$ 5.94	95.9	7.81%	N/A
City of El Paso Employees Retirement Trust	8/31/2023	7.25%	$ 1,195.45	$ 914.31	$ 281.14	76.5	$ 412.63	68.9	7.02%	N/A
Cleburne Firemen's Relief & Retirement Fund	12/31/2022	7.35%	$ 42.50	$ 23.46	$ 19.04	55.2	$ 24.04	49.4	5.86%	N/A
Colorado River Municipal Water Dist.	12/31/2023	6.00%	$ 10.26	$ 8.77	$ 1.49	85.5	$ 2.31	79.2	4.91%	N/A
Conroe Fire Fighters' Retirement Fund	12/31/2022	7.25%	$ 69.24	$ 37.11	$ 32.12	53.6	$ 41.26	47.4	0.00%	N/A
Corpus Christi Fire Fighters' Retirement System	12/31/2023	7.15%	$ 314.55	$ 183.26	$ 131.29	58.3	$ 165.84	52.5	5.11%	N/A
Corpus Christi Regional Transportation Authority	12/31/2022	7.00%	$ 53.56	$ 42.54	$ 11.03	79.4	$ 17.26	71.1	6.26%	N/A
Corsicana Firemen's Relief & Retirement Fund	12/31/2023	7.00%	$ 22.31	$ 12.09	$ 10.22	54.2	$ 13.21	47.8	4.88%	N/A
DFW Airport Board	12/31/2022	7.00%	$ 732.55	$ 586.87	$ 145.68	80.1	$ 236.88	71.2	6.90%	N/A
DFW Airport Board DPS	12/31/2023	7.00%	$ 330.15	$ 271.05	$ 59.10	82.1	$ 99.11	73.2	6.30%	N/A
Dallas Co. Hospital Dist. Retirement Income Plan	12/31/2022	6.00%	$ 2,158.13	$ 1,426.69	$ 731.44	66.1	$ 1,041.79	57.8	6.39%	N/A
Dallas Police & Fire Pension System-Combined Plan	12/31/2022	6.50%	$ 5,254.66	$ 1,806.57	$ 3,448.09	34.4	$ 4,080.69	30.7	2.00%	N/A
Dallas Police & Fire Pension System-Supplemental	12/31/2022	6.50%	$ 43.07	$ 16.64	$ 26.43	38.6	$ 30.68	35.2	2.00%	N/A
Denison Firemen's Relief & Retirement Fund	12/31/2023	7.50%	$ 28.01	$ 21.25	$ 6.77	75.9	$ 10.27	67.4	6.12%	N/A
Denton Firemen's Relief & Retirement Fund	12/31/2022	6.75%	$ 152.38	$ 136.80	$ 15.57	89.8	$ 35.27	79.5	7.76%	N/A
El Paso Firemen & Policemen's Pension Staff Plan (8)	12/31/2022	7.75%	$ 1.01	$ 1.12	$ (0.11)	110.6	$ 0.03	97.2	9.29%	N/A

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AV Supplemental Report
September 25, 2024
(Dollars in Millions)

Plan Name	Fiscal Year End	Discount Rate	(a) Total Pension Liability (TPL) (1)	(b) Fiduciary Net Position (2)	(a) - (b) Net Pension Liability (NPL) (3)	(b) / (a) NPL Funded Ratio %	NPL at Disc. Rate -1% (4)	NPL -1% Funded Ratio %	10 Year Net Return (5)	Expected Depletion Date (6)
El Paso Firemen's Pension Fund	12/31/2022	7.75%	$ 902.69	$ 683.90	$ 218.80	75.8	$ 340.31	66.8	7.45%	N/A
El Paso Police Pension Fund	12/31/2022	7.75%	$ 1,301.90	$ 978.78	$ 323.13	75.2	$ 496.48	66.3	7.45%	N/A
Employees Retirement System of Texas	8/31/2023	7.00%	$ 47,992.45	$ 34,049.73	$ 13,942.72	71.0	$ 19,760.62	63.3	7.99%	N/A
Employees of Brownsville Navigation District	12/31/2023	6.00%	$ 10.78	$ 11.18	$ (0.40)	103.7	$ 0.97	92.0	5.71%	N/A
Floresville Electric Light and Power System Pension Plan	12/31/2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.37%	N/A
Fort Worth Employees' Retirement Fund	9/30/2023	7.00%	$ 5,103.44	$ 2,604.61	$ 2,498.83	51.0	$ 3,121.88	45.5	6.12%	N/A
Fort Worth Employees' Retirement Fund Staff Plan	9/30/2023	7.00%	$ 12.12	$ 8.72	$ 3.40	71.9	$ 5.20	62.6	6.12%	N/A
Galveston Employees' Retirement Fund	12/31/2023	7.25%	$ 94.03	$ 68.00	$ 26.03	72.3	$ 36.85	64.9	5.52%	N/A
Galveston Employees' Retirement Plan for Police	12/31/2022	7.00%	$ 59.94	$ 23.12	$ 36.82	38.6	$ 44.18	34.4	4.81%	N/A
Galveston Firefighter's Relief & Retirement Fund	12/31/2022	7.50%	$ 83.77	$ 49.04	$ 34.73	58.5	$ 44.72	52.3	5.25%	N/A
Galveston Wharves Pension Plan	12/31/2023	7.00%	$ 16.59	$ 14.47	$ 2.11	87.3	$ 3.70	79.7	7.78%	N/A
Greenville Firemen's Relief & Retirement Fund	12/31/2023	7.25%	$ 39.00	$ 16.26	$ 22.73	41.7	$ 27.50	37.2	5.15%	N/A
Guadalupe Regional Medical Center	12/31/2022	6.75%	$ 104.56	$ 94.42	$ 10.13	90.3	$ 24.40	79.5	8.12%	N/A
Guadalupe-Blanco River Authority	12/31/2023	6.25%	$ 40.34	$ 33.35	$ 6.99	82.7	$ 11.08	75.1	4.99%	N/A
Harlingen Firemen's Relief & Retirement Fund	9/30/2023	7.75%	$ 59.56	$ 36.95	$ 22.61	62.0	$ 29.22	55.8	5.72%	N/A
Harris County Hospital District Pension Plan	12/31/2023	5.75%	$ 1,183.78	$ 948.34	$ 235.44	80.1	$ 372.45	71.8	6.68%	N/A
Houston Firefighters' Relief & Retirement Fund	6/30/2023	7.25%	$ 5,167.59	$ 5,109.18	$ 58.41	98.9	$ 582.69	89.8	7.86%	N/A
Houston MTA Non-Union Pension Plan	12/31/2023	6.25%	$ 331.19	$ 192.91	$ 138.27	58.3	$ 171.41	53.0	4.70%	N/A
Houston MTA Workers Union Pension Plan	12/31/2023	6.25%	$ 450.46	$ 299.83	$ 150.63	66.6	$ 197.14	60.3	4.90%	N/A
Houston Municipal Employees Pension System	6/30/2023	7.00%	$ 5,698.78	$ 4,072.35	$ 1,626.43	71.5	$ 2,202.98	64.9	9.27%	N/A
Houston Police Officers' Pension System	6/30/2023	7.00%	$ 7,892.17	$ 7,208.46	$ 683.72	91.3	$ 1,494.50	82.8	8.30%	N/A
Irving Firemen's Relief & Retirement Fund	12/31/2023	7.00%	$ 309.50	$ 262.96	$ 46.54	85.0	$ 86.42	75.3	5.67%	N/A
Irving Supplemental Benefit Plan	12/31/2022	6.75%	$ 109.29	$ 98.56	$ 10.73	90.2	$ 25.63	79.4	5.49%	N/A
JPS - Tarrant County Hospital District	9/30/2023	6.75%	$ 461.70	$ 434.58	$ 27.13	94.1	$ 87.46	83.2	6.92%	N/A
Judicial Retirement System of Texas Plan Two	8/31/2023	7.00%	$ 671.59	$ 585.55	$ 86.04	87.2	$ 150.40	79.6	7.99%	N/A
Killeen Firemen's Relief & Retirement Fund	9/30/2022	7.25%	$ 81.39	$ 53.90	$ 27.49	66.2	$ 39.67	57.6	4.98%	N/A
Laredo Firefighters Retirement System	9/30/2023	7.40%	$ 348.35	$ 197.90	$ 150.45	56.8	$ 196.28	50.2	5.16%	N/A
Law Enforcement & Custodial Off Sup. Ret. Fund	8/31/2023	7.00%	$ 1,799.71	$ 1,040.70	$ 759.01	57.8	$ 990.81	51.2	7.99%	N/A
Lower Colorado River Authority Retirement Plan	12/31/2023	7.00%	$ 638.22	$ 456.57	$ 181.64	71.5	$ 241.31	65.4	5.50%	N/A
Lower Neches Valley (9)	12/31/2022	6.50%	$ 20.52	$ 12.41	$ 8.11	60.5	$ 10.33	54.6	0.00%	N/A
Lubbock Fire Pension Fund	12/31/2022	7.50%	$ 347.75	$ 239.59	$ 108.16	68.9	$ 151.75	61.2	6.79%	N/A
Lufkin Firemen's Relief & Retirement Fund	12/31/2023	7.25%	$ 47.33	$ 23.39	$ 23.94	49.4	$ 28.99	44.6	5.15%	N/A
Marshall Firemen's Relief & Retirement Fund	12/31/2023	7.25%	$ 24.60	$ 8.90	$ 15.70	36.2	$ 18.93	32.0	5.05%	N/A
McAllen Firemen's Relief & Retirement Fund	9/30/2023	7.25%	$ 96.94	$ 57.59	$ 39.35	59.4	$ 51.63	52.7	4.60%	N/A
Odessa Firemen's Relief & Retirement Fund	12/31/2023	7.00%	$ 136.11	$ 47.63	$ 88.48	35.0	$ 105.85	31.0	6.36%	N/A
Orange Firemen's Relief & Retirement Fund	12/31/2022	7.75%	$ 17.49	$ 8.44	$ 9.05	48.3	$ 11.06	43.3	5.41%	N/A
Paris Firefighters' Relief & Retirement Fund	12/31/2022	7.25%	$ 15.47	$ 15.69	$ (0.21)	101.4	$ 1.53	91.1	3.57%	N/A
Plainview Firemen's Relief & Retirement Fund	12/31/2023	7.50%	$ 18.68	$ 7.28	$ 11.40	39.0	$ 13.50	35.0	4.39%	N/A
Plano Retirement Security Plan	12/31/2023	6.75%	$ 216.72	$ 211.40	$ 5.32	97.6	$ 36.13	85.4	6.92%	N/A

This report is a compilation of pension data reported by retirement systems to the PRB in their most recently published Annual Financial Report and PRB-1000.

AV Supplemental Report
September 25, 2024
(Dollars in Millions)

Plan Name	Fiscal Year End	Discount Rate	(a) Total Pension Liability (TPL) (1)	(b) Fiduciary Net Position (2)	(a) - (b) Net Pension Liability (NPL) (3)	(b) / (a) NPL Funded Ratio %	NPL at Disc. Rate -1% (4)	NPL -1% Funded Ratio %	10 Year Net Return (5)	Expected Depletion Date (6)
Port Arthur Firemen's Relief & Retirement Fund	12/31/2022	7.25%	$ 74.76	$ 48.66	$ 26.10	65.1	$ 34.56	58.5	5.81%	N/A
Port of Houston Authority Retirement Plan	7/31/2023	6.00%	$ 219.25	$ 201.36	$ 17.90	91.8	$ 44.22	82.0	5.64%	N/A
Refugio County Memorial Hospital	10/31/2023	6.00%	$ 1.32	$ 1.20	$ 0.12	91.0	$ 0.31	79.5	4.34%	N/A
San Antonio Fire & Police Pension Fund	12/31/2023	7.25%	$ 4,773.08	$ 3,923.60	$ 849.47	82.2	$ 1,505.56	72.3	6.40%	N/A
San Antonio Metropolitan Transit Retirement Plan	9/30/2023	7.00%	$ 512.51	$ 338.07	$ 174.44	66.0	$ 227.61	59.8	7.48%	N/A
San Benito Firemen Relief & Retirement Fund	9/30/2023	7.50%	$ 7.39	$ 4.60	$ 2.79	62.2	$ 3.71	55.3	4.95%	N/A
Supplemental Retirement Plan of University Medical Center (9)	8/31/2023	4.00%	$ 6.66	$ 5.15	$ 1.52	77.3	$ 1.95	72.5	0.00%	N/A
Sweeny Community Hospital	12/31/2022	5.75%	$ 3.71	$ 3.08	$ 0.63	83.0	$ 0.95	76.5	7.08%	N/A
Teacher Retirement System of Texas	8/31/2023	7.00%	$ 255,860.89	$ 187,170.54	$ 68,690.35	73.2	$ 102,695.88	64.6	7.62%	N/A
Temple Firemen's Relief & Retirement Fund	9/30/2023	7.75%	$ 76.15	$ 51.69	$ 24.46	67.9	$ 33.50	60.7	5.91%	N/A
Texarkana Firemen's Relief & Retirement Fund	12/31/2022	7.50%	$ 49.27	$ 37.22	$ 12.05	75.5	$ 17.42	68.1	6.07%	N/A
Texas City Firemen's Relief & Retirement Fund	12/31/2022	7.25%	$ 38.47	$ 14.76	$ 23.71	38.4	$ 28.33	34.2	4.32%	N/A
Texas County & District Retirement System (10)	12/31/2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7.76%	N/A
Texas Emergency Services Retirement System	8/31/2023	7.50%	$ 170.67	$ 127.38	$ 43.29	74.6	$ 67.03	65.5	5.71%	N/A
Texas Municipal Retirement System (10)	12/31/2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.12%	N/A
The Woodlands Firefighters' Retirement System (8)	12/31/2023	7.00%	$ 68.17	$ 68.57	$ (0.40)	100.6	$ 9.73	87.6	4.78%	N/A
Travis County ESD #6 FRRF	12/31/2023	6.50%	$ 54.08	$ 48.88	$ 5.20	90.4	$ 13.22	78.7	6.49%	N/A
Tyler Firefighters' Relief & Retirement Fund	12/31/2022	7.00%	$ 116.73	$ 74.77	$ 41.96	64.1	$ 55.92	57.2	5.90%	N/A
University Health System Pension Plan	12/31/2023	7.00%	$ 780.43	$ 595.59	$ 184.84	76.3	$ 266.86	69.1	7.39%	N/A
University Park Firemen's Relief & Retirement Fund	12/31/2022	7.25%	$ 28.23	$ 11.12	$ 17.11	39.4	$ 20.50	35.2	4.97%	N/A
Waxahachie Firemen's Relief & Retirement Fund	9/30/2023	7.00%	$ 32.06	$ 21.77	$ 10.29	67.9	$ 14.52	60.0	4.35%	N/A
Weslaco Firemen's Relief & Retirement Fund	9/30/2023	7.25%	$ 21.91	$ 17.16	$ 4.74	78.4	$ 8.11	67.9	5.83%	N/A
Grand Totals:			$ 375,481.11	$ 271,000.87	$ 104,480.24	72.2%	$ 152,822.46	63.9%		

Notes
(1) Total Pension Liability is the actuarial accrued liability calculated in accordance with GASB 67, as reported in the system's Annual Financial Report.
(2) Fiduciary Net Position is the market value of assets as of the Fiscal Year End, as reported in the system's Annual Finaicial Report.
(3) Net Pension Liability is measured as the Total Pension Liability less the amount of the pension plan’s Fiduciary Net Position.
(4) Net Pension Liability measured using a discount rate 1% lower than the stated discount rate.
(5) 10 Year Net Return (gross return net of investment expenses) as reported for the Fiscal Year on the PRB-1000 Investment Returns and Assumptions Report.
(6) Expected Depletion date is reported in GASB 67 when applicable.
(7) Expected depletion date not provided. 2099 used as placeholder.
(8) The plan is less than 10 years old; return is calculated since date of inception.
(9) Recent 10-year returns are unavailable
(10) Plan is an Agent Multiple Employer Defined Benefit Plan and is not subject to the majority of GASB 67 reporting requirements.

Contribution Report
September 25, 2024

Plan Name	Plan Status (1)	Fiscal Year End	Covered Payroll	(a) Total NC (% of Pay) (2), (3)	(b) EE Cont (% of Pay) (3)	(c) = (a) - (b) ER Normal Cost (% of Pay) (3)	(d) Amort Pmt (% of Pay) (3)	(e) = (c) + (d) ER Rec Cont (% of Pay) (3), (4)	(f) Actual ER Cont (% of Pay) (5)	Actual ER Cont Type	(f) / (e) Percent of Rec Cont Paid
Floresville Electric Light and Power System Pension Plan	Active	12/31/2023	$ 3,380,531	14.04%	6.00%	8.04%	21.10%	29.14%	0.00%	Actuarial	0%
Nacogdoches County Hospital District (6)	Frozen	6/30/2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Actuarial	0%
Law Enforcement & Custodial Off Sup. Ret. Fund	Active	8/31/2023	$ 1,668,172,418	1.94%	0.50%	1.44%	2.54%	3.98%	1.49%	Other	37%
Midland Firemen's Relief & Retirement Fund	Active	12/31/2022	$ 22,052,445	31.54%	14.20%	17.34%	28.16%	45.50%	23.58%	Fixed	52%
Judicial Retirement System of Texas Plan Two	Active	8/31/2023	$ 90,906,367	26.81%	9.38%	17.43%	5.91%	23.34%	16.15%	Fixed	69%
Dallas Employees' Retirement Fund	Active	12/31/2023	$ 476,601,000	20.89%	13.32%	7.57%	14.51%	22.08%	15.51%	Other	70%
Dallas Police & Fire Pension System-Combined Plan	Active	12/31/2022	$ 436,971,384	18.64%	13.50%	5.14%	47.16%	52.30%	38.88%	Other	74%
Beaumont Firemen's Relief & Retirement Fund	Active	12/31/2023	$ 23,324,236	20.85%	18.00%	2.85%	24.17%	27.02%	20.44%	Fixed	76%
El Paso Firemen & Policemen's Pension Staff Plan	Active	12/31/2022	$ 893,506	10.77%	5.00%	5.77%	3.70%	9.47%	7.65%	Actuarial	81%
Galveston Firefighter's Relief & Retirement Fund	Active	12/31/2022	$ 9,916,741	21.30%	18.00%	3.30%	17.12%	20.42%	16.78%	Fixed	82%
Fort Worth Employees' Retirement Fund	Active	9/30/2023	$ 556,072,446	17.50%	12.74%	4.76%	26.83%	31.59%	26.67%	Actuarial	84%
Sweetwater Firemen's Relief & Retirement Fund	Active	12/31/2022	$ 1,711,845	21.40%	17.00%	4.40%	18.49%	22.89%	19.55%	Fixed	85%
Atlanta Firemen's Relief & Retirement Fund	Active	12/31/2023	$ 849,300	19.33%	13.00%	6.33%	12.04%	18.37%	15.75%	Fixed	86%
Brownwood Firemen's Relief & Retirement Fund	Active	12/31/2022	$ 2,033,658	15.81%	10.00%	5.81%	18.45%	24.26%	21.15%	Fixed	87%
Austin Employees' Retirement System	Active	12/31/2023	$ 810,041,877	17.39%	8.00%	9.39%	13.52%	22.91%	20.23%	Fixed	88%
Laredo Firefighters Retirement System	Active	9/30/2023	$ 43,658,580	19.55%	16.00%	3.55%	20.05%	23.60%	20.86%	Fixed	88%
San Antonio Metropolitan Transit Retirement Plan	Active	9/30/2023	$ 49,668,960	12.97%	6.52%	6.45%	21.77%	28.22%	25.30%	Actuarial	90%
McAllen Firemen's Relief & Retirement Fund	Active	9/30/2023	$ 14,489,060	17.86%	14.00%	3.86%	12.34%	16.20%	14.92%	Fixed	92%
Conroe Fire Fighters' Retirement Fund	Active	12/31/2022	$ 14,320,776	22.90%	15.50%	7.40%	9.63%	17.03%	15.72%	Fixed	92%
University Park Firemen's Relief & Retirement Fund	Closed	12/31/2022	$ 3,338,205	15.14%	10.00%	5.14%	38.29%	43.43%	40.52%	Actuarial	93%
Cleburne Firemen's Relief & Retirement Fund	Active	12/31/2022	$ 5,942,994	19.75%	15.00%	4.75%	17.36%	22.11%	20.63%	Other	93%
Fort Worth Employees' Retirement Fund Staff Plan	Active	9/30/2023	$ 2,139,526	22.71%	10.50%	12.21%	9.96%	22.17%	20.79%	Actuarial	94%
Harlingen Firemen's Relief & Retirement Fund	Active	9/30/2023	$ 7,812,278	18.53%	15.00%	3.53%	13.47%	17.00%	16.10%	Fixed	95%
Tyler Firefighters' Relief & Retirement Fund	Active	12/31/2022	$ 13,376,935	22.19%	13.50%	8.69%	13.80%	22.49%	21.37%	Fixed	95%
Greenville Firemen's Relief & Retirement Fund	Active	12/31/2023	$ 5,789,403	19.49%	16.30%	3.19%	20.65%	23.84%	22.67%	Fixed	95%
Marshall Firemen's Relief & Retirement Fund	Active	12/31/2023	$ 2,899,527	18.38%	16.00%	2.38%	23.01%	25.39%	24.18%	Fixed	95%
Lufkin Firemen's Relief & Retirement Fund	Active	12/31/2023	$ 6,150,691	16.16%	14.20%	1.96%	22.64%	24.60%	23.67%	Fixed	96%
San Antonio Fire & Police Pension Fund	Active	12/31/2023	$ 371,263,456	23.71%	12.32%	11.39%	13.30%	24.69%	24.17%	Fixed	98%

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Contribution Report
September 25, 2024

Plan Name	Plan Status (1)	Fiscal Year End	Covered Payroll	(a) Total NC (% of Pay) (2), (3)	(b) EE Cont (% of Pay) (3)	(c) = (a) - (b) ER Normal Cost (% of Pay) (3)	(d) Amort Pmt (% of Pay) (3)	(e) = (c) + (d) ER Rec Cont (% of Pay) (3), (4)	(f) Actual ER Cont (% of Pay) (5)	Actual ER Cont Type	(f) / (e) Percent of Rec Cont Paid
Austin Police Retirement System	Active	12/31/2023	$ 161,998,056	24.85%	15.00%	9.85%	21.77%	31.62%	31.20%	Actuarial	99%
San Angelo Firemen's Relief & Retirement Fund	Active	12/31/2022	$ 14,240,771	21.23%	18.50%	2.73%	17.37%	20.10%	20.05%	Fixed	100%
Austin Fire Fighters Relief & Retirement Fund	Active	12/31/2023	$ 105,372,248	30.73%	18.70%	12.03%	10.73%	22.76%	22.74%	Fixed	100%
University Health System Pension Plan	Active	12/31/2023	$ 471,477,819	5.12%	2.60%	2.52%	2.12%	4.64%	4.64%	Actuarial	100%
Supplemental Retirement Plan of University Medical Center (6)	Active	8/31/2023	$ 1,530,104	2.40%	0.00%	2.40%	33.55%	35.95%	35.95%	Other	100%
DFW Airport Board	Active	12/31/2022	$ 30,501,477	18.87%	0.00%	18.87%	42.55%	61.42%	61.42%	Actuarial	100%
JPS - Tarrant County Hospital District	Active	9/30/2023	$ 301,778,705	6.53%	1.91%	4.62%	1.63%	6.25%	6.25%	Other	100%
Brazos River Authority Retirement Plan (6)	Frozen	2/28/2023	$ 5,989,476	0.00%	0.00%	0.00%	0.00%	0.00%	19.45%	Actuarial	100%
Dallas Police & Fire Pension System-Supplemental	Active	12/31/2022	$ 1,694,833	63.30%	13.93%	49.37%	116.24%	165.61%	165.61%	Actuarial	100%
Sweeny Community Hospital	Closed	12/31/2022	$ 561,964	14.53%	0.00%	14.53%	3.53%	18.06%	18.06%	Actuarial	100%
Anson General Hospital	Frozen	6/30/2023	$ 60,552	103.01%	4.00%	99.01%	-84.10%	14.91%	14.91%	Actuarial	100%
Port of Houston Authority Retirement Plan	Closed	7/31/2023	$ 28,850,515	13.54%	0.00%	13.54%	17.26%	30.80%	30.80%	Actuarial	100%
Houston MTA Workers Union Pension Plan	Closed	12/31/2023	$ 66,459,000	3.86%	0.22%	3.64%	18.26%	21.90%	21.90%	Actuarial	100%
Citizens Medical Center	Active	2/28/2023	$ 61,683,953	8.35%	3.96%	4.39%	-1.62%	2.77%	2.77%	Other	100%
Houston MTA Non-Union Pension Plan	Closed	12/31/2023	$ 32,764,850	10.46%	0.00%	10.46%	34.81%	45.27%	45.32%	Actuarial	100%
Guadalupe Regional Medical Center	Active	12/31/2022	$ 33,880,304	11.74%	4.00%	7.74%	0.58%	8.32%	8.34%	Other	100%
CPS Energy Pension Plan	Active	12/31/2023	$ 304,482,139	15.29%	5.00%	10.29%	8.34%	18.63%	18.70%	Actuarial	100%
Galveston Wharves Pension Plan	Closed	12/31/2023	$ 1,123,705	12.20%	0.00%	12.20%	32.50%	44.70%	44.94%	Actuarial	101%
Irving Supplemental Benefit Plan	Active	12/31/2022	$ 119,771,217	3.28%	2.50%	0.78%	0.00%	0.78%	0.79%	Other	101%
Teacher Retirement System of Texas	Active	8/31/2023	$ 54,197,711,341	12.23%	8.00%	4.23%	5.24%	9.47%	9.65%	Fixed	102%
Waxahachie Firemen's Relief & Retirement Fund	Active	9/30/2023	$ 6,273,074	18.93%	12.00%	6.93%	9.82%	16.75%	17.11%	Other	102%
Houston Municipal Employees Pension System	Active	6/30/2023	$ 660,597,000	11.19%	3.00%	8.19%	21.99%	30.18%	31.02%	Actuarial	103%
Big Spring Firemen's Relief & Retirement Fund	Active	12/31/2022	$ 4,501,839	17.74%	13.00%	4.74%	12.48%	17.22%	17.81%	Fixed	103%
Lubbock Fire Pension Fund	Active	12/31/2022	$ 35,973,408	22.15%	14.98%	7.17%	15.44%	22.61%	23.46%	Other	104%
Corpus Christi Regional Transportation Authority	Active	12/31/2022	$ 11,319,943	8.73%	0.00%	8.73%	3.02%	11.75%	12.21%	Actuarial	104%
Houston Firefighters' Relief & Retirement Fund	Active	6/30/2023	$ 258,896,000	25.48%	10.50%	14.98%	11.91%	26.89%	27.99%	Actuarial	104%
El Paso Firemen's Pension Fund	Active	12/31/2022	$ 71,821,803	18.87%	18.00%	0.87%	17.83%	18.70%	19.78%	Fixed	106%
El Paso Police Pension Fund	Active	12/31/2022	$ 96,580,711	15.58%	18.00%	0.00%	20.62%	18.20%	19.35%		106%

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Contribution Report
September 25, 2024

Plan Name	Plan Status (1)	Fiscal Year End	Covered Payroll	(a) Total NC (% of Pay) (2), (3)	(b) EE Cont (% of Pay) (3)	(c) = (a) - (b) ER Normal Cost (% of Pay) (3)	(d) Amort Pmt (% of Pay) (3)	(e) = (c) + (d) ER Rec Cont (% of Pay) (3), (4)	(f) Actual ER Cont (% of Pay) (5)	Actual ER Cont Type	(f) / (e) Percent of Rec Cont Paid
Abilene Firemen's Relief & Retirement Fund	Active	9/30/2023	$ 16,692,158	17.04%	15.20%	1.84%	19.15%	20.99%	22.55%	Fixed	107%
Plainview Firemen's Relief & Retirement Fund	Active	12/31/2023	$ 2,196,430	15.44%	15.00%	0.44%	25.66%	26.10%	28.08%	Fixed	108%
Longview Firemen's Relief & Retirement Fund	Active	12/31/2023	$ 15,479,709	16.33%	16.31%	0.02%	11.85%	11.87%	12.81%	Fixed	108%
Texas City Firemen's Relief & Retirement Fund	Active	12/31/2022	$ 5,845,298	15.00%	17.00%	0.00%	20.32%	18.32%	19.82%	Fixed	108%
DFW Airport Board DPS	Active	12/31/2023	$ 32,790,767	24.33%	7.00%	17.33%	11.57%	28.90%	31.53%	Actuarial	109%
Arlington Employees Deferred Income Plan	Active	6/30/2023	$ 3,254,148	6.62%	3.00%	3.62%	0.03%	3.65%	4.00%	Actuarial	110%
Texarkana Firemen's Relief & Retirement Fund	Active	12/31/2022	$ 4,674,742	23.06%	13.50%	9.56%	9.85%	19.41%	21.38%	Fixed	110%
Temple Firemen's Relief & Retirement Fund	Active	9/30/2023	$ 10,538,671	19.68%	16.00%	3.68%	11.48%	15.16%	16.81%	Fixed	111%
Irving Firemen's Relief & Retirement Fund	Active	12/31/2023	$ 41,907,699	21.60%	13.00%	8.60%	3.76%	12.36%	13.91%	Actuarial	113%
Capital MTA Admin Employees	Active	12/31/2022	$ 38,516,483	8.16%	0.00%	8.16%	1.38%	9.54%	11.10%	Actuarial	116%
Corsicana Firemen's Relief & Retirement Fund	Active	12/31/2023	$ 4,577,834	14.31%	14.00%	0.31%	12.87%	13.18%	15.36%	Fixed	117%
Lower Neches Valley	Frozen	12/31/2022	$ 3,763,098	7.38%	0.00%	7.38%	18.15%	25.53%	29.82%	Actuarial	117%
Texas County & District Retirement System	Active	12/31/2023	$ 8,657,300,000	14.37%	6.78%	7.59%	4.72%	12.31%	14.47%	Actuarial	118%
Texas Municipal Retirement System	Active	12/31/2023	$ 7,532,000,000	15.53%	6.70%	8.83%	4.42%	13.25%	15.74%	Actuarial	119%
Orange Firemen's Relief & Retirement Fund	Active	12/31/2022	$ 2,842,141	12.00%	13.80%	0.00%	17.11%	15.31%	18.47%	Fixed	121%
Wichita Falls Firemen's Relief & Retirement Fund	Active	12/31/2023	$ 12,538,296	13.71%	13.00%	0.71%	13.15%	13.86%	16.83%	Fixed	121%
Odessa Firemen's Relief & Retirement Fund	Active	12/31/2023	$ 17,595,066	16.56%	16.00%	0.56%	26.92%	27.48%	33.48%	Fixed	122%
Dallas Co. Hospital Dist. Retirement Income Plan	Active	12/31/2022	$ 721,278,999	10.34%	6.20%	4.14%	4.29%	8.43%	10.37%	ADC	123%
Killeen Firemen's Relief & Retirement Fund	Active	9/30/2022	$ 15,387,077	17.43%	11.00%	6.43%	8.33%	14.76%	18.20%	Fixed	123%
Houston Police Officers' Pension System	Active	6/30/2023	$ 476,665,000	24.90%	10.50%	14.40%	12.37%	26.77%	33.55%	Actuarial	125%
Lower Colorado River Authority Retirement Plan	Closed	12/31/2023	$ 92,501,428	6.07%	0.00%	6.07%	17.49%	23.56%	29.72%	Actuarial	126%
Port Arthur Firemen's Relief & Retirement Fund	Active	12/31/2022	$ 10,172,298	16.07%	15.00%	1.07%	9.90%	10.97%	14.06%	Other	128%
Corpus Christi Fire Fighters' Retirement System	Active	12/31/2023	$ 39,549,022	17.22%	14.10%	3.12%	17.10%	20.22%	25.99%	Fixed	129%
Galveston Employees' Retirement Plan for Police	Active	12/31/2022	$ 12,829,898	14.26%	12.00%	2.26%	15.70%	17.96%	23.47%	Actuarial	131%
Plano Retirement Security Plan	Active	12/31/2023	$ 166,754,188	3.48%	0.00%	3.48%	-0.27%	3.21%	4.24%	Actuarial	132%
The Woodlands Firefighters' Retirement System	Active	12/31/2023	$ 13,211,712	22.85%	12.00%	10.85%	1.15%	12.00%	16.10%	Fixed	134%
Denton Firemen's Relief & Retirement Fund	Active	12/31/2022	$ 23,631,852	22.23%	12.60%	9.63%	4.65%	14.28%	19.24%	Actuarial	135%
San Benito Firemen Relief & Retirement Fund	Active	9/30/2023	$ 1,557,723	13.19%	12.00%	1.19%	7.71%	8.90%	12.13%	Fixed	136%

This report is a compilation of pension data reported by retirement systems to the PRB in their most recently published Annual Financial Report and Actuarial Valuations.

Contribution Report
September 25, 2024

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Denison Firemen's Relief & Retirement Fund	Active	12/31/2023	$ 3,815,442	15.56%	13.25%	2.31%	15.69%	18.00%	24.72%	Fixed	137%
Weslaco Firemen's Relief & Retirement Fund	Active	9/30/2023	$ 5,077,918	15.50%	12.00%	3.50%	5.85%	9.35%	13.38%	Fixed	143%
Travis County ESD #6 FRRF	Active	12/31/2023	$ 8,633,614	30.48%	20.00%	10.48%	2.61%	13.09%	20.28%	Fixed	155%
Galveston Employees' Retirement Fund	Active	12/31/2023	$ 31,027,335	10.97%	6.00%	4.97%	3.36%	8.33%	13.22%	Fixed	159%
Amarillo Firemen's Relief & Retirement Fund	Active	12/31/2023	$ 22,673,309	24.45%	14.00%	10.45%	3.41%	13.86%	23.14%	Fixed	167%
City of El Paso Employees Retirement Trust	Active	8/31/2023	$ 167,790,370	11.94%	8.95%	2.99%	8.53%	11.52%	19.70%	Fixed	171%
Harris County Hospital District Pension Plan	Closed	12/31/2023	$ 126,783,784	7.65%	0.00%	7.65%	22.80%	30.45%	53.63%	Actuarial	176%
Employees Retirement System of Texas	Active	8/31/2023	$ 7,470,847,680	14.07%	9.50%	4.57%	12.26%	16.83%	31.01%	Actuarial	184%
Colorado River Municipal Water Dist.	Active	12/31/2023	$ 4,181,248	10.15%	0.00%	10.15%	16.54%	26.69%	52.16%	Actuarial	195%
DART Employees	Closed	9/30/2023	$ 3,847,145	6.95%	0.00%	6.95%	135.25%	142.20%	701.82%	Actuarial	494%
Employees of Brownsville Navigation District	Active	12/31/2023	$ 5,653,993	5.91%	4.00%	1.91%	1.70%	3.61%	24.85%	Actuarial	688%
Paris Firefighters' Relief & Retirement Fund (7)	Frozen	12/31/2022	$ 2,871,131	9.57%	16.00%	0.00%	21.71%	15.28%	436.13%	Fixed	2854%
Capital MTA Bargaining (6)	Frozen	12/31/2022	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Actuarial	N/A
Guadalupe-Blanco River Authority (6)	Frozen	12/31/2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Actuarial	N/A
Refugio County Memorial Hospital (6)	Frozen	10/31/2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Actuarial	N/A
Texas Emergency Services Retirement System (6)	Active	8/31/2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Other	N/A

Notes

(1) Plan status indicates whether a plan is active (admitting new hires), closed to new hires (but still accruing benefits), or frozen (not accruing benefits).

(2) Normal Cost includes any explicit provisions for administrative expenses.

(3) Values may differ from that reported by the system due to differences in timing and/or rounding. For systems that do not indicate the fiscal year associated with this value (or the requisite valuation has not been provided to t

(4) Recommended Contribution needed for the system to achieve and maintain an amortization period that does not exceed 30 years, in accordance with Texas Code §802.101(a).

(5) Actual contribution rate is determined as the employer contributions made to the plan during the fiscal year divided by the covered payroll shown. This may differ from the plan's stated contribution rate due to differences bet

(6) Covered payroll is not reported for this plan.

(7) Contribution amounts reflect one-time proceeds from pension obligation bond

Item 11c. Reporting Compliance

Bryan Burnham

Pension Review Board

Overview

- Total net assets
  - Current: $356,657,241,013
  - 7/25/2024: $347,627,036,245
- System membership
  - Active: 1,515,723
  - Annuitants: 892,761
  - Inactive: 1,025,881
  - Total: 3,434,365

PRB Noncompliance Policy

- Reminders sent to system 60 and 15 days before reporting deadline.
- Noncompliance notice sent to system 15 and 45 days after deadline.
- Staff contacts system and sponsor when reports are 60 days past due.
- System name published to the List of Plans Noncompliant Over 60 Days on PRB website.
- System may be asked to appear before the board to discuss noncompliance.
- The PRB may subpoena records or other documents (Sec. 801.205, Texas Government Code).

PENSION REVIEW BOARD

Systems Noncompliant Over 60 Days

This list includes all systems that have not submitted one or more of the following reports to the PRB by the 60th day after the date the reports are due: annual financial report (AFR), membership report (PRB-200), or Investment Returns and Assumptions Report (PRB-1000).[1]

System	Missing Report	FY	Due Date
Nacogdoches County Hospital District Retirement Plan	AFR	2021	1/26/2022
	AFR	2022	1/26/2023
	AFR	2023	1/26/2024
Killeen Firemen's Relief & Retirement Fund	AFR, Membership, PRB-1000	2023	4/27/2024

Since the previous report:

- McAllen Fire was removed.

[1] Sec. 801.209(b), Texas Government Code

Upcoming Deadlines and Noncompliance Dates

Fiscal Year End	Due Date	Number of Systems	60-Day Noncompliance
December 31, 2023	July 28, 2024	69	**October 1, 2024**
February 29, 2024	**September 26, 2024**	2	December 1, 2024
June 30, 2024	January 26, 2025	6	April 1, 2025
July 31, 2024	February 26, 2025	1	May 1, 2025
August 31, 2024	March 29, 2025	7	June 1, 2025
September 30, 2024	April 28, 2025	14	July 1, 2025
October 31, 2024	May 29, 2025	1	August 1, 2025
December 31, 2024	July 29, 2025	69	October 1, 2025

Item 11d. Texas Local Fire Fighters Retirement Act (TLFFRA) Governance Project

Mariah Miller

Pension Review Board

Overview

- Project background and status
- Discussion of options and feedback
- Next steps

Project Background

- Project based on:
  - Prior research and intensive reviews
  - University of Texas LBJ student report
  - Stakeholder Work Group sessions
  - More stringent FSRP requirements set to take full effect in 2025

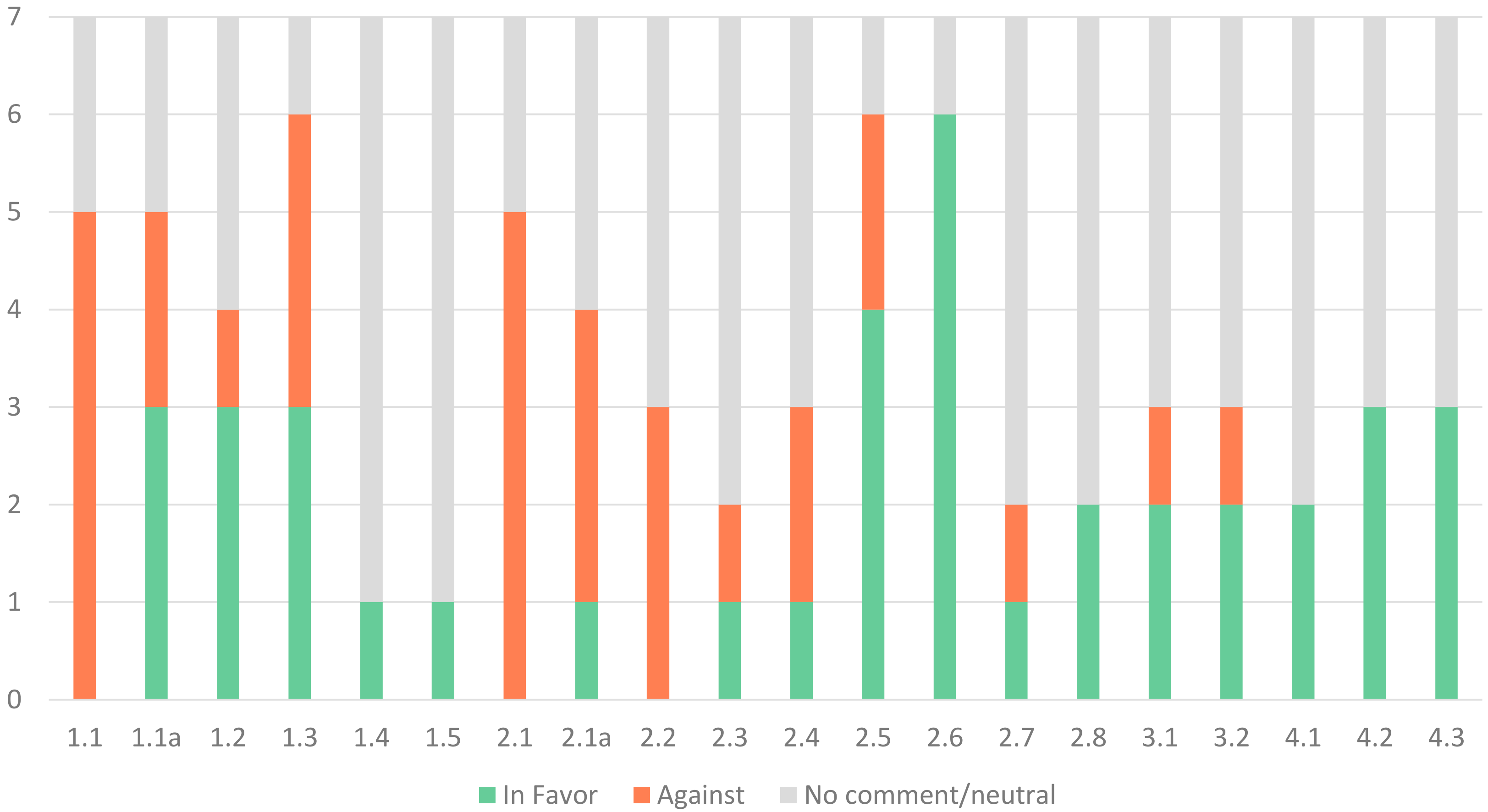
Project Status

- First draft of potential issues and recommendations presented to Actuarial Committee on Jan. 25, 2024.
  - First public comment period from Feb. 12 - March 29, 2024
  - Received seven written comments
- Draft presented at the Mar. 6, 2024 board meeting.
- Presented draft at TLFFRA Peer Review training on May 2, 2024.
- Presented updated draft at the May 9, 2024 Actuarial Committee Meeting.
  - Second public comment period from May 22 - June 26, 2024
  - Received one written comment
  - Hosted six individual meetings with stakeholders
- Presented updated draft at the July 25, 2024 board meeting.
  - Third public comment period from Aug. 7- Sept. 6, 2024
  - Received seven written comments

Identified Topic Areas

- Topic Area 1: System funding and decision-making practices
- Topic Area 2: Board structure and membership
- Topic Area 3: Transparency and communication
- Topic Area 4: Additional areas for research and consideration

Feedback Overview



Pension Review Board

Topic Area 4 Options

Legislative / Statutory

- ***Staff Recommendation*** - 4.1 Propose language authorizing boards to adopt an education policy.

Guidance/Technical Assistance

- ***Staff Recommendation*** - 4.2 The PRB could create a new core or CE course on reporting requirements and the role of the PRB for new administrators and trustees. The PRB may also consider other topics based on TLFFRA stakeholder requests, including additional education on actuarial matters.
- ***Staff Recommendation*** - 4.3 The PRB could implement a process to collect, share and regularly update example polices, requests for proposal and other relevant resources

Feedback and staff discussion

- Generally positive feedback

Topic Area 4 Staff Recommendations

Option	Recommendation
4.1 Propose language authorizing boards to adopt an education policy.	Adopt
4.2 The PRB could create a new core or CE course on reporting requirements and the role of the PRB for new administrators and trustees. The PRB may also consider other topics based on TLFFRA stakeholder requests, including additional education on actuarial matters.	Adopt
4.3 The PRB could implement a process to collect, share and regularly update example polices, requests for proposal and other relevant resources	Adopt

Topic Area 3 Options

Legislative / Statutory

- ***Staff Recommendation*** - 3.1 Require the sponsoring entity of a TLFFRA system to make publicly available on their website reports submitted to the PRB by the system. The sponsoring entity may link to the report on the system's website if the report is already posted by the system.

Guidance/Technical Assistance

- ***Staff Recommendation*** - 3.2 The PRB may issue guidance or conduct continuing education on transparency and communication topics.

Feedback and staff discussion

- Generally positive feedback on both options
- Added to 3.1 that linking to a report would satisfy the requirement

Topic Area 3 Staff Recommendations

Option	Recommendation
3.1 Require the sponsoring entity of a TLFFRA system to make publicly available on their website reports submitted to the PRB by the system. The sponsoring entity may link to the report on the system's website if the report is already posted by the system.	Adopt
3.2 The PRB may issue guidance or conduct continuing education on transparency and communication topics.	Adopt

Topic Area 2 Options

Legislative/Statutory

- 2.1 Consider changes to statutory TLFFRA board structure. A potential option could be to eliminate one citizen seat and make it a mayoral appointee and retain one citizen seat.

- ***Staff Recommendation*** - 2.1a Provide statutory authorization for TLFFRA boards to adopt a policy that would allow for the conversion of one citizen seat to a city appointee position if both citizen seats are unable to be filled. The policy must include the length of time the agreement is effective and specify the term length for the converted city appointee seat. Additionally, remove the exclusion from the TLFFRA statute that prevents a city employee from participating as a citizen trustee.

Feedback and staff discussion

- Systems generally disagreed with changing board structure
- 2.1a would not require boards to adopt a policy but would provide an avenue to do so if needed

Topic Area 2 Options

Legislative/Statutory

- 2.2 Allow for one active member seat to be filled by either an active or retired system member.
- ***Staff Recommendation*** - 2.3 Require citizen seats be elected by a minimum of four members of the system board.
- ***Staff Recommendation*** - 2.4 Update the citizen seat provision to specify that a retired member of the plan may not serve in a citizen position.

Feedback and staff discussion

- Feedback generally mixed
- Several questions on implementation
- Feedback that some options should remain local

Topic Area 2 Options

Legislative/Statutory

- ***Staff Recommendation*** - 2.5 Formalize in statute that it is a ground for removal from the board when a member attends less than 75 percent of the regularly scheduled board meetings that the member is eligible to attend during a calendar year without an excuse approved by a majority vote of the board. If the member is an ex-officio member, then they may be requested by the board to select a designee to serve in their position.

- ***Staff Recommendation*** - 2.6 Provide statutory authorization for boards to adopt a policy for removing a board member noncompliant with Minimum Educational Training (MET) requirements.

Feedback and staff discussion

- Unanimously positive feedback for 2.6, mostly positive feedback for 2.5

Topic Area 2 Options

Legislative/Statutory

- ***Staff Recommendation*** - 2.7 Include statutory language specifying the mayor may appoint a designee from city council or city staff if the mayor determines they are unable to actively participate on the board. Also specify that the CFO of the sponsoring entity, or the individual acting in that capacity, may appoint a designee from city council or city staff who has a financial background if the CFO is unable to actively participate on the board.

Feedback and staff discussion

- Stakeholders unsure about necessity
- 2.7 would restrict potential pool for designees

Topic Area 2 Options

Guidance/Technical Assistance

- ***Staff Recommendation*** - 2.8 The PRB may compile information and guidance on processes used by TLFFRA systems for identifying citizen members with qualifications and example policies used by systems to set standards for engagement of their board members, including attendance policies and education policies.

Feedback and staff discussion

- Received positive feedback

Topic Area 2 Staff Recommendations

Option	Recommendation
2.1 Consider changes to statutory TLFFRA board structure. A potential option could be to eliminate one citizen seat and make it a mayoral appointee and retain one citizen seat.	No action
2.1a Provide statutory authorization for TLFFRA boards to adopt a policy that would allow for the conversion of one citizen seat to a city appointee position if both citizen seats are unable to be filled. The policy must include the length of time the agreement is effective and specify the term length for the converted city appointee seat. Additionally, remove the exclusion from the TLFFRA statute that prevents a city employee from participating as a citizen trustee.	Adopt
2.2 Allow for one active member seat to be filled by either an active or retired system member.	No action
2.3 Require citizen seats be elected by a minimum of four members of the system board.	Adopt
2.4 Update the citizen seat provision to specify that a retired member of the plan may not serve in a citizen position.	Adopt

Topic Area 2 Staff Recommendations

Option	Recommendation
2.5 Formalize in statute that it is a ground for removal from the board when a member attends less than 75 percent of the regularly scheduled board meetings that the member is eligible to attend during a calendar year without an excuse approved by a majority vote of the board. If the member is an ex-officio member, then they may be requested by the board to select a designee to serve in their position.	Adopt
2.6 Provide statutory authorization for boards to adopt a policy for removing a board member noncompliant with Minimum Educational Training (MET) requirements.	Adopt
2.7 Include statutory language specifying the mayor may appoint a designee from city council or city staff if the mayor determines they are unable to actively participate on the board. Also specify that the CFO of the sponsoring entity, or the individual acting in that capacity, may appoint a designee from city council or city staff who has a financial background if the CFO is unable to actively participate on the board.	Adopt
2.8 The PRB may compile information and guidance on processes used by TLFFRA systems for identifying citizen members with qualifications and example policies used by systems to set standards for engagement of their board members, including attendance policies and education policies.	Adopt

Topic Area 1 Options

Legislative/Statutory

- 1.1 Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote.
- ***Staff Recommendation*** - 1.1a Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote if the system and sponsor solely utilizes a closed actuarially determined contribution (ADC) rate.

Feedback and staff discussion

- Generally more favor for 1.1a than 1.1
- Some concern about providing the sponsor with ability to prevent changes
- No proposed option for statutorily requiring an ADC
- Option 1.1a may encourage the use of an ADC

Topic Area 1 Options

Legislative/Statutory

- ***Staff Recommendation*** - 1.2 Authorize the system and the governing body of the sponsoring entity to enter into a separate agreement defining parameters for member contribution and benefit decisions. These agreements may be reflected in a jointly developed and adopted funding policy as required by Section 802.2011, Texas Government Code.

- ***Staff Recommendation*** - 1.3 Proposed benefit changes must be approved by a minimum of five members of the board.

Feedback and staff discussion

- 1.2 generally was viewed favorably but still some concern
- 1.3 had mixed feedback about power imbalances

Topic Area 1 Options

Guidance and Technical Assistance

- ***Staff Recommendation*** - 1.4 The PRB may publish guidance based on experiences of multiple TLFFRA systems for improving overall plan governance.

- ***Staff Recommendation*** - 1.5 The PRB may create a continuing education (CE) course on successful system reforms, potentially featuring a panel of TLFFRA stakeholders

Feedback and staff discussion

- Staff received less feedback on guidance and technical assistance options than on the potential legislative recommendations.
- One comment that guidance and CE in this area could be helpful

Topic Area 1 Staff Recommendations

Option	Recommendation
1.1 Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote.	No action
1.1a Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote if the system and sponsor solely utilizes a closed actuarially determined contribution (ADC) rate.	Adopt
1.2 Authorize the system and the governing body of the sponsoring entity to enter into a separate agreement defining parameters for member contribution and benefit decisions. These agreements may be reflected in a jointly developed and adopted funding policy as required by Section 802.2011, Texas Government Code.	Adopt
1.3 Proposed benefit changes must be approved by a minimum of five members of the board.	Adopt
1.4 The PRB may publish guidance based on experiences of multiple TLFFRA systems for improving overall plan governance.	Adopt
1.5 The PRB may create a continuing education (CE) course on successful system reforms, potentially featuring a panel of TLFFRA stakeholders	Adopt

Next steps

- Add approved recommendations to the biennial report
- Bill filing begins November 11, 2024
- 89^{th} legislative session begins January 14, 2025

TLFFRA Governance Issues and Options

Summary of Feedback Received and Possible Alternatives – September 25, 2024

In 2020, the Pension Review Board (PRB) directed staff to study Texas public retirement system governance structures and practices. Staff began the process of studying system governance of all 100 systems by completing reports on board structure, outlining each system's decision-making process, and providing data on board qualifications for some systems. Since that time, the PRB's focus on studying governance has shifted more specifically to the 42 systems that operate under the Texas Local Fire Fighters Retirement Act (TLFFRA).

Staff presented the first iteration the *TLFFRA Governance Issues and Options* to the Actuarial Committee on January 25, 2024. The document subsequently went through two rounds of comment periods and was present to the Actuarial Committee and the full Pension Review Board for discussion several times throughout the year, with the most recent meeting occurring on July 25, 2024.

A third and final comment period was opened from August 7 through September 6, 2024. This document contains a summary of the seven comments received during the third comment period. Staff will present final options and staff recommendations during the September 25, 2024, board meeting for consideration and possible approval by the board.

TOPIC AREA 1: SYSTEM FUNDING AND DECISION-MAKING PRACTICES

Identified Issue:
• TLFFRA statutory decision-making processes may hinder progress toward resolving funding issues faced by many TLFFRA systems and their sponsors.

Proposed Options - Statutory/Legislative

1.1 Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote. This recommendation would ensure sponsors and systems work collaboratively on potential changes before going to a member vote and could change the incentive structure to make it more likely sponsors would be less hesitant to provide necessary employer contributions.

OR

Staff Recommendation - 1.1a Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote if the system and sponsor solely utilizes a closed actuarially determined contribution (ADC) rate. This recommendation would allow for sponsors paying an ADC, who experience higher levels of risk associated with changes to plan provisions, to have direct input on benefit and member contribution changes.

1.1 and 1.1a Feedback	
Longview Firefighters Relief and Retirement Fund (Longview Fire)	"Option 1.1- I feel this option would give unfair access to the sponsoring entity. By design the TLFFRA board is designed with all parties represented (employees, sponsoring entity and tax payers). No one group holds a majority of the vote. No one group makes a quorum." "Option 1.1a- I feel this option would better explain why the sponsoring entity would be entitled to more control over benefit changes. Agreeing to pay the ADC would be a fair trigger for allowing the sponsoring entity the right to approve benefit changes. I would state that the PRB would have to consider changing the maximum allowed smoothing period to better help sponsoring entities budget for funding the ADC by reducing the volatility of the markets over time. TMRS I believe is set at a 10 year smoothing."
City of Galveston	Notes that 1.1a aligns with the best practices identified by the City in earlier comments submitted to the PRB.
Justin Graham[1]	"First, option 1.1, the idea of requiring the sponsoring entity to vote on any changes prior to a member vote will not create healthier plans. The reason being is the fact that not only does this potentially politicize the operation of the plan, it also would put elected officials with no fiduciary responsibility to the plan in a position that directly affects operations. It has become clear in my time on this board that not all members of the plan sponsor understand the intricacies and details that are involved in operating a successful plan. Option 1.1a seems as though it may be a more reasonable option because the plan sponsor would be holding all the liability for any plan change. "
Tyler Firefighter's Relief and Retirement Fund (Tyler Fire)	"I do not agree with [Option 1.1 or 1.1a] because it gives too much control to the City. The current board makeup has the potential already to slant towards the City. There are 3 Firefighter positions and if both citizens (Taxpayers) side with the 2 City positions on the board, the Firefighters will not be able to approve ballot options for benefit or contribution changes."
Weslaco Firemen's Relief & Retirement Fund (Weslaco Fire)	"I would also state we currently don't have a funding issue as you claim. There are many funds at risk." "I believe identifying the number of funds would help the board have a better understating of your recommendations and if it's needed." "My other concern I feel they will bring **Union Politics** into the pension decision making. Not all fire personnel are union members. Hence if a council member has an issue with the union this would give the city an advantage over our union and pension. In conclusion to the first topic I feel the funds that are having funding issues need to stay at a local level or handled with those particular Funds. There is no need at this time to involve all 42 funds for the few funds that have the issues."

[1] Justin Graham is the Chairman of Midland Firemen's Relief and Retirement Fund but provided comments as an individual and not as a representative of his board.

Staff Discussion:

Overall, stakeholders expressed more agreement towards Option 1.1a than Option 1.1. There were general concerns that allowing sponsors to potentially block a change to benefit or contribution increases could tip the balance of power too far in the sponsor's favor. The current board structure could potentially allow for votes to pass even if the sponsor representatives voted against changes because they hold two seats on a seven-member board. This is a concern that was raised by sponsors as a reason they are unwilling to increase contributions.

To address concerns on smoothing periods, staff suggests systems and their sponsors create a policy outlining how to calculate the ADC. This policy could then be incorporated into the joint system and sponsor funding policy. The PRB does not prescribe a maximum smoothing period. While most systems use a three to five year smoothing period, systems and their sponsors should select what time period works best for them, in consultation with their actuary.

Proposed Options - Statutory/Legislative

Staff Recommendation - 1.2 Authorize the system and the governing body of the sponsoring entity to enter into a separate agreement defining parameters for member contribution and benefit decisions. These agreements may be reflected in a jointly developed and adopted funding policy as required by Section 802.2011, Texas Government Code. This recommendation would allow for both parties to proactively define conditions in which contribution and benefit changes could be made, ensuring mutual agreement especially for those systems for which the sponsoring entity pays an ADC.

Staff Recommendation - 1.3 Proposed benefit changes must be approved by a minimum of five members of the board.

1.2 Feedback	
Longview Fire & Weslaco Fire	"I would agree this option keeps the local issues at the local level."
Odessa Firefighters Relief and Retirement Fund (Odessa Fire)	"We are in support of options 1.2 and 1.3 if changes must be made, however, we believe that nothing needs to change."
Tyler Fire	"I do not agree with [Option 1.2] because it gives too much control to the City."
1.3 Feedback	
Longview Fire	" I would have the concern that a 5 member vote would allow groups to stall progression by being absent. The quorum for a TLFFRA board is 4 members."
City of Galveston	Notes that 1.3 aligns with the best practices identified by the City in earlier comments submitted to the PRB.

Odessa Fire	"We are in support of options 1.2 and 1.3 if changes must be made, however, we believe that nothing needs to change."
Justin Graham	"Option 1.3 is yet again an even better option as it doesn't allow any side of representation to completely control or pursue changes. However, it does ensure that everyone voting is a fiduciary for the plan. This potentially eliminates politicizing the benefits and operation of the plan."
Tyler Fire	"I do not agree with [Option 1.3] because it gives too much control to the City." "For instance, on our board, we only consider changes to benefits or contributions based on our actuarial studies and we have always been conservative in our approach to changes. When we have looked at changes in the past, most of the time it has been a 7-0 vote for or against changes."
Weslaco Fire	"We currently have no issues having a quorum. It's rare that we don't have all 7 members present. On the other hand, I would see an issue for other funds that this could cause a problem for. They could stall the meeting by not showing up. The quorum is 4 to have a meeting. By going to 5 for this kind of vote, it would only delay the progress of the fund."

Staff Discussion:

Staff noticed that board member attendance has been a concern raised by various stakeholders throughout this project. Option 2.5 addresses the lack of attendance by certain members. Five members being present for a vote would help ensure that a greater than two-thirds supermajority of the board is in favor of the change that could carry significant impacts for both the members and the sponsor down the line. The vote is not required to be unanimous, so some parties may still dissent or be absent and a proposal could still pass.

Proposed Options - PRB guidance/technical assistance

Staff Recommendation - 1.4 The PRB may publish guidance based on experiences of multiple TLFFRA systems for improving overall plan governance. This may take the form of best practices for creating a joint working agreement (and ultimately jointly adopted funding policies) between the system and sponsor, encouraging the use of guardrails to limit the system's ability to enact benefit increases or contribution decreases without consideration of factors which may include sponsor agreement and the plan's actuarial health. Such guidance could also highlight methods for effectively educating members in preparation for a vote on plan changes. Included in this effort could be compiling actual agreements and funding policies as examples and making them publicly available.

Staff Recommendation - 1.5 The PRB may create a continuing education (CE) course on successful system reforms, potentially featuring a panel of TLFFRA stakeholders.

1.4 and 1.5 Feedback	
Tyler Fire	“I would like to hear more information on these 2 options. I feel that if the PRB provided the board's guidance based on other TLFFRA funds' experience, it would help the board make better informed decisions. Also, the idea of the PRB creating a continuing education course on these topics would really help boards make better informed decisions as well.”

Staff Discussion:

Any guidance created by PRB staff would be further discussed as it is developed, using stakeholder feedback similar to how past guidance documents have been created. If there are specific requests for the material within a guidance document or CE course, stakeholders should contact PRB staff so these requests can be considered as materials are developed.

TOPIC AREA 2: BOARD STRUCTURE AND MEMBERSHIP

Identified Issues
• TLFFRA board structure may need updating to address identified concerns and ensure balanced representation. • TLFFRA boards occasionally struggle with disengaged and/or noncompliant trustees, but systems lack tools and policies to address these issues.

Proposed Options - Statutory/Legislative

2.1 Consider changes to statutory TLFFRA board structure. A potential option could be to eliminate one citizen seat and make it a mayoral appointee and retain one citizen seat. Such a change would provide even representation between city and plan members but still retain one citizen member meant to represent taxpayers.

Staff Recommendation - 2.1a Provide statutory authorization for TLFFRA boards to adopt a policy that would allow for the conversion of one citizen seat to a city appointee position if both citizen seats are unable to be filled. The policy must include the length of time the agreement is effective and specify the term length for the converted city appointee seat. Additionally, remove the exclusion from the TLFFRA statute that prevents a city employee from participating as a citizen trustee.

2.1 and 2.1a Feedback	
Longview Fire	"Option 2.1- I would not be in favor of reducing representation of any group. TLFFRA boards are designed with all parties represented (Employees, Sponsoring entities and Taxpayers). No one group holds a majority of the vote." "I would like to see a more detailed breakdown of training attendance by each group represented on the Board."

	“Option 2.1a- I would refer to my comments in Option 2.1 for this also. I would think just enacting the last line of this option ‘Removing the exclusion from the TLFFRA statute that prevents a city employee from participating as a citizen trustee’ would be fair, as long as the current rule of sponsoring entities and employee representatives are who vote for the citizen trustee position.”
City of Galveston	“…the City of Galveston remains concerned the recommended options fail to solidly correct the unfair advantages with the current seven-member board structure. The TLFFRA statute impedes efforts for the equal board representation critically needed for implementing best practices that assure benefits are funded in a sustainable manner.” “To ensure a suitable role for plan sponsors when making these critical decisions, the City recommends TLFFRA amendments to increase the board from seven to eight total members that include equal representation of fire fighter members (4 members elected by participating members) and City-appointed members (2 appointed by City Manager; 2 seats appointed by the City Council). A similar board structure has improved governance on the City's police pension plan board. On the TLFFRA board, plan members and plan sponsors could each designate one of their four respective allotted seats for an independent citizen. Board members must meet qualifications and training requirements for board trustees defined in statute.”
Odessa Fire	“We are vehemently against changing the composition of the board (option 2.1) and believe the current structure represents each stakeholder fairly. If changes were made, we would support options 2.1a and 2.3-2.8.”
Justin Graham	“To address the issue of balanced board structure representation, there are a few factors that I have identified as a board member. The issue does not generally lie with the representation on the board as it would seem.” “The way to increase participation would be to address mandatory ADC just like the other state plans that they participate in. These plans already must use professional-actuaries to approve any plan changes. Changing the board structure is not going to change the number of plans that recognize and seek to resolve issues.”
Tyler Fire	“I do not like either one of these options. I feel that the 2 citizen board members are very important because they represent the taxpayers directly. In my experience on Tyler's board, we have never had issues with filling those positions. Our 2 citizen member positions have always been the most faithful to attend meetings and are always willing to give their opinion on investments, governance issues, legal etc. I feel that giving the City another position on the board gives them too much control of the board.”
Weslaco Fire	“Option 2.1- As staff stated in the TLFFRA Peer Review back in May there are city that have issues getting their city members to attend regular monthly meetings. How is removing a citizen going to help with the attendee of those funds having issues already with city members not going. TLFFRA boards are designed with all parties represented. No one group holds a majority of the vote. No one group makes a quorum.”

	"Option 2.1a- I would refer to my comments in Option 2.1 for this also. I would think just enacting the last line of this option 'Removing the exclusion from the TLFFRA statute that prevents a city employee from participating as a citizen trustee' would be fair, as long as the current rule of sponsoring entities and employee representatives are who vote for the citizen trustee position."
Midland Professional Association of Firefighters	"Additionally, we oppose adding a city council member to TLFFRA fund boards. The current board structure already has adequate 'taxpayer' representation as firefighters are taxpayers too. In other states, city council control of pension benefits has sometimes led to untenable levels as council members seek job security at election time. In Texas, city representation on TLFFRA boards is limited to the Mayor and the Chief Financial Officer, or their delegates. This has been appropriate."

Staff Discussion:

Throughout the review of TLFFRA governance structure, the statutory trustee designations topic frequently came up. Staff found that some systems have no trouble filling their citizen seats whereas others are unable to find suitable candidates. The TLFFRA statute applies across the board for 42 systems which poses a challenge when trying to develop recommendations for statutory updates. Many of the proposed recommendations from staff, including option 2.1a, uses authorizing language, which would not require systems to make changes if they are currently not facing any problems. It would, however, allow for those who are needing adjustments to create unique policies to improve their situations.

Staff did not receive much feedback on the second round of proposals. An earlier proposed option suggested an increase of total board members, but both stakeholders and board members raised concerns that having to fill more trustee seats may create more problems for systems that already struggle to find trustees for a full board under current statute.

In general, the concept of having a closed ADC rate for the system and sponsor has come up a number of times throughout this project. While there is not a recommendation at this time to require an ADC, several of the proposed options would encourage the adoption of an ADC. Regardless, any systems and their sponsors subject to a revised FSRP in the future would be required to adopt an ADC as part of that revised FSRP requirement. The stricter funding requirements of the revised FSRP are meant to help incentivize systems and their sponsors to adopt effective FSRPs the first time.

Proposed Options - Statutory/Legislative

2.2 Allow for one active member seat to be filled by either an active or retired system member.

Staff Recommendation - 2.3 Require citizen members be elected by a minimum of four members of the system board. Four members constitute a supermajority of the five board members that vote to select citizen members.[2]

Staff Recommendation - 2.4 Update the citizen seat provision to specify that a retired member of the plan may not serve in a citizen position. This recommendation would not prohibit retired members of other systems from serving on a particular TLFFRA board.

2.2 Feedback	
Longview Fire	"If this was an option, would that retiree be nominated by the actives and just the actives would have to vote them on the board? Trying to get the retirees all to vote would make the annual process very difficult. If this is an option to be considered, I would limit it to a maximum of one retiree on the Board."
Odessa Fire	"We would support a language change indicating that a seat could be filled by a retiree IF an active member could not hold that seat."
Tyler Fire	"I am opposed to this option. I am a retiree myself and feel like I should not be on the board because I do not pay into the fund with contributions coming from my salary like the active Firefighters. Potentially, as a retiree, that board member could approve a retiree benefit increase and the current Firefighters would have to contribute more from their salary into the fund. I feel like you have the opportunity to be on the board while you are actively contributing to the fund. Once you retire, you are a beneficiary at that point and not part of the fund because you are not contributing any more at that time. I do not have a problem with a retired Firefighter being on another TLFFRA funds board as a citizen, but not the fund he retired from."
Weslaco Fire	"How would that retiree be nominated? Would it be the actives and just the actives members or would the current retirees have a vote. If the retirees had a vote it would almost be impossible to get them together as they don't all live in the area. Trying to get the retirees all to vote would make the annual process very difficult."
2.3 Feedback	
Longview Fire	"What happens when 4 of the 5 people who elect the citizen board member cannot agree?"
Tyler Fire	"I feel like this is already being done on most boards. In my experience, the Firefighters present a potential candidate for the Citizen position and after vetting that person, the board votes to approve them in a meeting."

[2] Stakeholders provided comment on the previous version of this recommendation, which read: "Require citizen seats be elected by a minimum of four members of the system board."

Weslaco Fire	"I feel this should stay at a local policy level not a state level. Why put a number quorum is 4. what happens when you have 2 for 2 against. just leave at a majority vote. Again I feel its making things more complicated than it needs to be."
2.4 Feedback	
Longview Fire	"I see both sides of this argument. I think this should be a local decision."
Tyler Fire	"I agree that retired Firefighters should not be on the same TLFFRA fund board that they have retired from. I feel like if they serve on a different TLFFRA fund board, that should be allowed."
Weslaco Fire	"What would be the state's or city's advantage to this option. I can see how it may look but on the flip side to this in some cases the retiree has a vested interest to make sure the fund is in good health. you may see it one way I see it the other. I still feel he is a taxpayer representing the citizens and has a fiduciary responsibility to the fund. Our fund does not have a retiree serving on the board but I feel this should be a local decision."

Staff Discussion:

Staff intended that if Option 2.2 was adopted, the retiree member election would not differ from the current process of electing active members, only the potential candidate pool would be expanded.

In a situation where four trustees are unable to come to a consensus on electing a citizen board member, the board of trustees would have a failed vote and would need to find a new candidate. While this may make it more difficult in some situations to fill a citizen seat, it would ensure that at least one representative from either the sponsor or the system agreed with the elected citizen trustee member. This could help prevent the balance of power tipping in favor of either side.

Proposed Options – Statutory/Legislative

Staff Recommendation - 2.5 Formalize in statute that it is a ground for removal from the board when a member attends less than 75 percent of the regularly scheduled board meetings that the member is eligible to attend during a calendar year without an excuse approved by a majority vote of the board. If the member is an ex-officio member, then they may be requested by the board to select a designee to serve in their position.

Staff Recommendation - 2.6 Provide statutory authorization for boards to adopt a policy for removing a board member noncompliant with Minimum Educational Training (MET) requirements.

Staff Recommendation - 2.7 Include statutory language specifying the mayor may appoint a designee from city council or city staff if the mayor determines they are unable to actively participate on the board. Also specify that the CFO of the sponsoring entity, or the individual acting in that capacity, may appoint a designee from city council or city staff who has a financial background if the CFO is unable to actively participate on the board.

2.5 Feedback	
Longview Fire & Weslaco Fire	“I feel Option 2.6 is a better fit for addressing both options.”
City of Galveston	Notes that 2.5 aligns with the best practices identified by the City in earlier comments submitted to the PRB.
Justin Graham	“Options 2.5 and 2.6 are proposals that do need to be addressed. While it is important to be able to remove a board member who is elected if there is a lack of participation, there is an equal need to be able to address ex-officio members if there is a lack of participation on their part as well.”
Tyler Fire	“I agree with this option. A standard attendance policy would be great to have in place.”
2.6 Feedback	
Longview Fire	“I agree and would also include the right for Board's to adopt removal of a member if they do not meet a locally established minimum attendance.”
City of Galveston	Notes that 2.6 aligns with the best practices identified by the City in earlier comments submitted to the PRB.
Tyler Fire	“I agree with this option as well. Board members should always seek to educate themselves and should be willing to complete MET requirements.”
Weslaco Fire	“I agree and include all positions of the board to include the 2 city's positions. Also include the right for Board's to adopt removal of a member if they do not meet a locally established minimum attendance standard.”
2.7 Feedback	
Longview Fire	“This language already exists for those positions to have a designee.”
Tyler Fire	“I feel like this is already covered in the current TLFFRA statute, that the mayor and/or CFO could appoint a designee in their place. In our fund, the mayor's designee has always been someone from the City's legal department. Our CFO has always participated on the board, but usually will send a Finance personnel person in his place if he is unable to attend.”
Weslaco Fire	“This language is redundant I don't see the need for change.”

Staff Discussion:

Boards can currently adopt an attendance policy, and Option 2.5, which can be adopted concurrently with other options, would potentially establish a standard across all TLFFRA boards. Boards can also specify what they would like to include in a policy, which may include next steps if trustees do not complete their minimum required education. Some systems have already developed education policies with this information.

It is important for all members to be active and engaged on a board and the implementation of an attendance policy could help improve engagement. Staff recognizes that sometimes an ex-officio member is unable to attend meetings. While those positions could not be removed because they are statutorily designated, Option 2.5 includes language that would allow the board to request that trustee to select a designee to serve in their place.

Option 2.7 restricts the potential pool for the ex-officio designee positions. Statute already allows for those positions to select designees, but there is no requirement on who may be selected. Restricting the potential designees to individuals that hold similar positions or have similar qualifications as the ex-officio members helps ensure that perspective remains present on the board. This may already be the case for several boards who have ex-officio designee trustees, but this would formalize it so that representation is clear in the future.

Proposed Options – PRB Guidance/Technical Assistance

Staff Recommendation - 2.8 The PRB may compile information and guidance on processes used by TLFFRA systems for identifying citizen members with qualifications and example policies used by systems to set standards for engagement of their board members, including attendance policies and education policies. This recommendation would provide information and assistance to TLFFRA systems while not mandating specific qualifications for citizen members, which may be difficult for some systems to comply with.

2.8 Feedback	
Tyler Fire	"I think it would be great to provide TLFFRA funds with information and guidance on processes used by other TLFFRA funds as long as these are to be used to inform the funds and not forced on all funds. Some funds may have no problems with certain things and if they are forced to change, it could actually create a new problem for them."

Staff Discussion:

Guidance issued by the PRB does not constitute a statutory or rule requirement and is instead intended to be a resource for systems to use if they find it helpful and beneficial. They are not required to adhere to guidance; however, it may be in the best interest of the systems and sponsors to use guidance as reference as the PRB often incorporates best practices and updates guidance as best practices evolve over time.

TOPIC AREA 3: TRANSPARENCY AND COMMUNICATION

Identified Issues
• Information may not be easily accessible by all parties, including sponsoring entity and membership. • Some TLFFRA systems have difficulty contacting their sponsoring entity to discuss plan issues. • Minutes and board meeting materials are sometimes incomplete or not comprehensive.

Proposed Options - Statutory/legislative

Staff Recommendation - 3.1 Require the sponsoring entity of a TLFFRA system to make publicly available on their website reports submitted to the PRB by the system. The sponsoring entity may link to the report on the system's website if the report is already posted by the system. This change would facilitate access to information about TLFFRA systems even in situations where the system is unable to maintain an independent website. [3]

Proposed Options - PRB guidance/technical assistance

Staff Recommendation - 3.2 The PRB may issue guidance or conduct continuing education on transparency and communication topics. Such guidance or education may include recommending system boards provide regular updates to the governing body of the sponsoring entity, such as presentations regarding the system's funding condition with each actuarial valuation report.

3.1 Feedback	
Longview Fire	"The local pension plan should be doing this already, thus adding it to the sponsoring entities website seems redundant, but I have no major issue with the idea. I would allow the sponsoring entity to place a link to the pension's website where the information is posted, as an acceptable compliance measure. Would minimize the redundancy of work."
Odessa Fire	"The board supports submitting anything on the sponsoring entities' website that we already report to the PRB."
Tyler Fire	"I would have no problem with this option."
Weslaco Fire	"We do this already on our webpage. Adding it to the sponsoring entities website seems redundant, but I'm ok with it might be more work for them. I would allow the sponsoring entity to place a link to the pensions' website where the information is posted, as an acceptable compliance measure. Would minimize the redundancy of work."
3.2 Feedback	

[3] Stakeholders provided comment on the previous version of this recommendation, which read: "Require the sponsoring entity of a TLFFRA system to make publicly available on their website reports submitted to the PRB by the system."

Tyler Fire	"I would have no problem with this option." "I think CE on this topic would be welcomed."
Weslaco Fire	"I feel if the board has the 2 representing the city the mayor and CFO already what's the purpose of another report. The city already does an audit and the pension fund is included in that report."

Staff Discussion:

Statute currently requires certain reports submitted to the PRB to be posted on a public website; however, many systems do not maintain websites. Some sponsors already post reports on behalf of the systems and from discussion, it likely would not be difficult for sponsors to post the reports if they do not do so already. Staff has updated the language on Option 3.1 to clarify that posting a link to the report housed on the system's website would meet the requirement. Option 3.2 suggests potential guidance and CE and would not require a new or additional report to be prepared or submitted.

TOPIC AREA 4: ADDITIONAL AREAS FOR RESEARCH AND CONSIDERATION

Identified Issues
• Statutory language is potentially outdated in some areas and may not reflect current practices. • Additional information-sharing mechanisms and resources may be helpful for TLFFRA systems.

Proposed Options - Statutory/legislative

Staff Recommendation - 4.1 Propose language authorizing boards to adopt an education policy.

4.1 Feedback	
City of Galveston	Notes that 4.1 aligns with the best practices identified by the City in earlier comments submitted to the PRB.
Longview Fire	"Option 4.1 - I would rather see a blanket rule that allows local Boards to adopt policies that are needed to best administer their duties to their fund."
Odessa Fire	"We are in support of all options listed under topic area four."
Tyler Fire	"I think that any proposed language should be discussed with the TLFFRA funds before authorizing boards to adopt an education policy. I would have no problem with it after discussions and agreement upon the language."

Staff Discussion:

The recommendation stems from wanting to provide boards with support, as well as helping to increase awareness that boards can adopt such policies if they are interested. Currently, boards and trustees may adopt policies as needed to administer their fund. This recommendation would not dictate specific language to be included in an education policy, and each individual board would be able to customize and adopt a policy.

Proposed Options - PRB guidance/technical assistance

Staff Recommendation - 4.2 The PRB could create a new core or CE course on reporting requirements and the role of the PRB for new administrators and trustees. The PRB may also consider other topics based on TLFFRA stakeholder requests, including additional education on actuarial matters. Such a course could help trustees and administrators more easily learn statutory reporting and education requirements and make compliance easier.

Staff Recommendation - 4.3 The PRB could implement a process to collect, share and regularly update example polices, requests for proposal, and other relevant resources. This process would ultimately make it easier for systems to access useful examples since they would just have to go to one place. Making such materials available could be incorporated into other efforts outlined in this document to develop best practices and guidance.

4.2 Feedback	
City of Galveston	Notes that 4.2 aligns with the best practices identified by the City in earlier comments submitted to the PRB.
Tyler Fire	"I agree with this option. I feel all board members and Plan Administrators should be well educated in all aspects of pension funds, investments, legal, governance, plan administration, actuarial studies etc."
4.3 Feedback	
City of Galveston	Notes that 4.3 aligns with the best practices identified by the City in earlier comments submitted to the PRB.
Tyler Fire	"I agree with this option. I think information sharing is a great way for funds to learn from each other and make our funds better overall."

Additional Items for Consideration

General Feedback	
Longview Fire	"All currently listed TLFFRA funds must meet the standards set to remain under the umbrella of TLFFRA. Any exclusive Volunteer only or any other type fund that is not actively meeting the rules should be removed from TLFFRA and

	moved to an appropriate statute. No active TLFFRA fund to my knowledge is exclusively Volunteer only. Much of the language in the TLFFRA statute applies to these funds. This language could be removed from the TLFFRA statute and greatly improve the simplification of interpretation of said statute." "I also ask the PRB Board to consider when an issue is a local issue vs a statute issue. All TLFFRA Funds have improved due to hard work from both members and Sponsoring entities. Undermining that hard work because of any one Fund or City's inability to work together should not be placed on all the Fund's through statute changes. It would be more prudent to make those entities work towards a resolution at the local level."

Staff Discussion:

In earlier versions of the staff recommendations document, there was an option requesting feedback from stakeholders for other items the PRB should consider. An example given was specific areas of statute that could be considered redundant or obsolete; however no specific requests were received.

Many of the options proposed by PRB staff would allow for systems to develop policies that best suit their plans. In those cases, the agency may provide resources, but would not require plans to adopt specific policies or implement any changes. The goal of the recommendations is to provide options for boards that may benefit from having additional tools to facilitate better governance practices and helping sponsors feel more confident raising contribution rates as needed.

TLFFRA Governance Project – Changes Following July 25, 2024, PRB Board Meeting and Stakeholder Feedback

Summary

Texas Local Fire Fighters Retirement Act (TLFFRA) governance has been a recent subject of legislative and board interest. In 2023, the Pension Review Board (PRB) formally directed staff to conduct a study and present recommendations on TLFFRA governance issues. PRB staff presented a report to the PRB Actuarial Committee on January 25, 2024. The document was divided into four topic areas covering different aspects of TLFFRA system governance. Between February 12, 2024, and March 29, 2024, staff requested feedback from stakeholders on the proposed recommendations. Seven responses were received, and staff used the feedback to further refine the recommendations. Most of the feedback received was generally positive. However, some stakeholders expressed concern regarding some of the proposed recommendations, particularly regarding statutory decision-making processes and TLFFRA board structure.

On May 3, 2024, staff led a collaborative discussion at the TLFFRA Peer Review conference focusing on the preliminary recommendations. The general sentiment from the Peer Review was in line with the previously received feedback discussed above.

The Actuarial Committee received an update on the project at the May 9, 2024, meeting. During the meeting, the committee further refined the additional options for consideration.

Following the Actuarial Committee meeting, staff released updated recommendations for stakeholder consideration. Another comment period was opened through Wednesday, June 26, 2024, and the agency received one written comment. Staff also hosted informal meetings with stakeholders, including systems, consultants, and sponsors, to receive additional feedback on the recommendations. Comments from stakeholders provided the foundations for staff to further refine some of the options presented for board discussion at the July 25, 2024, board meeting. During the board meeting, the board discussed which options they would like to move forward with and further refine. This document was updated and released for public comment between August 7 and September 9, 2024.

The following is a summary of the current recommendation options updated by staff to incorporate discussions from the July board meeting and stakeholder feedback.

Note: Staff renumbered the options to clarify which options may be simultaneously adopted, and which are mutually exclusive (thus cannot be adopted together). Options that share the same number as a previous option but includes a subsequent letter are alternatives. For example, options 1.1 and 1.1a are mutually exclusive, whereas 1.1 and 1.2 could both be adopted. The updated *TLFFRA Governance Issues Options* document may be found following this summary document.

TOPIC AREA 1: SYSTEM FUNDING AND DECISION-MAKING PRACTICES

Identified Issue
TLFFRA statutory decision-making processes may hinder progress toward resolving funding issues faced by many TLFFRA systems and their sponsors.

Options - Statutory/legislative

Option 1.1 – *Modified* based on stakeholder feedback requesting clarification.
Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote.

Option 1.1a – *Modified* - Following the 07.25.2024 board discussion.
Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote if the system and sponsor solely utilizes a closed actuarially determined contribution (ADC) rate.

Option 1.2 – No modifications, presented for additional comments.
Authorize the system and the governing body of the sponsoring entity to enter into a separate agreement defining parameters for member contribution and benefit decisions. These agreements may be reflected in a jointly developed and adopted funding policy as required by Section 802.2011, Texas Government Code.

Option 1.3 – *New* – Based on 07.25.2024 board discussion.
Proposed benefit changes must be approved by a minimum of five members of the board.

Options - PRB guidance/technical assistance

Option 1.4 – No modifications, presented for additional comments.
The PRB may publish guidance based on experiences of multiple TLFFRA systems for improving overall plan governance.

Option 1.5 – No modifications, presented for additional comments.
The PRB may create a continuing education (CE) course on successful system reforms, potentially featuring a panel of TLFFRA stakeholders.

TOPIC AREA 2. BOARD STRUCTURE AND MEMBERSHIP

Identified Issues
• TLFFRA board structure may need updating to address identified concerns and ensure balanced representation. • TLFFRA boards occasionally struggle with disengaged and/or noncompliant trustees, but systems lack tools and policies to address these issues.

Options - Statutory/legislative

Option 2.1– No modifications, presented for additional comments.
Consider changes to statutory TLFFRA board structure. A potential option could be to eliminate one citizen seat and make it a mayoral appointee and retain one citizen seat. Such a change would provide even representation between city and plan members but still retain one citizen member meant to represent taxpayers.

Option 2.1a – No modifications, presented for additional comments.
Provide statutory authorization for TLFFRA boards to adopt a policy that would allow for the conversion of one citizen seat to a city appointee position if either citizen seat is unable to be filled. The policy must include the length of time the agreement is effective and specify the term length for the converted city appointee seat. Additionally, remove the exclusion from the TLFFRA statute that prevents a city

employee from participating as a citizen trustee.

Option 2.2 –*Modified* - Following the 07.25.2024 board meeting.
Allow for one active member seat to be filled by either an active or retired system member.

Option 2.3 – *Modified* – Following the 07.25.2024 board meeting.
Require citizen members be elected by a minimum of four members of the system board. Four members constitute a supermajority of the five board members that vote to select citizen members.

Option 2.4 – *New* – Based on 07.25.2024 board discussion.

Update the citizen seat provision to specify that a retired member of the plan may not serve in a citizen position.

Option 2.5– *Modified* – Based on 07.25.2024 board discussion.

Formalize in statute that it is a ground for removal from the board when a member attends less than 75 percent of the regularly scheduled board meetings that the member is eligible to attend during a calendar year without an excuse approved by a majority vote of the board. If the member is an ex-officio member, then they may be requested by the board to select a designee to serve in their position.

Option 2.6 - *New* – Based on 07.25.2024 board discussion.

Provide statutory authorization for boards to adopt a policy for removing a board member noncompliant with Minimum Educational Training (MET) requirements.

Option 2.7 – No modifications, presented for additional comments.
Include statutory language specifying the mayor may appoint a designee from city council or city staff if the mayor determines they are unable to actively participate on the board. Also specify for the CFO of the sponsoring entity, or the individual acting in that capacity, may appoint a designee from city council or city staff who has a financial background if the CFO is unable to actively participate on the board.

<u>Staff recommendation - PRB guidance/technical assistance</u>

Option 2.8 – No modifications, presented for additional comments.
The PRB may compile information and guidance on processes used by TLFFRA systems for identifying citizen members with qualifications and example policies used by systems to set standards for engagement of their board members, including attendance policies and education policies.

TOPIC AREA 3. TRANSPARENCY AND COMMUNICATION

Identified Issues
• Information may not be easily accessible by all parties, including sponsoring entity and membership. • Some TLFFRA systems have difficulty contacting their sponsoring entity to discuss plan issues. • Minutes and board meeting materials are sometimes incomplete or not comprehensive.

<u>Options - Statutory/legislative</u>

Option 3.1– *Modified* based on stakeholder feedback requesting clarification. Require the sponsoring entity of a TLFFRA system to make publicly available on their website reports submitted to the PRB by the system. The sponsoring entity may link to the report on the system's website if the report is already posted by the system.

Options - PRB guidance/technical assistance

Option 3.2 – No modifications, presented for additional comments.
The PRB may issue guidance or conduct continuing education on transparency and communication topics. Such guidance or education may include recommending system boards provide regular updates to the governing body of the sponsoring entity, such as presentations regarding the system's funding condition with each actuarial valuation report.

TOPIC AREA 4: ADDITIONAL AREAS FOR RESEARCH AND CONSIDERATION

Identified Issues
• Statutory language is potentially outdated in some areas and may not reflect current practices. • Additional information-sharing mechanisms and resources may be helpful for TLFFRA systems.

Options - Statutory/legislative

Option 4.1 – No modifications, presented for additional comments.
Propose language authorizing boards to adopt an education policy.

Options - PRB guidance/technical assistance

Option 4.2 – No modifications, presented for additional comments.
The PRB could create a new core or CE course on reporting requirements and the role of the PRB for new administrators and trustees. The PRB may also consider other topics based on TLFFRA stakeholder requests, including additional education on actuarial matters.

Option 4.3 – No modifications, presented for additional comments.
The PRB could implement a process to collect, share, and regularly update example polices, requests for proposal, and other relevant resources.

TLFFRA Governance Issues and Options
September 2024

Overview

In 2020, the Pension Review Board (PRB) directed staff to study Texas public retirement system governance structures and practices. Staff began the process of studying system governance of all 100 systems by completing reports on board structure, outlining each system's decision-making process, and providing data on board qualifications for some systems. Since that time, the PRB's focus on studying governance has shifted more specifically to the 42 systems that operate under the Texas Local Fire Fighters Retirement Act (TLFFRA).

The primary reason for focus on TLFFRA systems is that these systems tend to struggle more from a funding standpoint, accounting for 11 out of the 12 systems that have been subject to PRB intensive reviews, which typically prioritize poorly funded systems for review.[1] In addition, most of the systems currently subject to the Funding Soundness Restoration Plan (FSRP) requirement are TLFFRA systems.[2] While some TLFFRA systems are well-funded, on average, TLFFRA systems have the highest median expected return, highest median funding period, and lowest median funded ratio of all categories of Texas public retirement systems.[3] In addition, TLFFRA systems have recently been in the legislative spotlight. In 2022, the Speaker's interim charges included a charge to the House Pensions, Investments, and Financial Services (PIFS) Committee to study governance of systems under TLFFRA.[4] The PRB provided testimony during an interim committee hearing in August of 2022 and the PIFS committee issued a report in December of the same year.[5]

To complete preliminary research on TLFFRA governance, in the fall of 2022, PRB staff engaged a team of graduate students at the LBJ School of Public Affairs at the University of Texas at Austin to conduct a policy research project to study TLFFRA governance, develop research findings, and identify potential recommendations. The team completed their research and provided a report (LBJ student report) to the PRB in the spring of 2023.

In the fall of 2023, the PRB worked with TLFFRA stakeholders to form a workgroup comprised of stakeholders from multiple TLFFRA systems and sponsoring entities representing small, medium, and large systems. The PRB's goal in forming the TLFFRA Governance Work Group (Work Group) was to build on previous research and identify areas for improvement in TLFFRA governance by working directly with stakeholders. The intended outcome of this process was to help the PRB develop possible recommendations that can improve governance of these systems and ultimately help them succeed. Recommendations adopted by the board may include statutory changes, development of PRB guidance or other education/technical assistance, or direction for the PRB to engage in further studies.

To develop the initial draft recommendations, PRB staff used multiple sources and reports to identify

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[1] Texas Pension Review Board, Intensive Reviews, accessed January 11, 2024, https://www.prb.texas.gov/intensive-reviews/
[2] Texas Pension Review Board, *FSRP Updates* (Austin: Texas Pension Review Board, November 2023)
[3] Pension Review Board November 2023 Actuarial Valuation Report
[4] Texas House of Representatives, Interim Charges for the 87th Legislature, 24, accessed January 3, 2024, https://house.texas.gov/_media/pdf/interim-charges-87th.pdf
[5] House Committee on Pensions, Investments, and Financial Services, *Interim Report to the 88th Texas Legislature*, accessed January 12, 2024, https://house.texas.gov/_media/pdf/committees/reports/87interim/Pensions-Investments-and-Financial-Services-Committee-Interim-Report-2022.pdf

issues and possible recommendations, primarily the Work Group meetings, the LBJ student report, and previous experience working with TLFFRA systems and sponsoring entities. This document reflects PRB staff's analysis and synthesis of those sources of information and has been revised multiple times this year to reflect stakeholder and board feedback and deliberations, after three PRB public meetings and corresponding opportunities for comment.

Staff presented the first iteration of this document to the Actuarial Committee on January 25, 2024. Following the meeting, staff released the document for public comment from February 12 through March 29, 2024. The agency received a total of seven comments from the initial comment period. The comments were predominantly submitted on behalf of systems, with one comment from a sponsoring entity of a TLFFRA fund, one from a law firm, and one from trustees acting in their own capacity, not that of their board. While the document was out for comment, staff introduced the first draft document to the full board on March 6, 2024.

PRB staff was invited to attend and speak about the potential recommendations at the TLFFRA peer review conference in May 2024, where trustees provided feedback directly about the document. The feedback largely matched the comments received during the first public comment period.

The Actuarial Committee received updated recommendations based on stakeholder feedback at the May 9, 2024, meeting. Following the meeting, the updated document was released for a second round of stakeholder feedback. At this time, staff also organized one-on-one meetings with various types of stakeholders, including representatives from systems, sponsors, and actuaries. The information from the stakeholder meetings, as well as the one written comment received, was used to help further refine the recommendations into a third iteration presented to the full board as an update on July 25, 2024.

A third and final comment period occurred from August 7 through September 6, 2024. During this comment period, staff received an additional seven comments from systems, sponsors, and members. This document includes key themes in stakeholder comments.

TOPIC AREA 1: SYSTEM FUNDING AND DECISION-MAKING PRACTICES

Background: The Texas Local Fire Fighters Retirement Act (TLFFRA) was originally created in 1937 by the 45th Legislature and named the Firemen's Relief and Retirement Fund. In 1989, the Act was restated under Article 6243e and renamed as the Texas Local Fire Fighters Retirement Act. The Act allows for paid and part-paid fire departments and volunteer fire departments in participating cities to administer their own local retirement systems.

The Act provides general guidelines for fund management, including some investment restrictions, but leaves administration, plan design, contributions, and specific investments to each system's local board. Systems operating under TLFFRA are entirely locally funded.

Local retirement systems established under TLFFRA have authority to determine member contribution rates, benefit levels, and other plan provisions locally through procedures outlined in TLFFRA. However, the composition of TLFFRA boards of trustees is set in statute. The composition of the TLFFRA board represents the interests of the member, governing entity, and taxpayers. Sponsoring entities of TLFFRA systems must meet a statutory minimum contribution rate but may adopt by ordinance a higher contribution rate than that set in statute.[6]

Identified Issue: TLFFRA statutory decision-making processes may hinder progress toward resolving funding issues faced by many TLFFRA systems and their sponsors.

TLFFRA systems must adhere to certain operational and funding guidelines set in statute, including minimum contribution rates and a pre-determined board structure. While sponsoring entities control their employer contribution levels, typically through city budget processes, changes to benefits and member contributions occur through board-initiated action rather than a statutory change or change to city charter, as is common with many non-TLFFRA systems. Prior to a benefit or contribution change being finalized, the changes must be first approved by the system's actuary, as well as by a majority vote of participating members of the system. At least 50 percent of all participating members must participate in the vote.[7] Use of a membership vote to decide member contribution and benefit changes is mostly unique to TLFFRA when comparing these systems to others in Texas. While decision-making mechanisms vary from system to system, the PRB identified only two municipal systems that include a vote of members for certain decisions. El Paso Police and Fire Pension Fund has a member vote for making benefit and member contribution changes. However, the system's board must first submit any proposed benefit or member contribution changes to the city's governing body for approval before the board is able to adopt a change.[8] Fort Worth Employees Retirement Fund (FWERF) utilizes a member vote for changes to member contributions. Unlike El Paso Fire and Police, FWERF does not require proposed member contribution changes to first be approved by both the board and the system.[9]

The TLFFRA member vote mechanism allows for individual plan members to have influence over the management of their pension plan. Some Work Group members characterized the member vote requirement as a helpful and necessary check and balance; however, the goals of the system administration, sponsoring governmental entity, and plan membership may not always be in alignment, potentially preventing necessary changes from occurring. For example, some sponsoring entities may hesitate to provide increased contributions, or implement an actuarially determined contribution (ADC), out of the belief that plan members will vote to increase their own benefits and, in turn, increase the sponsor's financial burden since the sponsoring entity does not have a specific role in approving benefit changes, other than the two seats they hold on the seven-member system board. Conversely, plan members may be hesitant to vote for changes that would reduce their own benefits, even in cases where those changes are needed to address funding gaps.

The LBJ student report noted that system representatives interviewed were generally in favor of shifting to an ADC contribution structure that would allow for the system's contribution levels to adequately address the unfunded liability. The report's analysis also showed a correlation between high-performing TLFFRA systems and actual contribution rates above the ADC. However, the analysis also found that some sponsors are wary of moving towards an ADC structure because there are concerns that systems will raise

[6] TLFFRA Peer Review Committee et. all, *Texas Local Fire Fighters Retirement Act Trustee Manual,* 2022
[7] Section 7(b), Article 6243e, Vernon's Texas Civil Statutes
[8] El Paso Firemen and Policemen's Pension Fund, *Statement of Funding Policy,* January 2019, https://www.elpasofireandpolice.org/index.php/about/board-documents-2/board-policies/961-epfppf-statement-of-funding-policy/file
[9] Section 5.07, Article 6243i, Vernon's Texas Civil Statutes

benefits.[10]

Due to the current statutory decision-making structure, sponsors are not required to be directly involved in setting benefit levels unless more specific working agreements are developed between systems and sponsors, as discussed below. During Work Group meetings, members noted that there is often not a formalized communication or agreement structure between the system and sponsor, and the quality of the working relationship may vary depending on the specific people involved and their willingness to work together on pension issues. Without such an agreement, the system, sponsor, and plan members may not be able to effectively work together to resolve any existing funding issues or address issues in a timely manner when they arise. While nearly all TLFFRA systems have a funding policy as required under legislation passed in 2019, policies submitted initially were not required to be jointly developed and adopted by the system and sponsor. With amendments to the funding policy requirement passed by the legislature in 2021, funding policies now require involvement from both parties.[11]

Through research and the Work Group meetings, PRB staff identified a trend of more sponsors and systems creating their own agreements or memorandums of understanding (MOUs) to outline parameters surrounding contributions and benefits changes. Some of these agreements are summarized in the chart, *Examples of Agreements.* These parameters, often referred to as "guardrails," allow for the sponsor to have peace of mind that no unfunded benefit increases will occur, while allowing the system to obtain additional needed funding to resolve funding issues and ensure that members will ultimately receive the benefits they are promised. Such agreements can lead to improved funding and potentially allow for additional benefits when the plan is well-funded; for example, Denton Fire and the City of Denton agreed to an ad-hoc cost-of-living adjustment in 2022 while maintaining a funding period below 10 years. Joint working agreements may occasionally occur more informally, but the PRB recommends that any jointly agreed upon terms regarding contribution and benefit levels are eventually incorporated into a funding policy, particularly since the statute now provides a foundation for jointly developed and adopted funding policies.

Examples of Agreements	
Denton Fire	The system and the city use a Meet and Confer Agreement to establish certain responsibilities and funding goals shared by both parties. For example, the system agrees to not raise benefits during the term of the agreement and the city agrees to only adjust contributions based upon an actuarial valuation.[12]
Longview Fire	The system and city entered into a memorandum of understanding that the city would provide the system a lump-sum contribution from the proceeds of a pension obligation bond and the system would not enhance benefits unless the funding period was less than five years and the enhancement would not increase the system's funding period above 10 years.[13]
Irving Fire	The system and the city entered into a formal agreement surrounding a pension obligation bond. The bond will pay down a portion of the system's UAAL and as a

[10] Ryan Hurt, Richard Guzman, Noah Jones, *Putting Out the Fire: Pension Governance of TLFFRA Plans* (Austin: The Lyndon B. Johnson School of Public Affairs), 69.
[11] Section 802.2011, Texas Government Code
[12] Meet and Confer Agreement Between the City of Denton and the Denton Firefighters Association, *Denton Firemen's Relief and Retirement Fund.* 24 September 2019, https://www.prb.texas.gov/wp-content/uploads/2023/12/Denton-Funding-Policy.pdf
[13] Longview Firemen's Relief and Retirement Fund and the City of Longview, *Agreement Regarding City of Longview Pension Obligation Bonds*, 23 June 2022.

	result, the system agrees that any benefit enhancement submitted for a membership vote will require that the member contributions solely cover the increase to the ADC. It further states that both the members and city will equally split the ADC if it is lower than 26 percent of pay, but if it goes above 26 percent, the members will only be responsible for a maximum of 13 percent.[14]
Corpus Christi Fire	The city informally agreed to increase contributions, with the understanding by the system that they could not use the additional contributions to increase benefits.

Sometimes the system and sponsor may be in alignment about needed changes, but as previously mentioned, changes to benefits and member contributions require approval from plan members as a final step. During Work Group meetings, group members discussed past difficulties some systems have experienced in convincing members to support needed reforms; however, they identified proactive, robust education efforts as a key to success. Some of the Work Group members represent systems that have recently implemented significant reforms to address funding issues, and they discussed the measures that they have taken in the past to help ensure that their members are well informed about on the proposed changes, including conveying the potential repercussions of having an inadequately funded plan. They explained how they educated members prior to votes, including bringing the system actuary in to talk to the members directly, offering multiple options, and holding votes immediately following the discussion. The members noted that when systems take proactive measures to educate the plan members, the overall process to obtain support from the membership tends to go smoothly and systems are able to make the changes needed to address funding challenges.

Topic Area 1 Options for Board Consideration
Statutory/legislative
1.1 Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote. This recommendation would ensure sponsors and systems work collaboratively on potential changes before going to a member vote and could change the incentive structure to make it more likely sponsors would be less hesitant to provide necessary employer contributions.
Staff Recommendation - 1.1a Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote if the system and sponsor solely utilizes a closed actuarially determined contribution (ADC) rate. This recommendation would allow for sponsors paying an ADC, who experience higher levels of risk associated with changes to plan provisions, to have direct input on benefit and member contribution changes.
Staff Recommendation - 1.2 Authorize the system and the governing body of the sponsoring entity to enter into a separate agreement defining parameters for member contribution and benefit decisions. These agreements may be reflected in a jointly developed and adopted funding policy as required by Section 802.2011, Texas Government Code. This recommendation would allow for both parties to proactively define conditions in which contribution and benefit changes could be made, ensuring mutual agreement especially for those systems for which the sponsoring entity pays an ADC.
Staff Recommendation - 1.3 Proposed benefit changes must be approved by a minimum of five

[14] Irving Firemen's Relief and Retirement Fund and the City of Irving, Texas, *Agreement Regarding City Pension Obligations Bonds,* 21 March 2022.

members of the board.

PRB guidance/technical assistance

Staff Recommendation - 1.4 The PRB may publish guidance based on experiences of multiple TLFFRA systems for improving overall plan governance. This may take the form of best practices for creating a joint working agreement (and ultimately jointly adopted funding policies) between the system and sponsor, encouraging the use of guardrails to limit the system's ability to enact benefit increases or contribution decreases without consideration of factors which may include sponsor agreement and the plan's actuarial health. Such guidance could also highlight methods for effectively educating members in preparation for a vote on plan changes. Included in this effort could be compiling actual agreements and funding policies as examples and making them publicly available.

Staff Recommendation - 1.5 The PRB may create a continuing education (CE) course on successful system reforms, potentially featuring a panel of TLFFRA stakeholders.

Stakeholder Feedback and Staff Response: Throughout the several rounds of stakeholder feedback, a common theme was finding a reasonable balance of sponsor input on potential ballot options. Several versions of option 1.1 were proposed by agency staff. One such option included having a comment period where the sponsoring entity could provide written input on a ballot option. All iterations of this potential option have been removed from the final recommendations based on feedback.

- **Role of sponsor**. Some stakeholders raised concerns that sponsors are not fiduciaries, and that sponsors' willingness to make changes or provide comments on ballots could be affected by political motivations. Sponsors have reported concern over increasing contributions because of the potential for the board and system members to raise benefits, which could increase costs down the line. System stakeholders told PRB staff that boards are generally lowering, not increasing, benefits; however, sponsors still express concern that benefit increases could occur.

- **ADC.** Generally speaking, there are only a few TLFFRA systems where both the system and the sponsoring entity solely utilize an ADC. ADC structures come with more potential direct risk for sponsors due to the potential for significant fluctuations in contribution rates each year, and the resulting lack of predictability for city budgeting purposes. In those cases, it may make sense to allow sponsors to have more input. Staff has received feedback showing interest in requiring systems and their sponsors to move to an ADC. The PRB has not proposed any options to mandate an ADC, but instead option 1.1a was created as a compromise between increased contribution risk and increased sponsor involvement. While some stakeholders remain concerned that option 1.1a provides the sponsor with too much direct control, systems were generally more amenable to this option.

- **Votes for benefit changes**. Another option staff has added for consideration based on feedback from the board at the July 25, 2024 board meeting includes requiring that any proposed benefit changes be approved by a supermajority of five members of a TLFFRA board. This would increase the likelihood that at least one sponsor representative on the board is also in agreement with the increased benefit change, allowing for the sponsoring entity to have indirect input. Stakeholders raised concerns that requiring a supermajority of five members could lead to problems because a quorum is only four members, so there may be meetings where fewer than five members are present.

TOPIC AREA 2. BOARD STRUCTURE AND MEMBERSHIP

Background: TLFFRA boards are comprised of seven members:

- the mayor of the municipality or the mayor's designated representative
- the chief financial officer (CFO) of the municipality, the person who performs the functions of a CFO, or the CFO's designated representative
- three members of the retirement system elected by participating members
- two citizens of the state who are not officers or employees of the municipality and are elected by participating members.[15]

The distribution of trustee seats is set in statute.

Identified Issue: TLFFRA board structure may need updating to address identified concerns and ensure balanced representation.

The LBJ student report noted that filling citizen trustee positions is challenging for many TLFFRA systems regardless of overall system performance.[16] The Work Group members echoed this concern. During Work Group sessions, members noted that excluding the statutory residency requirement – the citizen seat for any TLFFRA system must be filled by a Texas resident – there is currently no guidance available to systems about what qualifications they should look for when filling the citizen seat. However, filling citizen seats with individuals with relevant and helpful expertise—such as financial or legal expertise—can also be difficult, especially for smaller TLFFRA systems. As a result of the difficulties associated with filling citizen seats, they are often filled by retired firefighters, many times retired firefighters who formerly served on the TLFFRA board. While this expertise and institutional knowledge can be useful, citizen seats filled by retired firefighters can also mean that firefighter/plan member perspectives outnumber others, especially sponsor perspectives.

Outside of TLFFRA systems, recent legislative reforms of some municipal public pension boards have resulted in shifting the balance towards having more representation from the sponsoring entity and adding required qualifications for certain trustees, as described in the table, *Examples of Recently Changed Board Structures and Qualifications*.[17]

Examples of Recent Legislative Changes to Board Structures and Qualifications

	Board Structure	Required Qualifications
Galveston Police (2019)	Increased board from seven to eight total members, additional member designated by city representatives.	To be designated or elected a trustee, a person must have 1) demonstrated financial, accounting, business, investment, budgeting, or actuarial experience; 2) a bachelor's degree from an accredited

[15] Section 19, Article 6243e, Vernon's Texas Civil Statutes
[16] Ryan Hurt, Richard Guzman, Noah Jones, *Putting Out the Fire: Pension Governance of TLFFRA Plans* (Austin: The Lyndon B. Johnson School of Public Affairs), 57.
[17] For example, Section 2.021, Article 6243p, Vernon's Texas Civil Statutes, Section 3.02, Article 6243n-1, Vernon's Texas Civil Statutes, and Section 4, Article 6243n, Vernon's Texas Civil Statutes.

		institution of higher education; or 3) been vetted to verify that the person is capable of performing the duties and responsibilities of a trustee.[18]
Austin Police (2021)	One active member seat replaced with a citizen appointed by the city council.	The citizen trustee member must have demonstrated financial or investment experience.[19]

Some Work Group members indicated their systems voluntarily try to find candidates for citizen seats that have expertise/qualifications, such financial or investment industry backgrounds. This became a discussion point amongst the members which indicated further guidance or sharing of best practices would be beneficial.

Identified Issue: TLFFRA boards occasionally struggle with disengaged and/or noncompliant trustees, but systems lack tools and policies to address these issues.

Work Group participants noted that some TLFFRA systems struggle with low engagement particularly from sponsor representatives sitting on the board, such as not attending board meetings. They further noted that typically sponsor representatives on the board are responsible for bringing pertinent information from the TLFFRA board to the attention of the sponsoring entity as a whole, making their role on the board and level of engagement critical to the overall working relationship between the system and the sponsor.

Members also raised the concern that there are some TLFFRA trustees who are not compliant with the PRB's Minimum Educational Training (MET) program requirements. They noted that system administrators make attempts but are still sometimes unable to get their trustees compliant. The PRB is currently pursuing a project working with all systems with trustees out of compliance, with core education specifically, to understand reasons for noncompliance and assist where possible.

A suggestion offered by Work Group members was adding statutory authority allowing TLFFRA systems to remove inactive or noncompliant members. The chart below, *Examples of Statutory Removal of Members,* provides some examples of mechanisms in current law for several Texas municipal systems.

Examples of Statutory Removal of Members	
Removal by elector/appointer	
San Antonio Fire and Police	Allows firefighter or police officers to vote to remove their appointed representatives. Subsection (b) allows retiree members to vote to remove elected retiree representatives.[20]
Attendance requirement	
Austin Police	Provides that trustees who are absent from five consecutive regular board meetings will be removed.[21]
Board member vote, with hearing	

[18] Section 2.021, Article 6243p, Vernon's Texas Civil Statutes
[19] Section 3.02(a)(5), Article 6243(n-1), Vernon's Texas Civil Statutes
[20] Section 2.03(a), Article 6243o, Vernon's Texas Civil Statutes
[21] Section 3.06(c), Article 6243n-1, Vernon's Texas Civil Statutes

Houston Police	The board may vote to remove a board member, with agreement from a hearing examiner.[22]

Through the Work Group discussions, PRB staff also learned that some systems have developed their own policies and procedures to promote board member engagement and education. In general, members indicated these policies are helpful in promoting engagement and compliance. The policies are as follows:

- **Education policy.** Odessa Firemen's Relief & Retirement Fund created an education policy which requires board members to complete 15 to 30 hours of MET training annually. If a board member does not complete their requirement, they must share their reason for noncompliance with the board chair and the board will decide what actions to take regarding the trustee's position on the board.

- **Attendance policy.** Irving Firemen's Relief and Retirement Fund created an attendance policy requiring trustees to attend at least 75 percent of regular board meetings each year. The board of trustees may excuse absences in the case of unusual circumstances, but otherwise a trustee who is noncompliant with the policy will be asked to consider resigning from the board.

Topic Area 2 Options for Board Consideration
Statutory/legislative
2.1 Consider changes to statutory TLFFRA board structure. A potential option could be to eliminate one citizen seat and make it a mayoral appointee and retain one citizen seat. Such a change would provide even representation between city and plan members but still retain one citizen member meant to represent taxpayers.
Staff Recommendation - 2.1a Provide statutory authorization for TLFFRA boards to adopt a policy that would allow for the conversion of one citizen seat to a city appointee position if both citizen seats are unable to be filled. The policy must include the length of time the agreement is effective and specify the term length for the converted city appointee seat. Additionally, remove the exclusion from the TLFFRA statute that prevents a city employee from participating as a citizen trustee.
2.2 Allow for one active member seat to be filled by either an active or retired system member.
Staff Recommendation - 2.3 Require citizen members be elected by a minimum of four members of the system board. Four members constitute a supermajority of the five board members that vote to select citizen members.
Staff Recommendation - 2.4 Update the citizen seat provision to specify that a retired member of the plan may not serve in a citizen position. This recommendation would not prohibit retired members of other systems from serving on a particular TLFFRA board.
Staff Recommendation - 2.5 Formalize in statute that it is a ground for removal from the board when a member attends less than 75 percent of the regularly scheduled board meetings that the member is eligible to attend during a calendar year without an excuse approved by a majority vote of the board. If the member is an ex-officio member, then they may be requested by the board to select a designee to serve in their position.

[22] Section 7(a), Article 6243g-4, Vernon's Texas Civil Statutes,

<u>**Staff Recommendation -**</u>2.6 Provide statutory authorization for boards to adopt a policy for removing a board member noncompliant with Minimum Educational Training (MET) requirements.

<u>**Staff Recommendation -**</u>2.7 Include statutory language specifying the mayor may appoint a designee from city council or city staff if the mayor determines they are unable to actively participate on the board. Also specify that the CFO of the sponsoring entity, or the individual acting in that capacity, may appoint a designee from city council or city staff who has a financial background if the CFO is unable to actively participate on the board.

<u>**PRB guidance/technical assistance**</u>

<u>**Staff Recommendation -**</u>2.8 The PRB may compile information and guidance on processes used by TLFFRA systems for identifying citizen members with qualifications and example policies used by systems to set standards for engagement of their board members, including attendance policies and education policies. This recommendation would provide information and assistance to TLFFRA systems while not mandating specific qualifications for citizen members, which may be difficult for some systems to comply with.

Stakeholder Feedback and Staff Response: Stakeholders report varied experiences in how citizen positions are filled and difficulty filling seats. Many systems have no trouble filling their citizen seats whereas others have reported having difficulty doing so. The feedback has led to staff proposing several options to assist the systems that are having difficulty while not impeding systems that are doing well with the existing statutory board composition.

- **Citizen trustee seat conversion.** Staff's original recommendation addressing board composition included an option to alter the board structure to eliminate one citizen seat position, making it a mayoral appointee position. Upon feedback that this would potentially lead to several boards losing valuable trustees, staff proposed an alternative recommendation that would allow boards to adopt a policy that would allow for the conversion of one citizen seat to a city appointee seat should a seat be unfilled. This option would not require boards to change their policies, so systems that are not struggling to fill their citizen seats would not need to make a change, but rather it would allow for the systems that need assistance to have more options for filling a vacant seat.

- **Retired members as trustees.** Stakeholders also raised concerns about retired system members participating on the board in the citizen seat position. Specifically, there was concern that this could tip the balance of power towards the members. Staff received feedback from system representatives noting that retired members have a different perspective than active members, and many of their benefits are already secured. It was also noted that as a trustee, regardless of background, the individual serving in the citizen seat position is ultimately a fiduciary and carries a responsibility beyond their potential personal interests.

- Several systems currently have retirees in their citizen seat positions who are active and engaged trustees that the boards would like to retain. Staff proposed option 2.2 as a potential compromise for balancing representation. Staff received feedback requesting more information about the implementation of such an option. Under this option, if a retiree was elected in lieu of an active member, the retiree would be elected by the active members, not other retirees.

- **Trustee attendance and MET noncompliance.** There was also discussion around removal mechanisms for disengaged, absentee, or noncompliant board members. While many stakeholders recognized the need and potential benefit for having a removal mechanism, there was concern raised about the potential subjectivity of a removal. Staff included a suggested meeting attendance threshold as a potential legislative recommendation, and then revised it based on feedback from the board and other stakeholders to ensure that any extenuating circumstances would not disqualify a potential engaged member.

  Stakeholders submitted concern about the removal of ex-officio trustees specifically, and called attention to the lack of potential avenues to address low attendance rates or noncompliance. While ex-officio trustees are unable to be removed directly, staff updated option 2.5 to specify that the board of trustees may request a designee if the ex officio trustees are frequently absent from meetings. This provision may also be included in any policy developed and adopted by the systems under option 2.6.

- **Ex-Officio Designees**. Statute currently allows for ex-officio members to designate someone to act as a trustee in their place. Staff proposed option 2.7, which would restrict the potential designee to be either from city council or city staff, and for the CFO designee to also have a financial background. Stakeholders brought up concerns that this option could be redundant, but option 2.7 would ensure that specific expertise and viewpoints are still represented on the board.

TOPIC AREA 3. TRANSPARENCY AND COMMUNICATION

Background: In general, good communication practices and overall transparency help mitigate issues and help ensure stakeholders of any organization are all on the same page and have the information needed to effectively make decisions. The LBJ student report states that representatives of high-performing TLFFRA systems interviewed by the team described having consistent and reliable communications with plan members specifically as a key governance success factor.[23] In other words, improving communication and transparency could ultimately lead to improved overall performance of the system.

Through the Work Group meetings, communication among the systems, their sponsors, their members, and the PRB was a topic discussed at length. PRB staff aimed to understand current methods of communication and identify issues and found systems use a variety of methods to communicate with their members, which helps improve the member vote process and helps the plan members understand their benefits overall. Generally, TLFFRA systems have very few staff members, so most day-to-day communication occurs through the administrator and occasionally the board members themselves, particularly when systems are contemplating major reforms.

Identified Issue: Information may not be easily accessible by all parties, including sponsoring entity and membership.

[23] Ryan Hurt, Richard Guzman, Noah Jones, *Putting Out the Fire: Pension Governance of TLFFRA Plans* (Austin: The Lyndon B. Johnson School of Public Affairs), 62.

Some existing statutory requirements already exist that are meant to promote transparency for all Texas retirement systems, such as the requirement for all reports submitted to the PRB to also be published on a website.[24] Examples of required reports include actuarial valuations, annual financial reports, and funding policies. This statute does not require each system to have a website; instead, it allows for the information and reports to be posted on any public website, such as that of the sponsoring entity. The LBJ student report noted that many TLFFRA systems currently lack a website, or the website is missing information. The team arrived at this conclusion after conducting a search for and review of websites of all 42 TLFFRA systems.[25] In addition, the need for increased transparency was addressed in the most recent PRB intensive review; the system reviewed (Abilene Fire) has since made improvements to address the deficiencies highlighted in the report, such as missing and outdated reports on the system website.[26]

For systems without their own website, the information required to be posted may be unavailable on any public website, including required reports. Sponsoring entities – a majority of which are cities – already have websites and post other publicly available documents online. It is an intuitive location for members of the public to go when looking for financial and actuarial information, and many cities' websites already include this information for local retirement systems. Work Group members noted that administering a website is difficult for systems because they do not typically have the in-house knowledge or bandwidth needed to manage it themselves and third-party administrators can be expensive.

Identified Issue: Some TLFFRA systems have difficulty contacting their sponsoring entity to discuss plan issues.

Work Group members noted that they are often dependent on the level of engagement from the sponsor representative on the system's board. Getting information in front of the sponsor has been a challenge for some TLFFRA systems, but a few who have completed an FSRP or been part of an intensive review by the PRB did mention that having to complete those processes improved communication and working relationships overall. During the Work Group sessions, it became apparent that there may also be a lack of understanding surrounding certain reporting cycles. In particular, actuarial valuations and experience studies are typically not completed on the same timeline as city budgeting cycles. This mismatch has led to some sponsors hesitating to make contribution decisions until they have a more recent report, which can increase the overall amount of time it takes to address funding issues. As a result, at least one system represented on the Work Group has moved to annual actuarial valuations to ensure stakeholders have updated actuarial information on a more frequent basis.

Identified Issue: Minutes and board meeting materials are sometimes incomplete or not comprehensive.

Governmental entities are required to keep minutes or a recording of their public meetings, but they are currently not required to keep detailed records of discussions or other information that may be pertinent to system status.[27] Beyond statutory compliance, the use of detailed and easily obtainable meeting

[24] Section 802.107, Texas Government Code
[25] Ryan Hurt, Richard Guzman, Noah Jones, *Putting Out the Fire: Pension Governance of TLFFRA Plans* (Austin: The Lyndon B. Johnson School of Public Affairs), 70.
[26] Texas Pension Review Board, *Intensive Review: Abilene Firemen's Relief and Retirement Fund,* September 2023, 25.
[27] Section 551.021, Texas Government Code

minutes helps keep both the membership aware of the system's decisions, as well as provides a resource for the sponsor.

The LBJ student report found that high-performing TLFFRA systems were more likely to have detailed minutes and scored higher on various transparency measures than low- and medium-performing systems. However, the report found that TLFFRA board meeting minutes and materials were often unavailable for many systems. During their analysis, the student team discovered that they were unable to locate minutes for 19 of the 42 TLFFRA systems. They noted that it was often due to being unable to find system websites overall.[28]

Topic Area 3 Options for Board Consideration

Statutory/legislative

Staff Recommendation -3.1 Require the sponsoring entity of a TLFFRA system to make publicly available on their website reports submitted to the PRB by the system. The sponsoring entity may link to the report on the system's website if the report is already posted by the system. This change would facilitate access to information about TLFFRA systems even in situations where the system is unable to maintain an independent website.

PRB guidance/technical assistance

Staff Recommendation -3.2 The PRB may issue guidance or conduct continuing education on transparency and communication topics. Such guidance or education may include recommending system boards provide regular updates to the governing body of the sponsoring entity, such as presentations regarding the system's funding condition with each actuarial valuation report.

Stakeholder Feedback and Staff Response: Overall, stakeholders have been in favor of staff's recommendation for a sponsoring entity of a TLFFRA system to make the system's reports available on their website. Many sponsors already do something similar, and several sponsors have indicated that it would not be difficult to implement. There have been some questions raised by stakeholders about potential redundancies if a system already posts this information on its own website, and staff modified option 3.1 to clarify that linking to a report already posted elsewhere would be acceptable.

TOPIC AREA 4. ADDITIONAL AREAS FOR RESEARCH AND CONSIDERATION

Identified Issue: Statutory language is potentially outdated in some areas and may not reflect current practices.

The Work Group members made PRB staff aware that TLFFRA statute contains some outdated language that needs revising to reflect current trends and practices. They noted that the statute was created in the 1930s and some sections have not been updated since then. For example, in various provisions, the statute still addresses volunteer systems within systems that have no volunteers. Not only does the current statute not always align with current system structures, but it has also historically made it more difficult for struggling TLFFRA systems to close their plan to new members and join statewide systems.

[28] Ryan Hurt, Richard Guzman, Noah Jones, *Putting Out the Fire: Pension Governance of TLFFRA Plans* (Austin: The Lyndon B. Johnson School of Public Affairs), 53, 70.

The Texas Municipal Retirement System (TMRS) statute allows for local systems to join TMRS through city ordinance; however, TLFFRA systems may still lack clarity on this process.[29]

Identified Issue: Additional information-sharing mechanisms and resources may be helpful for TLFFRA systems.

The PRB often fields questions from TLFFRA systems about reporting requirements and Minimum Educational Training (MET) requirements. This has primarily occurred via technical assistance requests but was briefly brought up during Work Group meetings. Work Group members noted that when first joining the board, it is difficult to learn certain PRB reporting requirements, such as the MET reporting, especially when there is high turnover on the board or when a system has a new administrator. It was also noted that the sponsor representatives may need more information about how defined benefit plans work overall.

Work Group meetings often led to the participating systems sharing information about how they handle certain topics and issues. While PRB staff moderated the meetings, Work Group members chimed in asking questions of each other and sharing their own system's unique practices. One of the benefits of the Work Group sessions beyond information gathering for the PRB was providing an avenue for Work Group members to share resources and information amongst themselves. For example, when filling citizen seat positions, some Work Group members shared that they ask the prior citizen seat member to provide a list of recommendations. Systems would benefit from having access to examples and templates to help them conduct daily operations without starting from scratch. TLFFRA systems in particular could benefit from such assistance because they tend to have few staff and resources to administer their plans.

Stakeholder Feedback and Staff Response: The original recommendation under this section was a call for stakeholders to provide examples of additional recommendations they would like to see the PRB propose, or a way for them to identify potential sections of statute that they felt were outdated, as noted in the Work Group meetings. The agency received several suggestions for potential recommendations, which may be found in the attached feedback summaries. Ultimately, PRB staff propose the recommendation to authorize boards to adopt an education policy.

Topic Area 4 Options for Board Consideration
Statutory/legislative **Staff Recommendation -**4.1 Propose language authorizing boards to adopt an education policy. **PRB guidance/technical assistance** **Staff Recommendation -**4.2 The PRB could create a new core or CE course on reporting requirements and the role of the PRB for new administrators and trustees. The PRB may also consider other topics based on TLFFRA stakeholder requests, including additional education on actuarial matters. Such a course could help trustees and administrators more easily learn statutory reporting and education requirements and make compliance easier. **Staff Recommendation -**4.3 The PRB could implement a process to collect, share and regularly update example polices, requests for proposal and other relevant resources. This process would ultimately make it easier for systems to access useful examples since they would just have to go to one place.

[29] Section 852.005, Texas Government Code

Making such materials available could be incorporated into other efforts outlined in this document to develop best practices and guidance.

Item 11e:
FSRP - Overview, Implementation, and Case Studies

Bryan Burnham & David Fee

Summary

- Background and purpose
- FSRP overview
- Case Studies
- Results and conclusion
- Next steps

Background and Purpose

- Assist retirement systems who have or will become subject to FSRP requirement
- Macro-level actuarial study in lieu of a standard intensive review for 2024
  - Focus on several systems, not just one
- Study aims to serve as an FSRP progress update with the following purposes:
  - Provide overview of the updates to statute and what to expect September 1, 2025.
  - Evaluate how the updated requirement is working.
  - Identify trends and serve as an educational tool.

FSRP Overview

Original FSRP Requirement

- Texas Legislature established FSRP requirement in 2015 to set a minimum funding standard and require action when systems do not meet that standard.
- Triggered after consecutive FSRPs with funding periods greater than 40 years.
- Required system and sponsor to work jointly to formulate a long-term solution for actuarial soundness.
- Originally targeted 40-year funding period.

2021 Overhaul

- Reviewed and engaged with stakeholders for feedback.
  - Numerous systems triggered the requirement multiple times without enacting successful, lasting reform.
  - *Pension Funding Guidelines* updated in 2017, which lowered the recommended maximum funding period from 40 to 30 years.
  - In 2019, the legislature passed a new law requiring Texas retirement systems to adopt a written funding policy targeting 100 percent funding.
- Review led to recommendations for changes in the *2020 Biennial Report to the Legislature* which were incorporated into HB 3898.

Case Studies

Case Studies

- 14 TLFFRA systems took steps since 9/1/21 to reach 30-year funding period
  - Reduced count of TLFFRA systems above threshold by more than half

- Three groups of primary changes:
  - Group I: New agreements regarding future plan changes
  - Group II: No increased member contributions
  - Group III: Increased member contributions

Changes Made Since 2021 to Reduce Funding Period

	System	Agreement Regarding Future Plan Changes	Pension Obligation Bond	Increased City Contribution Rate	Increased Member Contribution Rate	High Payroll Growth Experience	Benefit Reductions
I	Galveston Fire	X		X			
	Irving Fire	X	X				
	Longview Fire	X	X				
	Paris Fire	X	X				
II	Atlanta Fire			X		X	
	Big Spring Fire			X			
	Corsicana Fire			X		X	
	Lubbock Fire			X		X	
	Lufkin Fire			X			
	Odessa Fire			X			
III	Brownwood Fire				X		
	Cleburne Fire			X	X		
	Conroe Fire			X	X		
	Laredo Fire			X	X		X

Key Metrics for Systems in Each Group

Employer Normal Cost

- Normal cost less employee contributions
- Value of pension benefit to member provided by employer

Social Security Participation

- Sponsors of non-participating systems arguably have additional 6.2 percent of pay available to contribute compared to sponsors of participating systems

Full Funding Year Before & After Changes

- To satisfy FSRP, full funding date of September 1, 2055 is required

Funded Ratio

- After 9/1/2025 a funded ratio below 65 percent can immediately trigger FSRP.

Post-2021 FSRP Status

- Completed FSRP
- Avoided triggering FSRP
- Avoided At Risk status

Case Studies: Group I

Group I: Agreements Regarding Future Plan Changes		
System	**Main Agreement**	**Of Note**
Galveston Fire	• If ahead of 2052 funding goal, members may consider ad hoc COLA. • If behind 2052 funding goal, additional costs spread evenly between city and members.	• Members would vote between contribution increases and/or benefit decreases • City will make up contributions in years when payroll does not increase by 2.75%
Irving Fire	• Members agree to cover the cost of any future benefit enhancements.	• 2045 funding goal to avoid negative amortization
Longview Fire	• No benefit enhancements until funding period below 5 years • No benefit enhancements that push funding period beyond 10 years	• 2050 funding goal • Any necessary contribution increases to be split between city and members
Paris Fire	• Future accruals in TMRS	• Benefits are more substantial in TMRS formula.

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Case Studies: Group II

Group II: No Increased Member Contributions			
System	Prior City Contribution Rate	Agreed City Contribution Rate	Of Note
Atlanta Fire	13% of pay	19% of pay	Payroll growth of 18.2% per year further reduced funding period
Corsicana Fire	N/A	Additional $100,000 per year if necessary	Payroll growth of 20.9% per year reduced funding period
Lubbock Fire	TMRS	150% of member contributions	Payroll growth of 9.3% per year further reduced funding period
Big Spring Fire	15% of pay	18% of pay	Funded ratio still below 65%, but funding period below 20 years helps mitigate risk of immediate FSRP
Lufkin Fire	23% of pay	24.7% of pay	Funded ratio well below 65%, must monitor to avoid immediate FSRP
Odessa Fire	26% of pay	28% of pay	As of 1/1/2024 AV, system has reduced funding period to below 23 years

Case Studies: Group III

Group III: Increased Member Contributions		
System	**New Contribution Rates**	**Of Note**
Brownwood Fire	• Members increased 4% of pay	• Agreement includes significant pay increases and studying potential transition to TMRS
Cleburne Fire	• Members increased 0.5% of pay • City increased to greater of 23.79% of pay and TMRS rate + 6%	• The 6% is intended to replace Social Security payroll contributions • The floor rate helps avoid problems when the TMRS rate is not enough for Fire
Conroe Fire	• Members increased 1.3% of pay • City increased 1.26% of pay	• Conroe Fire made use of the PRB rule that allows systems to use greater of market value and actuarial value of assets to calculate funding period
Laredo Fire	• Members increased 1% of pay • City increased 1.5% of pay	• Members made several benefit changes, including changing pay definition, reducing multiplier, reducing maximum benefit, increased DROP age

Results

- Many options to improve pension funding shown in case studies
  - Increasing city contributions or providing cash infusions
  - Innovative agreements to balance member and employer interests
  - Benefit reductions and/or increasing member contributions
  - Increased payroll
  - Other creative ideas

Conclusion

- Original FSRPs provided positive change to some systems but not all.
- 2021 updates were needed to better ensure financial health.
- Case studies show new law already helping to improve financial health of systems.
  - Median funding period for TLFFRA systems was 34 and is now 27 years.
  - Median funding period for municipal systems was 27 and is now 24 years.

Next steps

- Study published on the PRB website after this meeting
- Will be included in 2024 *Biennial Report to the Legislature*

Funding Soundness Restoration Plans: Overview, Implementation and Case Studies

September 2024

Pension Review Board

Contents

Executive Summary

The Funding Soundness Restoration Plan (FSRP) requirement was established by the Texas Legislature in 2015 and revamped in 2021 to establish the state's minimum pension funding standard and encourage Texas public retirement systems and their sponsors to work together to develop effective plans to improve systems' funding status. The legislature also charged the Pension Review Board (PRB) with administering and overseeing compliance with this requirement.

When the legislature passed House Bill 3310, the original FSRP legislation, in 2015, 14 systems triggered the requirement and were required to work with their sponsor to adopt an FSRP. After monitoring the effectiveness of the adopted plans over several years, in 2020 the PRB concluded that revisions to the statute were necessary to make the requirement more effective to better achieve systems' funding health goals and achieve the state's overall goal of ensuring actuarial soundness of public retirement systems. In response to the PRB's recommendations, the legislature overhauled the FSRP requirement during the 87th legislative session in 2021. Major changes included lowering the target funding period from 40 to 30 years with an initial deadline of September 1, 2025, shortening the time allowed to reach the target funding period after triggering the requirement and providing stricter provisions for systems whose initial plan fails to meet the target to incentivize more effective FSRPs.

The intent of this study is to explain the FSRP requirement and its evolution, evaluate the impact of the FSRP requirement overall, and to assist systems and their sponsors who have triggered, or may be at risk of triggering, the requirement. The study achieves this by explaining how the requirement has evolved since initially passed in 2015, providing an overview of the various FSRP requirements and the PRB's implementation, and by showcasing successful funding improvements by more than a dozen systems. Some of these systems triggered the FSRP requirement, while others made adjustments to improve funding and preempt becoming subject to the requirement.

Local firefighter systems that are organized under the Texas Local Fire Fighters Retirement Act (TLFFRA)—which make up a disproportionate number of systems subject to an FSRP over the years—have generally experienced two main problems: cities are often reluctant to increase contributions when they do not have a role in deciding future benefit enhancements aside from their two ex officio positions on the seven-member TLFFRA boards, and contributions will fall short of projections when firefighter positions go unfilled. Many systems and their sponsors have worked together in recent years to reduce their funding period to a level at or below the new 30-year threshold. This report includes 14 case studies, all TLFFRA systems, to show a wide variety of recent successful approaches to improve funding that may serve as a guide to systems looking to improve funding in the future. These solutions have included various combinations of increased city contributions, innovative agreements regarding future benefit changes for retirement system members, increased member contribution rates, and in one case, benefit reductions. Solutions for each system will and should vary depending on their unique situation.

While many retirement systems and their sponsors have made often difficult decisions to improve their funding condition, continued actuarial health of a retirement system requires constant vigilance. A completed FSRP is a positive step, but close monitoring is necessary to determine if any additional changes are required to maintain actuarial soundness over time. In addition, in the coming years, several more systems and sponsors will need to work together to solve pension funding issues. When developing these agreed-upon solutions, systems and their sponsors should monitor several key statistics in addition to the funding period, including but not limited to non-investment cash flow, the funded ratio, and employer normal cost. These statistics may impact the types of solutions appropriate for each system.

Associated sponsoring governmental entities, or system sponsors, are the employers of the active members of a public retirement system. For most local systems in Texas, their sponsor is a city.

The FSRP requirement—the state's minimum funding standard for retirement systems—has clearly made a significant impact on the funding health of Texas public retirement systems in need of changes to improve actuarial soundness. While several systems have made needed changes, several other systems and their sponsors are still required to complete their FSRPs—due on September 1, 2025—and some face significant challenges in developing solutions. However, by supporting collaboration between sponsors and systems to jointly create a solution to funding issues, the FSRP requirement helps ensure that reforms will have a positive and sustained impact on Texas public retirement systems.

Introduction

One of the Pension Review Board's (PRB's) primary statutory duties is to conduct intensive studies of potential or existing problems that threaten the actuarial soundness of Texas public retirement systems. The Funding Soundness Restoration Plan (FSRP) requirement is intended to help systems and their associated sponsoring governmental entities, or sponsors, develop an effective plan to improve funding of financially distressed systems, specifically bringing the funding period within statutory guidelines shortly after becoming subject to the requirement.[1] By reviewing and analyzing the impact of the FSRP requirement, the PRB can assess its overall effectiveness in addressing problems that threaten the actuarial soundness of Texas systems, in line with the PRB's statutory charge.

This study examines the impact FSRPs are having on Texas public retirement systems, including the effectiveness of the requirements that were updated in 2021. It does this by providing an overview of the implementation of the statute and by reviewing case studies of systems that have successfully completed or made changes sufficient to avoid the FSRP requirement. It also aims to identify trends and provide helpful information to other systems that are or will be impacted by the requirement in the future.

FSRP Overview

As required by the legislature, the PRB published a study in December 2014 on the financial health of public retirement systems. The study examined the systems' ability to meet their long-term obligations, highlighted key findings, and provided the PRB's recommendations on how a retirement system could mitigate the risk of not meeting those obligations.[2] Based on some of the recommendations of the financial health study, the Texas Legislature established the FSRP requirement in 2015 to set a minimum funding standard and require action when systems do not meet that standard.[3]

The FSRP development process brings systems and their sponsors together to formulate a long-term funding solution that requires commitment from both parties. Since 2015, some systems that triggered the requirement have been successful in creating a plan to reduce their funding period below the then-40-year funding target; others have had to revise their initial plan as the originally adopted FSRP was ineffective at improving their funding condition. Several issues with the process became apparent over time, and as a result, the PRB determined the FSRP requirements should be revamped to be more effective in solving system funding issues.

The PRB reviewed the FSRP statute and process in 2020, incorporating feedback from stakeholders which included systems, their sponsors, and their actuaries. Some of the primary reasons for reviewing the statute to identify improvements were:

- Numerous systems triggered the requirement multiple times without enacting successful, lasting reform.
- The PRB updated its *Pension Funding Guidelines* in 2017, which lowered the recommended maximum amortization period from 40 to 30 years, necessitating a change to the FSRP statute.

[1] Sections 802.2015 and 802.2016, Texas Government Code
[2] H.B. 13, 83rd Texas Legislature, Regular Session, 2013.
[3] H.B. 3310, 84th Texas Legislature, Regular Session, 2015

- In 2019, the Legislature passed a new law requiring Texas retirement systems to adopt a written funding policy targeting 100 percent funding. However, the funding policy requirement was not statutorily tied to the FSRP requirement even though these two requirements logically go together.

This review resulted in the PRB including recommendations for changes to the statute in the agency's 2020 *Biennial Report to the Legislature*.[4] In response, the Legislature enacted House Bill 3898 in 2021, which incorporated the PRB's recommendations and made several key changes to both the FSRP and funding policy requirements.

2021 Overhaul of the FSRP Statute

Under the original 2015 FSRP statute, systems whose existing liabilities could not be paid off within 40 years were required to work with their sponsors to jointly create a remediation plan to achieve a contribution rate that was sufficient to amortize the unfunded actuarial accrued liability (UAAL) within 40 years. Systems subject to the FSRP had six months to complete a plan and 10 years to reach a funding period below 40 years.

House Bill 3898 (87R) reduced the target funding period to 30 years to better align with PRB *Pension Funding Guidelines* and best practices from multiple national sources. An overview of the changes, including a side-by-side comparison of the 2015 and 2021 laws, is included in the table *Provisions of Previous vs Updated Statute.* An additional chart showing the differences between the various types of FSRPs as well as one-pagers on each of the various FSRP types can be found in Appendix A of this report.

The PRB recognized the importance of preserving the work of systems following an effective FSRP under the previous law and made recommendations to the legislature to allow for those systems to continue following their FSRPs, known as legacy FSRPs (L-FSRP) so long as they continue making progress.

[4] Pension Review Board, *2019-2020 Biennial Report*, accessed September 10, 2024, https://www.prb.texas.gov/wp-content/uploads/2022/03/2019-2020-Biennial-Report.pdf

Provisions of Previous vs Updated Statute			
Feature	**2015 law**	**2021 law**	**Reason for change**
Funding target	40 years or less	30 years or less	Align with best practices.
Trigger mechanism	Two or more consecutive actuarial valuations (AVs) with funding periods > 40 years	Two or more consecutive AVs with funding periods > 30 years; after 9/1/2025, additional triggers: one AV with funding period > 40 years, or one AV with funding period > 30 years and funded ratio < 65 percent	Align trigger with best practices and PRB *Pension Funding Guidelines.*
Time to reach funding target	10 years from the date the triggering AV was adopted by the governing body	2 years from the effective date of the triggering AV	Time to reach a healthy funding status was too long and did not incentivize timely action.
Revised FSRP (R-FSRP)	Develop a revised FSRP with same target and requirements.	Target a funding period < 25 years, include risk-sharing mechanisms, and implement an actuarially determined contribution (ADC) structure.	Incentivize effective changes the first time and avoid perpetually triggering the requirement.
Revised FSRP exemptions	None	Systems adhering to an FSRP adopted before 9/1/2025 or systems who have implemented ADC structure designed for full funding	Systems qualified for the exemption would already have implemented aspects of the R-FSRP requirement.
Funding policy	Did not require sponsor involvement and was not required to be updated upon triggering FSRP requirement.	Must adopt/update a joint funding policy between system and sponsor.	Tie adopted funding policy to FSRP requirement and ensure systems and sponsors work together on funding policies.
FSRP adoption	Not required to be adopted in open meeting	The system and sponsor must adopt the plan in open meetings.	Ensure system and sponsor commit to changes by taking formal action.
FSRP provisions	FSRP may contain changes not yet approved by system or sponsor.	Changes must be approved by sponsor and system before FSRP adoption.	Remove possibility of FSRP failing due to expected provisions not being adopted or implemented.
Progress updates	Every two years after adoption of FSRP	Within one year of triggering AV and then every six months until submitted	Change concept of progress updates to focus on FSRP formulation instead of updates after completion, which can be shown in AVs.
Actuarial analysis	N/A	System must submit an AV or separate analysis detailing effect of combined changes within 90 days of FSRP adoption.	Provide timely analysis of changes instead of waiting up to three years for the next regularly scheduled AV.

The following material provides additional detail about selected aspects of the changes:

- *Adjusted the target funding period from 40 years to 30 years.* This change not only aligned the funding period outlined in the PRB *Pension Funding Guidelines*, but also brought the funding period more in line with other industry leaders' recommendations.[5] Industry leaders such as the Conference of Consulting Actuaries (CCA), the Society of Actuaries (SOA) Blue Ribbon Panel, and the Government Finance Officers Association (GFOA) recommend shorter funding periods:

  - CCA – layered, fixed-period amortization depending on the source of the UAAL, with a 25-year maximum funding period;
  - SOA Blue Ribbon Panel – gains and losses should be amortized over a period of no more than 15-20 years; and
  - GFOA – closed period never to exceed 25 years, but preferably between 15-20 years.[6]

  Despite the FSRP funding target being set at 30 years, the PRB recommends that systems adopt a plan that goes further. Meeting the FSRP threshold of 30 years is meant to help systems get out of critical condition, while the *Pension Funding Guidelines* goal of 15 years by 2040 is intended to help systems become truly healthy. The PRB adopted updates to the *Pension Funding Guidelines* on July 25, 2024, stating the systems that have not decreased their funding period to 20 years or less by September 1, 2035, should update their funding policy to target a 15-year funding period by September 1, 2040.

- *Updated time to reach target and FSRP development period*. Previously, FSRPs were required to be developed within six months of triggering the requirement and systems had 10 years to reach the 40-year funding period. This structure meant systems could effectively take 50 years to achieve full funding. Under the new law, systems must develop and reach the funding target within two years of the triggering actuarial valuation (AV) or September 1, 2025, whichever is later. Since AVs tend to be published around seven months following the AV date, only about one year and five months remain to make changes sufficient to reach the 30-year target.

- *Updated revised FSRP.* If a system again triggers an FSRP within 10 years from adoption of the first plan, the system and sponsor become subject to an R-FSRP.[7] Under the original statute, nine systems adopted an FSRP and then again triggered the requirement, one of which triggered a second revised FSRP. These systems had to revise their original FSRP with no additional requirements or consequences. This had the potential to lead to systems perpetually triggering a new FSRP and never actually achieving that plan. Under the new statute, the R-FSRP must include stricter requirements, such as a 25-year funding target, automatic risk-sharing mechanisms, and an ADC-based contribution structure or other adjustable benefit or contribution mechanisms. This

[5] "PRB Pension Funding Guidelines," Adopted July 25, 2024, https://www.prb.texas.gov/actuarial/prb-pension-funding-guidelines/.

[6] Conference of Consulting Actuaries, *Actuarial Funding Policies and Practices for Public Pension Plans*, accessed September 10, 2024, https://www.ccactuaries.org/docs/default-source/papers/cca-ppc_actuarial-funding-policies-and-practices-for-public-pension-plans.pdf?sfvrsn=6397cc76_6; Society of Actuaries Blue Ribbon Panel, *Report Of The Blue Ribbon Panel On Public Pension Plan Funding, accessed September 10, 2024,* https://www.soa.org/globalassets/assets/files/newsroom/brp-summary.pdf; Government Finance Officers Association, *Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits,* accessed September 10, 2024, https://www.gfoa.org/materials/sustainable-funding-practices-for-defined-benefit-pensions.

[7] Section 802.2015(d), Texas Government Code.

update was made to ensure systems will not be caught in a cycle of perpetually adopting an FSRP that does not achieve the funding requirement.

In addition to the significant changes in statute, the PRB engaged in rulemaking to define the parameters around submission and completion of FSRPs. The board also adopted the *Policy for Promoting Compliance with Funding Soundness Restoration Plan Requirements,* which communicates the PRB's approach to assisting systems in complying with the requirements, such as by providing notifications to different parties at various points in the FSRP process, including instances of noncompliance. A summary of the rules and the compliance policy can be found in Appendix B of this report.

Case Studies

Overview

Since the FSRP statute was amended effective September 1, 2021, to establish a 30-year funding period threshold to be reached by September 1, 2025, six Texas public retirement systems have triggered an FSRP and are working to achieve a 30-year funding period. Five other systems have reached the threshold and are at risk of triggering the requirement should their next AV report show a funding period greater than 30 years. Over the last three years, 14 systems have reached a projected full funding date prior to September 1, 2055, either by triggering the FSRP and submitting a plan to the PRB or by proactively making changes to avoid triggering the requirement. This report highlights the work done by those 14 systems and their sponsors to serve as a potential roadmap for any systems that need to reduce their funding period now or in the future.

Each of the 14 systems that have reached the 30-year threshold since September 1, 2021, were established under the Texas Local Fire Fighters Retirement Act (TLFFRA).[8] TLFFRA statute allows fire departments in participating cities to administer their own entirely locally funded retirement systems with authority to determine member contribution rates, benefit levels, and other plan provisions. TLFFRA system sponsors (cities or counties) must meet a statutory minimum contribution rate but may adopt by ordinance a higher contribution rate than set in statute. Benefit provisions and member contribution rates are set by the members through a voting process, with statute requiring the system board and actuary to first approve any changes before they may be voted on by members. There are currently 42 paid/part-paid TLFFRA systems in Texas. These systems vary in size, with assets ranging from $4 million to $262 million as of December 31, 2023. Over half of the TLFFRA systems have less than $45 million in assets.

When the legislature established the 30-year threshold in 2021, TLFFRA systems comprised the bulk of systems above the threshold—29 out of 37 systems. Three years later, TLFFRA systems make up 14 out of 21 systems above the 30-year threshold. While TLFFRA systems continue to make up the majority of systems above the threshold, as a group they have made the most progress in those three years with a decrease in the median funding period from 33.7 years to 26.7 years and an increase in the average funded ratio from 61.4 percent to 65.4 percent. The number of TLFFRA systems above the threshold also

[8] More information about TLFFRA can be found on the PRB website here.

decreased by over half, from 29 to 14, while non-TLFFRA systems above the threshold reduced only slightly from eight to seven.

The 14 systems used various combinations of actions and/or favorable experience, as shown in the table *Changes Made Since 2021 to Reduce Funding Period*.

Changes Made Since 2021 to Reduce Funding Period						
System	**Agreement Regarding Future Plan Changes**	**Pension Obligation Bond**	**Increased City Contribution Rate**	**Increased Member Contribution Rate**	**High Payroll Growth Experience**	**Benefit Reductions**
Galveston Fire	X		X			
Irving Fire	X	X				
Longview Fire	X	X				
Paris Fire	X	X				
Atlanta Fire			X		X	
Big Spring Fire			X			
Corsicana Fire			X		X	
Lubbock Fire			X		X	
Lufkin Fire			X			
Odessa Fire			X			
Brownwood Fire				X		
Cleburne Fire			X	X		
Conroe Fire			X	X		
Laredo Fire			X	X		X

Systems took a variety of approaches in addressing their funding challenges, but they fall into several general categories as to the types of changes made, as summarized below:

- Four systems made agreements with their sponsors to predetermine the future conditions under which benefit enhancements could occur in exchange for increased city contribution rates and/or funding from pension obligation bonds (POBs). Those systems received much-needed funding, while the system sponsor was assured to some extent that the funding improvement was likely to last.

- Six systems' sole action was to work with their sponsor to receive increased city contributions. Three of those systems also benefitted greatly from actual payroll growth that was higher than expected. More pay brings more contributions, and those additional contributions help lower the funding period.
- Four systems instituted increased member contribution rates, including three that also increased city contribution rates, and one that further decreased pension benefits.

The 14 systems are categorized into three sections in this report based on the types of changes made, as described above. Case studies presented in this report serve not only to Illustrate general trends and major themes, but also to identify unique approaches potentially worthy of consideration by other systems and their sponsors.

Each section includes the following metrics for each featured system:

- *Employer normal cost*. The difference between the normal cost, which approximates the total cost to provide the pension benefit earned for the year, and the member contribution rate. This difference represents the additional value of the pension benefit to the member provided by their employer.
- *Social Security participation*. Roughly half of Texas public pension systems and a third of TLFFRA systems participate in Social Security. Members of participating systems contribute 6.2 percent of pay to Social Security for an additional retirement annuity that includes cost-of-living adjustments (COLAs). The sponsors of participating systems must contribute 6.2 percent to Social Security, while the sponsors of non-participating systems may choose to instead route the 6.2 percent contributions to the pension. With potential additional employer pension contributions and a desire to receive a comparable overall benefit to participating systems, members of non-participating systems will often have higher employer normal costs than members from participating systems.
- *Full funding year, before and after changes*. State law requires all systems to target a funding period of 30 years or less by September 1, 2025. This requirement equates to a projected date of full funding for all Texas systems of on or before September 1, 2055.

Two useful numbers when comparing different benefit formulas, features, and employee contributions are the **total normal cost** and the **employer normal cost**.

The **total normal cost** approximates the overall benefit level, while the **employer normal cost** approximates the value of the pension to the member after factoring in their own contribution.

- *Funded ratio*. After September 1, 2025, systems whose funding period is greater than 30 years with a funded ratio below 65 percent will immediately trigger an FSRP. Systems currently below the 65 percent funded ratio threshold should consider taking steps to ensure they remain on track to fully fund benefits. Such steps may include employing more achievable expected returns and payroll growth rates or entering into agreements ahead of time with the system's sponsor regarding how future unfavorable experience, such as not achieving expected payroll growth, will be handled by the sponsor, system, and plan members. The system and its sponsor should use a jointly developed and adopted funding policy to document these agreements, as required by statute.

When considering benefit or contribution changes, it is important to consider how the resulting employer normal cost will compare to other systems. Systems with a below-median employer normal cost are potentially offering a less valuable net benefit than most systems, while systems with an above median employer normal cost are likely offering a more valuable net benefit than most systems.

- *Post-2021 FSRP Status*. Three possible statuses are shown:
    - *Completed FSRP*. After consecutive AVs showing funding periods greater than 30 years, these systems submitted FSRPs that were reviewed and approved by the PRB.
    - *Avoided Triggering FSRP*. These systems had at least one funding period above the threshold and were at risk of triggering an FSRP with their next AV. However, they were able to reduce the funding period to below 30 years before triggering the FSRP.
    - *Avoided At Risk Status*. These systems had at least one funding period above the new threshold of 30 years before it became effective on September 1, 2021, and would have become at risk of triggering an FSRP with a future funding period above 30 years after September 1, 2021. They successfully reduced the funding period after September 1, 2021, without ever exceeding the new threshold.

Case study groups

In the following section, systems are categorized into one of three groups based on the primary types of changes made to achieve their funding goals. Group I includes those systems that made agreements with their sponsors, Group II includes those that relied primarily on new sponsor contributions, and Group III are those that relied primarily on additional member contributions. Each section contains more detail on the specific contours of the changes made by each system and their sponsor.

Group I: Systems with new agreements in place between the systems and sponsors regarding conditions for future plan changes

This group includes some systems that had concerning funding challenges, with Galveston Fire not expected to be fully funded until 2073 and Longview Fire never expected to be fully funded. Since none of the four systems in this group participate in Social Security, the ultimate best-case scenario would be for the employer normal cost to be above the TLFFRA median of 3.6 percent. Had member contribution rates increased by 1 percent of pay, three of the four systems would have ended up with below-median employer normal costs. In each case the city agreed to make the necessary contributions without requiring increases from members, with other corresponding agreements to put guardrails in place regarding future benefit enhancements.

Group I Metrics						
System	Social Security (Y/N)	Full Funding Year Before Changes	Full Funding Year After Changes	Most Recent Funded Ratio	Most Recent Employer Normal Cost	Post-2021 FSRP Status
Galveston Fire	N	2073	2052	67.2%	3.3%	Completed FSRP 2023
Irving Fire	N	2058	2045	90.8%	8.6%	Avoided At Risk Status[9]
Longview Fire	N	Never	2050	74.8%	4.3%	Completed FSRP 2023
Paris Fire	N	2054	2022	108.4%	N/A	Avoided At Risk Status

Each of the four systems currently has a funded ratio above 65 percent, which should help them avoid the immediate FSRP trigger starting September 1, 2025, should their funding periods go back up above 30 years with a single AV.

Galveston Fire received city contribution increases and worked with the city to jointly develop and adopt a revised funding policy.

In January of 2023, the Galveston city council voted to increase the city contribution rate from 17 percent of payroll to 20.2 percent. In the same month, a new funding policy was signed by the system's board chair and the Galveston city manager. The changes to the funding policy included instituting a benchmark ADC rate based on a closed amortization period ending in 2052 and incorporating several associated agreements, as described below.

An actuarially determined contribution (ADC) rate adjusts to under/over performance vs. expectations. The ADC would be likely to increase following years when investments underperform and would be likely to decrease following years when investments overperform. Contributing the ADC with a closed amortization period ensures the target full funding date is reached.

The new funding policy includes agreements regarding how to handle various future funding situations.

If the system is sufficiently ahead of schedule to be fully funded prior to 2052, the board of trustees may consider implementing an ad hoc COLA but may not consider other types of benefit enhancements. Alternatively, if the system is materially behind schedule to fully fund the UAAL after 2052, the resulting

[9] Irving Fire would not have been at risk until 2026 due to their Legacy FSRP which was in effect prior to the May 2022 POB. Irving Fire avoided at-risk status under the 30-year threshold, but at the same time completed their legacy plan.

costs to get back on track would be divided evenly between the city and plan members. Members would vote to decide how to get back on track, between contribution increases and/or benefit decreases.

The new funding policy includes a strong method to reduce risk and help the system stay on track to fully fund benefits by 2052.

For systems that determine the funding period by assuming contributions will increase with the payroll growth assumption every year, actual payroll must increase as expected. Otherwise, the date to fully fund benefits could easily be extended by a decade or more. According to the 2023 Galveston Fire funding policy, in any year that the payroll does not increase by the assumed payroll growth rate (2.75 percent as of 2021), the city will make an additional contribution to make up the city and member contributions that would have been received by the system had the payroll increased as expected. By instituting this provision, the system is guaranteed to have contribution increases remain on track regardless of how payroll changes over time. The table *Sample Contributions With and Without New Funding Policy* shows an example of the difference such a policy can make, with almost $1 million in additional five-year funding due to the policy when payroll lags expectations.

Sample Contributions With and Without New Funding Policy ($ Millions)

Year	Expected Payroll	Expected Contributions	Actual Payroll	Contributions Without Policy	Contributions With Policy
Year 1	11.0	4.2	11.0	4.2	4.2
Year 2	11.3	4.3	10.7	4.1	4.3
Year 3	11.6	4.4	11.0	4.2	4.
Year 4	11.9	4.5	11.1	4.2	4.5
Year 5	12.3	4.6	11.5	4.4	4.6
Total	**58.1**	**22.0**	**55.5**	**21.1**	**22.0**

The other three systems received proceeds from POBs and made agreements with their sponsors on how to handle future benefit enhancements.

Longview Fire received proceeds from a $45.6 million POB in July of 2022 and made several changes to its funding policy.

The upfront cash infusion allowed the city to reduce its contribution rate from 19 percent of pay to the TLFFRA minimum rate of 12 percent of pay.[10] The city and Longview Fire board of trustees also agreed to a memorandum of understanding (MOU) reflected in the updated funding policy with several measures to ensure that funding remained on track toward a goal of 100 percent funding by 2050. Under the MOU/funding policy, no benefit enhancements are allowed until the funding period is less than five years. Such enhancements also cannot increase the funding period to more than 10 years. Should the system experience future negative divergence from expectations that would require contribution increases to meet the ADC, any necessary contribution increases would be split evenly between the city and members,

[10] Section 29(b), Article 6243e, Vernon's Texas Civil Statutes.

with guardrails in place to ensure the total year-to-year contribution increases for the city and members are no more than 2 percent of pay.

Irving Fire received proceeds from an $80 million POB in May of 2022, made an agreement with the city, and updated their funding policy.

In addition to the $80 million POB, the city agreed to pay an ADC targeting full funding by 2045. The ADC uses layered amortization, with the amortization period for each layer chosen to avoid negative amortization. Using the system's current assumptions of 7.0 percent expected returns and 2.75 percent expected payroll growth, the actuary determined that the layers need to be amortized over 23 years to avoid negative amortization. The table, *Irving Fire Layered Amortization Bases as of December 31, 2022,* provides more information about the layers. Eventually there will be many more bases with "years remaining" spanning from one to 23 years.

Irving Fire Layered Amortization Bases as of December 31, 2022					
Type of Base	Date Established	Years Remaining	Initial Amount	12/31/22 Amount	Amortization Payment
Initial Base	12/31/21	22	25,811,930	25,809,445	1,737,454
Actuarial Loss	12/31/22	23	1,178,804	1,178,804	77,224
Benefit Change	12/31/22	23	40,077	40,077	2,625

In addition, the agreement provides that members must contribute 13 percent of pay, or half of the ADC if less than 26 percent of pay in total, and cover the cost of any future benefit enhancements.

Paris Fire received proceeds from a $12.4 million POB in October 2022 and moved all future accruals to the Texas Municipal Retirement System (TMRS).

At negative 4.4 percent, Paris Fire members had by far the lowest employer normal cost among systems prior to the 2022 POB issuance. The 28.8 percent funded ratio was also the lowest. Unlike many TLFFRA systems, Paris Fire had provided a smaller benefit than TMRS with a higher employee contribution rate. The move to TMRS then resulted in a much more substantial 5.7 percent employer normal cost. With the POB proceeds, the system is now over 100 percent funded.

In this unusual situation in which Paris Fire members had previously received much smaller pension benefits than those provided by most TLFFRA systems, the Paris Fire members are now receiving an enhanced benefit in TMRS, and the city will now fund the ADC going forward as all cities participating in TMRS are required to do.

Group II: Systems that improved funding without requiring increased member contributions

In general, these six systems had little room for members to increase contribution rates. Had member contribution rates increased by one percent of pay, four of the six systems would have ended up below the TLFFRA median employer normal cost and two would have resulted in members paying for more than the cost of their own benefits. In each case the city agreed to make the necessary contributions without requiring increases from members. Some of the systems benefitted additionally from higher-than-expected payroll growth, which increased the dollar amount of contributions without changing the contribution rate as a percentage of pay.

Group II Metrics						
System	Social Security (Y/N)	Full Funding Year Before Changes	Full Funding Year After Changes	Most Recent Funded Ratio	Most Recent Employer Normal Cost	Post-2021 FSRP Status
Atlanta Fire	N	Never	2049	72.6%	6.3%	Completed FSRP 2024
Big Spring Fire	N	2054	2042	62.8%	4.5%	Avoided At Risk Status
Corsicana Fire	Y	2073	2047	55.6%	0.3%	Avoided Triggering FSRP
Lubbock Fire	N	2054	2047	70.8%	6.4%	Avoided At Risk Status
Lufkin Fire	N	2052	2050	51.3%	2.0%	Avoided At Risk Status
Odessa Fire	Y	2056	2052	36.2%	0.3%	Avoided Triggering FSRP

Four of these six systems currently have a funded ratio below 65 percent. A funding period greater than 30 years on an AV report dated after September 1, 2025, will immediately trigger an FSRP should the funded ratio remain below 65 percent.

Three systems received contribution increases from the city and benefitted from higher than anticipated payroll growth.

The payroll growth for each of the three systems was driven primarily by individual salary increases with additional help from an increase in the number of firefighters.

Atlanta Fire received increases in city contributions from 13 percent of pay to 19 percent over three years starting in December 2021, and payroll increased by 18.2 percent per year from 2020 to 2022.

After triggering the FSRP with an infinite funding period, the city contribution increases of 6 percent of pay brought the funding period down to around 40 years. The additional contributions resulting from the payroll increase of 18.2 percent per year brought the funding period to below 27 years.

The Corsicana city council passed a resolution to fund an additional $100,000 per year until it would no longer be needed to maintain a funding period below 30 years, though no funds were needed.

With a funding period above 52 years, Corsicana Fire would trigger an FSRP should its next AV show a funding period greater than 30 years. However, the city council's resolution ensured the system would avoid triggering the FSRP. The additional funding was unnecessary, however, to avoid triggering the FSRP requirement since the additional contributions resulting from the large payroll increases of 20.9 percent per year were enough to bring the funding period down to 25 years. With one of the lowest employer normal costs at 0.3 percent, the system and the city may wish to consider making future changes to increase employer contributions and allow the members to decrease contributions and/or enhance the benefit level. Even if their pension was worth an additional 3 percent of compensation, the net benefit would be worth less than the median TLFFRA benefit, which has an employer normal cost of 3.6 percent.

Employer contributions to Lubbock Fire changed from being based on TMRS contributions to 150 percent of member contributions, and payroll increased by a higher-than-expected 9.3 percent per year from 2020 to 2022.

Matching contribution rates for firefighters to the contribution rates for municipal employees is common but typically not a prudent methodology given the many differences between firefighters and municipal employees. For example, firefighters experience lower turnover and earlier retirement ages due to the physical demands of the job. Though the TMRS match had not harmed the fund in the past, it was expected to by 2039 when the Lubbock TMRS pension plan was expected to be fully funded with lower contributions thereafter. The payroll increases were responsible for 5.8 years of the funding period decrease and brought the funding period below 30 years.

Three systems received contribution increases from the city without corresponding increases to member contribution rates.

Big Spring Fire received increases in city contributions from 15 percent of pay to 18 percent starting in 2023.

With a funded ratio below 65 percent, Big Spring Fire would have been in danger of triggering an immediate FSRP with the first AV report showing a funding period greater than 30 years after September 1, 2025. Now that the additional employer contributions have brought the funding period below 20 years, there is less risk to the system of that happening.

In October 2023, city contributions to Lufkin Fire increased from 23 percent of pay to 24.7 percent.

With a funded ratio well below 65 percent, Lufkin Fire should monitor the funding period closely and work with the city to continue ensuring that contribution levels keep the funding period below 30 years after September 1, 2025, to avoid the automatic FSRP trigger.

City contributions to Odessa Fire increased from 26 percent of pay to 28 percent of pay in October 2022.

The increased contributions reduced the funding period by about five years. At 36 percent funded, Odessa Fire has the lowest funded ratio of the group. Like Lufkin Fire, the system should check in with its actuary often to monitor funding levels and work with the city to avoid the automatic FSRP trigger that goes into effect September 1, 2025. As of the January 1, 2024, AV, the system had reduced the funding period to below 23 years.

Group III: Systems that included increased member contributions as part of the solution

Three of the systems in this group used a combination of modest member contribution increases and more substantial employer contribution increases to achieve their goals, with Brownwood Fire the clear outlier as a system that implemented substantial member contribution increases with no corresponding employer contribution increases.

When member contribution increases are proposed, it is important to study the resulting employer normal cost after the contributions are increased. The median Texas public retirement system has a 4.4 percent employer normal cost, and the median TLFFRA system has a 3.6 percent employer normal cost. Systems with employer normal costs below the 4.4 percent median are potentially offering a less valuable net benefit than most Texas public retirement systems, and systems with employer normal costs below the TLFFRA median of 3.6 percent are potentially offering a less valuable benefit than most TLFFRA systems.

Social Security participation affects employer normal cost levels of municipal pension systems differently than TLFFRA systems. Employer normal costs are substantially higher for Texas municipal pension system members who do not participate in Social Security than for those who do participate. Employer normal costs for TLFFRA members are more or less the same regardless of Social Security participation.

Three of the four systems were able to increase member contributions while still providing a net benefit that was larger than that of most TLFFRA systems. Cleburne Fire, Conroe Fire, and Laredo Fire were able to remain at or above the median TLFFRA employer normal cost level after reflecting the increased member contributions. Brownwood Fire's employer normal cost decreased from above TLFFRA median to below median.

Group III Metrics						
System	Social Security (Y/N)	Full Funding Year Before Changes	Full Funding Year After Changes	Most Recent Funded Ratio	Most Recent Employer Normal Cost	Post-2021 FSRP Status
Brownwood Fire	Y	2074	2052	46.2%	1.8%	Completed FSRP 2024
Cleburne Fire	N	2058	2048	60.7%	4.8%	Avoided At Risk Status
Conroe Fire	Y	Never	2048[11]	58.7%	7.4%	Avoided Triggering FSRP
Laredo Fire	N	2077	2046	59.1%	3.6%	Completed FSRP 2023

Based on their low funded ratios, each of these systems is at risk of triggering an FSRP after September 1, 2025, based on the new triggering mechanism that incorporates the funded ratio. After September 1,

[11] The full funding year was 2056 using actuarial value of assets, but 2048 using the market value of assets.

2025, systems whose funding period is greater than 30 years with a funded ratio below 65 percent will immediately trigger an FSRP.

Brownwood Fire increased member contributions by 4 percent of pay as part of a larger meet and confer agreement to complete a 2024 FSRP.

The agreement included provisions for hiring additional firefighters and for firefighter pay increases.

The pay increases totaling 17 percent through 2026 along with the additional payroll contributions that will accompany more members should help ensure that the funding period does not increase in the short term due to actual payroll increases being less than expected.

The agreement also contains a provision for studying a potential transition to TMRS.

Comparing TMRS benefits to TLFFRA benefits is not straightforward and varies by system. Employee contribution rates to TMRS vary by city and by law must be either 5, 6, or 7 percent of pay. City matching ratios also vary by city and can be 1:1, 1.5:1, or 2:1.[12] Currently, city of Brownwood TMRS members contribute 7 percent of pay toward an account-based benefit that includes an automatic COLA after retirement. The city matches at a two to one ratio, resulting in 14 percent city contributions to the account.[13] Brownwood Fire members receive a monthly pension benefit calculated as 50 percent of final average pay along with a deferred retirement option plan benefit.

Some members, like those in Paris Fire, have clearly benefitted from a move to TMRS with both a higher normal cost and higher employer normal cost after the move. Paris Fire froze benefits under the old formula, fully funded those benefits, and began accruals in the TMRS formula going forward. Similar to Paris Fire, any system moving to TMRS would have to fully fund their current benefits as well as future TMRS accruals. Systems other than Paris Fire may face lower normal costs and/or lower employer normal costs in TMRS. Brownwood Fire's total normal cost percentage is 15.8, while the employer normal cost is 1.8 percent. Brownwood city employees in TMRS have the same total normal cost of 15.8 percent with a much larger employer normal cost of 8.8 percent. Because the city of Brownwood provides some of the highest level of TMRS benefits available – the highest contribution rate, with the highest match level, plus the optional COLA -- it appears possible for Brownwood Fire members to receive the same level of benefits through TMRS while contributing significantly less of their paychecks and being guaranteed an employer-promised ADC. See the chart titled *Employee Contributions as % of Total Normal Cost.*

There are other factors to consider, as well. TMRS benefits are more portable, allowing firefighters to work a few years in one city with TMRS benefits, then a few years for another, and then a few years for another. TLFFRA benefits, on the other hand, tend to require lengthier employment to become vested in the benefits. Some cities may find it much easier to retain firefighters with TLFFRA benefits than with TMRS benefits.

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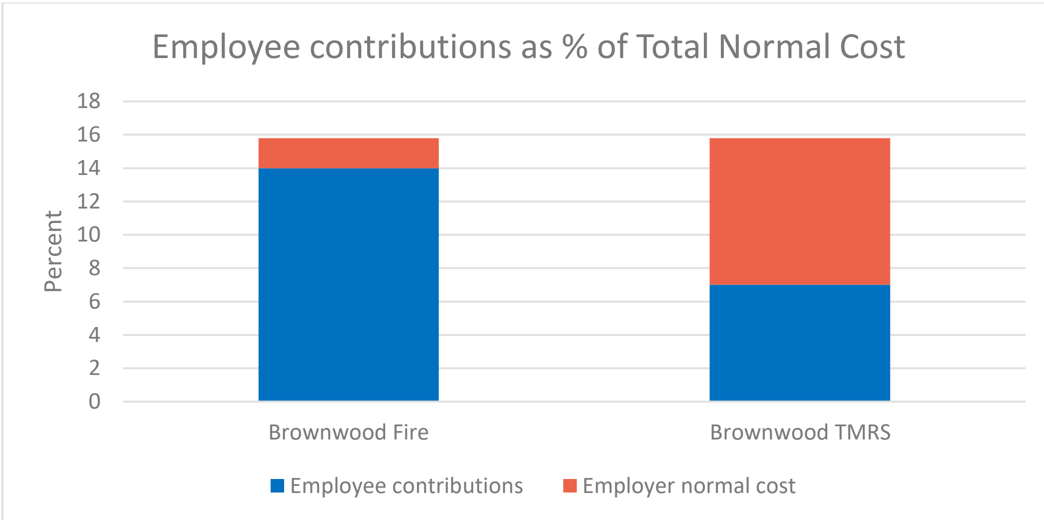
[12] Section 855.407, Texas Government Code.

[13] City of Brownwood, Texas, *Full Time Employee Benefits,* accessed September 10, 2024, https://www.brownwoodtexas.gov/DocumentCenter/View/241/Benefits-Information-PDF.



The other three systems increased both member and city contribution rates.

In November of 2022, Cleburne Fire received an increase in city contributions from 22 percent of pay to 23.79 percent, while member contributions increased from 14.5 percent of pay to 15 percent.

The city of Cleburne's previous contribution policy was to contribute the greater of 22 percent and the TMRS contribution rate plus 6 percent, in lieu of Social Security payroll contributions. In exchange for member contribution increases from 14.5 percent to 15 percent, the city agreed to increase contributions to the greater of 23.79 percent and the TMRS contribution rate plus 6 percent.

When basing TLFFRA contributions on the city's TMRS contribution rate, it is helpful to apply a minimum floor based on input from the actuary, as Cleburne has done. The floor helps avoid problems caused when the TMRS rate is not enough to reach a reasonable funding period for the firefighter system.

In October 2021, Conroe Fire received an increase in city contributions from 13.24 percent of pay to 15.5 percent, while member contributions increased from 15 percent of pay to 16.3 percent.

The PRB's FSRP rules allow the funding period to be calculated using the greater of the actuarial value of assets, usually smoothing market fluctuations over a five-year period, or the market value of assets with no smoothing.[14] Conroe Fire made use of this rule in the 2021 AV report by reporting the funding period based on the market value of assets as 27 years, whereas the funding period based on the actuarial value of assets was 34.3 years. Since the 2019 funding period was infinite, a consecutive funding period above 30 years would have triggered the FSRP. By reporting a funding period of 27 years, the system was able to avoid triggering an FSRP. It will now take two consecutive valuation reports in both 2023 and 2025 with funding periods above 30 years to trigger an FSRP.

> Funding periods are calculated by projecting assets and liabilities forward using the system's actuarial assumptions. A higher starting asset value will result in a lower funding period, as would higher annual contribution rates.

[14] 40 T.A.C. Section 610.13

Laredo Fire completed their FSRP in 2023 including a city contribution increase from 21.1 percent of pay to 22.6 percent, with member contributions increasing from 15 percent of pay to 16 percent.

Laredo Fire also made several benefit changes, including:

- Removed non-premium overtime pay from the definition of final average monthly salary
- Lowered the service multiplier from 3.03 percent to 3 percent
- Reduced the maximum benefit from 93.93 percent of final average pay to 90 percent
- Increased the minimum deferred retirement option plan ages by two years

The benefit changes reduced the UAAL from $120 million to $109 million, increased the funded ratio from 59.6 percent to 61.9 percent, and reduced the normal cost from 21.5 percent of pay to 20.3 percent.

Results

Any system and sponsor looking to improve pension funding can choose from among a plethora of options that have already been implemented by peer systems, or venture out with new, innovative approaches. These case studies show various examples of successful approaches to improve funding.

Increasing Contributions

Increasing city contributions was the most frequent method used to improve funding. When those contributions were substantially large, such as lump sum infusions from POB issuances, agreements regarding future benefit changes were often put in place. A few systems increased member contributions or decreased benefits. For a few systems, actual payroll growth improved the funding period.

Moving to TMRS

One system moved to TMRS, while another began considering a move to TMRS. It would likely be difficult for many TLFFRA systems to transition to TMRS, but in some cases TMRS may actually provide an arguably better benefit. The system that moved to TMRS had by far the lowest pension benefits among TLFFRA systems. The other system studying a move to TMRS would receive the highest value of TMRS pension benefits available, including a 2:1 match and automatic COLAs.

Innovative Agreements

Several systems implemented new approaches to partner with their sponsor. One sponsor agreed to contribute funds from a one-time POB plus contribute based on an ADC rate going forward, calculated specifically to avoid negative amortization. In exchange, the members agreed to fund all future benefit enhancements. One sponsor agreed to a POB in exchange for members limiting benefit enhancements to those that would allow the fund to maintain a low funding period. Another sponsor agreed to contribute according to a minimum schedule of increases even if the firefighter payroll does not increase as expected.

Conclusion

The FSRP requirement is a valuable process that Texas public retirement systems can use to work with their sponsors and take steps towards resolving or mitigating pension funding issues. Over time, implementation of the requirement has led to successful reforms. The FSRPs adopted under the original statute helped spark positive changes for several, but not all systems subject to the requirement at that time. Necessary updates to the statute in 2021 helped to alleviate the issues found after initial implementation, and the case studies in this report show that the new law is already showing signs of improved effectiveness. Further, with additional provisions going into effect September 1, 2025, the immediate triggers are intended to allow systems and their sponsors to address funding issues before they worsen. The median funding period for TLFFRA systems is 27 years, and the median funding period for municipal systems is 24 years. With continued collaboration between systems and sponsors, all Texas public pension systems can achieve a funding period of 30 years or less by September 2025 and continue on that path to reach the funding guidelines threshold of 15 years by September 2040.

Appendix A: FSRP Types

<table>
<tr><th></th><th>Legacy FSRP (old law)</th><th>Voluntary FSRP</th><th>FSRP before 9-1-2025</th><th>FSRP after 9-1-2025</th><th>Revised FSRP</th></tr>
<tr><th>Target Funding Period</th><td>≤40 years</td><td colspan="3">≤30 years</td><td>≤25 years</td></tr>
<tr><th>Latest Date to Formulate</th><td>8-31-2021</td><td>N/A</td><td>8-31-2025</td><td>N/A</td><td>N/A</td></tr>
<tr><th>Time allowed to reach target</th><td>10 years</td><td>Until adoption of V-FSRP</td><td>Until 9-1-2025 or 2 years</td><td colspan="2">2 years</td></tr>
<tr><th>Progress Updates</th><td>After adoption, every 2 years</td><td>N/A</td><td colspan="3">within 1 year of triggering valuation and every 6 months until adoption</td></tr>
<tr><th>Valuation that starts the clock</th><td>Determined under previous law</td><td>Selected by System/Sponsor</td><td colspan="2">Triggering valuation</td><td>Triggering valuation within 10 years of previous FSRP</td></tr>
<tr><th>Must include auto-risk sharing</th><td colspan="4">N/A</td><td>Yes</td></tr>
<tr><th>Effects of Compliance</th><td>Remains under previous law until L-FSRP target date or funding period is <30 years</td><td colspan="2">Recognized for revision exemption if submitted by 8-31-2025; update funding policy</td><td colspan="2">FSRP/R-FSRP process completed</td></tr>
<tr><th>Compliance Corridor</th><td>Applies until L-FSRP complete; Funding period when >40 years; Funded ratio optional</td><td colspan="2">Both funding period and funded ratio corridors apply if submitted by 8-31-2025 and funding period between 30 and 40 years; Applies for 10 years</td><td colspan="2">N/A</td></tr>
</table>

FSRP Types: Legacy Funding Soundness Restoration Plans (L-FSRP)

- Legacy FSRPs were **formulated before Sept. 1, 2021.** <u>It is not possible to create a new legacy FSRP.</u>
- Legacy FSRPs must be designed to achieve a contribution rate sufficient to amortize the UAAL within *40 years* by the target date.
- **Progress updates** on the Legacy FSRP are due every two years while the system is following the plan. These updates are less formalized than the progress updates for new FSRPs.
    - If a legacy FSRP is changed or amended while in progress, a copy of any changes must be submitted to PRB within 31 days.
- **If a system does not adhere to existing L-FSRP** and is no longer able to achieve a 40-year funding period by the target date, the system or sponsor would then become subject to the new FSRP requirements. A new FSRP must be prepared that achieves a funding period of *30 years.*
    - A system would need to prepare a standard FSRP under the new law *before* becoming subject to a revised FSRP under the new law.
- The PRB has two methods to determine **legacy FSRP compliance**.
    - The old way: a system's funding period must go down until it falls below 40 years, and it must remain under 40 years afterwards.
    - new way: **Compliance Corridors:** a system may still be considered compliant even if its funding period increases as long as it remains within established compliance corridors. There are two types.
        - **Funding period** compliance corridors are built around the systems funding period baseline, either established by the PRB or submitted by the system.
        - **Funded ratio** compliance corridors are based on an optional projection submitted by the system. **This corridor will not be available if the system does not submit a projection.**

FSRP Types:
Funding Soundness Restoration Plans (FSRP)

- FSRPs under new law 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.
- These FSRPs must be adopted at open meetings of the governing bodies of both system and sponsor. Both the system and sponsor must participate in creation of an FSRP.
  - FSRP must be consistent with system's governing statute.
- **Progress updates** on the preparation of the FSRP are due to the PRB within **1 year of the triggering AV and every 6 months afterwards** until the plan is adopted.
- Certain **materials** are due on the applicable due date (Sept. 1, 2025 or 2 years after triggering AV). PRB rules clarify these materials.
  - A completed FSRP form as a cover-sheet
  - Any supplementary documents necessary to illustrate how the system's funding period will be within the maximum (i.e. revised funding policy, etc.)
  - Documentation of the adoption by the governing bodies of the system and sponsor.
- The **actuarial valuation or other analysis** showing the asset-liability projection and description of assumptions is due later.
  - The AV is due 90 days after FSRP adoption or the analysis is due 90 days after the PRB requests it. However, either may be submitted to fulfill the requirement at any point before the final deadline.
- The PRB will determine **compliance** with an FSRP based on if all the necessary materials are submitted and adequately meet the requirements in statute and rules.
  - For systems eligible for the pre-2025 branch of the revision exemption, adherence with the new FSRP will be based on **Compliance Corridors**. As long a system remains within one of the corridors, it will be considered adherent.
- **Funding Policy** must be updated to reflect any changes.

FSRP Types: Revised Funding Soundness Restoration Plans (R-FSRP)

- An R-FSRP is a special subtype of FSRP that a system or sponsor is required to prepare if they trigger the FSRP requirement within 10 years of a previous FSRP submission.
    - Since the first new FSRPs are not due until Sept. 1, 2025, then the first R-FSRPs will not be triggered until after that date.
- Must be designed to achieve a contribution rate sufficient to amortize the UAAL within **25 years** no later than **2 years** after the triggering valuation.
- **Must include** automatic risk-sharing mechanisms, ADC-based contributions, and other adjustable benefit or contribution mechanisms.
    - Otherwise, materials and analysis are the same as regular FSRPs.
- These FSRPs must be adopted at open meetings of the governing bodies of both system and sponsor. Both the system and sponsor must participate in creation of an FSRP.
    - FSRP must be consistent with the system's governing statute.
- Progress updates on the preparation of the FSRP are due to the PRB within 1 year of the triggering AV and every 6 months afterwards until the plan is adopted.
- **Funding Policy** must be updated to reflect any changes.

- **Revision exemption** available under certain conditions [§§802.2015(d-1) or 802.2016(d-1)]. A system meeting these conditions would prepare a regular FSRP rather than an R-FSRP if they triggered the requirement a second time within 10 years.
    - Systems funding period must be between 30 and 40 years to qualify.
    - **And**, one of two conditions must also be met:
        - The system is adhering to an FSRP formulated before Sept. 1, 2025. Compliance corridors are used to determine adherence with a new FSRP for this purpose.
        - The system is using or will ultimately use an actuarily determined contribution structure and is expected to reach full funding.

FSRP Types: Voluntary Funding Soundness Restoration Plans (V-FSRP)

- **Prepared without first becoming subject to the FSRP requirement.**
  - **Progress updates not required.**
- FSRPs under new law must be designed to achieve a contribution rate sufficient to amortize the UAAL within **30 years.**
- These FSRPs must be adopted at open meetings of the governing bodies of both system and sponsor. Both the system and sponsor must participate in creation of an FSRP.
  - FSRP must be consistent with system's governing statute.
- **Materials required for submission are the same as a regular FSRP.**
  - A completed FSRP form as a cover-sheet
  - Any supplementary documents necessary to illustrate how the system's funding period will be within the maximum (i.e. revised funding policy, etc.)
  - Documentation of the adoption by the governing bodies of the system and sponsor.
- The actuarial valuation or other analysis showing the asset-liability projection and description of assumptions is due after the initial V-FSRP is submitted to the PRB.
  - The AV is due 90 days after FSRP adoption or the analysis is due 90 days after the PRB requests it. However, either may be submitted to fulfill the requirement at any point before the final deadline.
  - The PRB will determine compliance with an FSRP based on if all the necessary materials are submitted and adequately meet the requirements in statute and rules.
- For systems eligible for the pre-2025 branch of the revision exemption, adherence with the new FSRP will be based on **Compliance Corridors**. As long a system remains within one of the corridors, it will be considered adherent.
- Funding Policy must be updated to reflect any changes.

Appendix B: FSRP Rules and Compliance Policy

Overview of PRB Rules

In 2022, the PRB adopted rules to implement the FSRP requirement.[1] When a system triggers an FSRP, the rules require the system to notify its members that the system has become subject to the requirement, which is in line with the existing law that systems must notify members when an actuary determines the current funding arrangement is inadequate.[2] The rules also define the parameters around submission and completion of FSRPs, including L-FSRPs and R-FSRPs, since guidance around these topics was previously minimal. Flowcharts indicating the steps for triggering an FSRP can be found in Appendix C.

The rules cover the following:

- *Progress updates.* Systems are required to submit progress updates to the PRB after triggering the FSRP requirement. The first progress update must include a projected timeline for completion of the FSRP and identify the actions that would be needed to implement the plan. Each subsequent update should include a draft plan containing information that demonstrates movement toward the funding goal. The first update is due one year after the anniversary of the AV date that triggered the FSRP requirement, and each subsequent update is due every six months until the FSRP is submitted.
- *FSRP submission.* To submit an FSRP, systems must provide the PRB with a completed FSRP form, supplementary documents that are necessary to illustrate how the funding period will be below the required maximum period within the system's target date, and documentation of the date the plan was adopted by both the system and its sponsor. The PRB developed the FSRP submission form (*Funding Soundness Restoration Plan Coversheet*) to help systems ensure they provide all necessary documentation and help streamline the compliance process overall.
- *FSRP completion*. The FSRP requirement is considered complete once the PRB has received an AV or separate actuarial analysis that shows the system falls within the maximum funding period.[3] The PRB staff actuary or board actuary must also make a determination that the AV or analysis complies with actuarial standards of practice.
- *Legacy FSRP.* Systems with an L-FSRP can continue following that FSRP until the earlier of either the L-FSRP target date, which is the end of the 10-year period the system was allotted to reach the prior 40-year funding period maximum after an FSRP was adopted, or the date of an AV indicating that the system has reached the new funding period maximum of 30 years. AVs for a system adhering to an L-FSRP will not be counted towards triggering an FSRP under the new requirements while the L-FSRP is still active. Systems under an L-FSRP must continue to provide the PRB with progress updates every two years, consistent with the previous FSRP law.
- *L-FSRP compliance corridor.* A system with an L-FSRP will be determined to remain in compliance with its L-FSRP if the funding period is declining or the system's funding period or funded ratio

[1] 40 T.A.C. Chapter 610

[2] Section 802.106(d), Texas Government Code

[3] "Sample FSRP Additional Analysis Demonstrating Full Funding in 30th Year Following Actuarial Valuation Date", Pension Review Board, accessed September 10, 2024, https://www.prb.texas.gov/wp-content/uploads/2023/02/FSRP-Sample-Additional-Analysis.pdf.

remains within a compliance corridor. If the system's funding period is infinite, compliance will be determined only by the funded ratio. The allowable degree of variation from the submitted projection, or baseline, will begin at 5 percent for a funded ratio corridor, or 10 years for a funding period corridor, and will decrease over a period between the current date and the target date as described in the *Legacy FSRP Compliance Corridors* table below. A system would be considered compliant if plan experience exceeds a corridor in a favorable way. The PRB uses 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 the rules. More information on compliance corridors can be found under Appendix D.

Legacy FSRP Compliance Corridors		
Year	**Funded Ratio Corridor Size**	**Funding Period Corridor Size (years)**
1	5.00%	10
2	4.75%	9
3	4.50%	8
4	4.25%	7
5	4.00%	6
6	3.75%	5
7	3.50%	4
8	3.25%	3
9	3.00%	2
10	Target Date L-FSRP complete	

- *Revised FSRP exemption.* In some cases, a system that has previously adopted an FSRP might again trigger the FSRP requirement. If the FSRP requirement is triggered within 10 years of the due date of the original, the system and sponsor would be required to complete an R-FSRP unless they meet certain criteria for an exemption. To qualify for the exemption, a system would need to have a funding period between 30 and 40 years and either have formulated their original FSRP on or prior to September 1, 2025, or are using, or ultimately plan to use, an ADC structure.[4] The system must also be determined to be adhering to their compliance corridor, detailed above. This compliance corridor is used to determine adherence to both an L-FSRP as well as an R-FSRP.
- *Voluntary FSRP.* Systems that have not triggered an FSRP can choose to adopt a voluntary FSRP (V-FSRP) prior to September 1, 2025. By completing a V-FSRP, the system would qualify for an exemption from the stricter R-FSRP requirements. If a system's funding level is at risk of potentially triggering the FSRP requirement, implementing a funding plan sooner rather than waiting to trigger the requirement would give the system and their sponsor more time to develop

[4] Section 802.2015(d-1)(2), Texas Government Code.

a plan than they would have if they triggered the requirement. This option also aims to incentivize earlier, proactive action by systems and their sponsors when funding challenges are easier to resolve.

- *Allow use of either market value or actuarial value of assets.* The trigger mechanism for an FSRP is based on the reported funding period, and beginning September 1, 2025, the funded ratio as well. Some systems use asset smoothing over a determined time to reduce year-to-year volatility, which leads to using an actuarial value of assets. A market value of assets is based on the actual amount of assets at a given point in time. While the funding period reported in the AV will generally use one asset valuation method or the other, using the greater of the two for FSRP purposes allows systems additional flexibility to benefit from the increased market value in years with investment returns above expectations, while weathering the volatility from low yearly returns when a smoothed value would be greater. For example, two systems, Conroe Fire and Orange Fire, would have a funding period over 30 years but were able to remain under 30 years for FSRP purposes by employing this rule.

For FSRP purposes, funding period is defined as the length of time required to fully fund the UAAL under current actuarial assumptions based on the greater of the actuarial value of assets or the market value of assets.

(40 T.A.C. Section 610.13)

Compliance policy

To better align with the new requirements and current board practices, in October 2022, the PRB replaced its previous board policy related to FSRPs and renamed the new *Policy for Promoting Compliance with Funding Soundness Restoration Plan Requirements*. A copy of the policy can be found in Appendix E.

To assist systems with the FSRP requirement deadlines, the policy provides that the PRB will notify systems at the following points in the FSRP process:

- When the system is at-risk of triggering the requirement
- When the system has triggered an FSRP or R-FSRP
- To acknowledge receipt of materials
- If the provided materials to the PRB are inadequate
- When progress updates are due; and
- When the FSRP is due or late

The policy also outlines when staff will provide reports and updates on FSRPs in progress, and what happens when a system does not submit a required FSRP by its deadline. Staff will deliver reports regularly at the PRB's board meetings and an FSRP status update will be included as part of the PRB's *Biennial Report to the Legislature*.

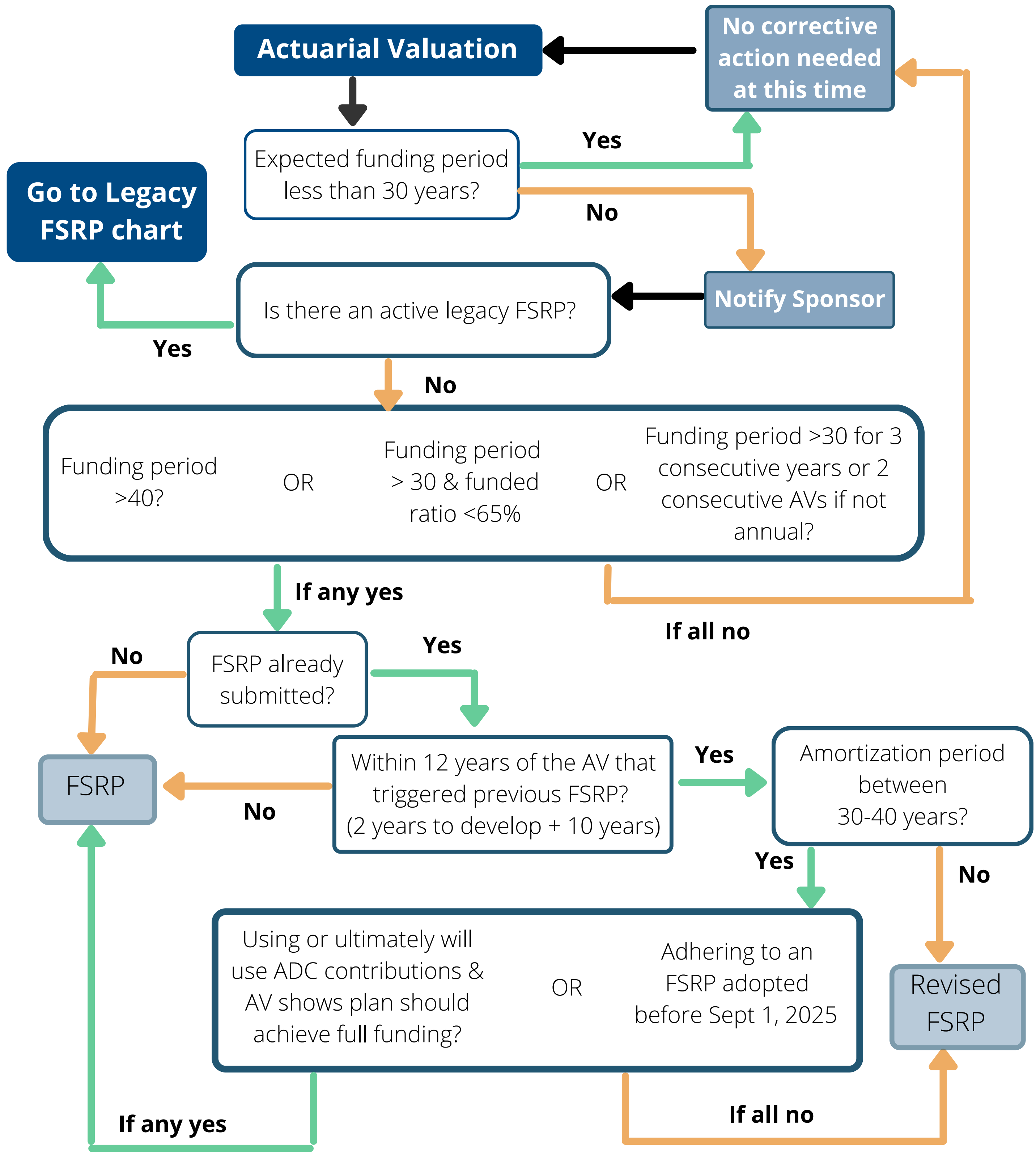
If a system has not filed an FSRP with the PRB by its deadline, the PRB will notify the system and sponsor after 15 and 30 days. If the system and sponsor are still noncompliant 60 days beyond the deadline, they will be added to the *List of Noncompliant Plans Over 60 Days* which is posted to the PRB's website. The system and sponsor will also be contacted by the PRB's executive director and notified that they may be placed on the agenda of a future PRB meeting to provide a public explanation of the status of the FRSP.

Further action may be taken if the system and sponsor remain noncompliant despite the previous efforts, including notifying legislative representatives.

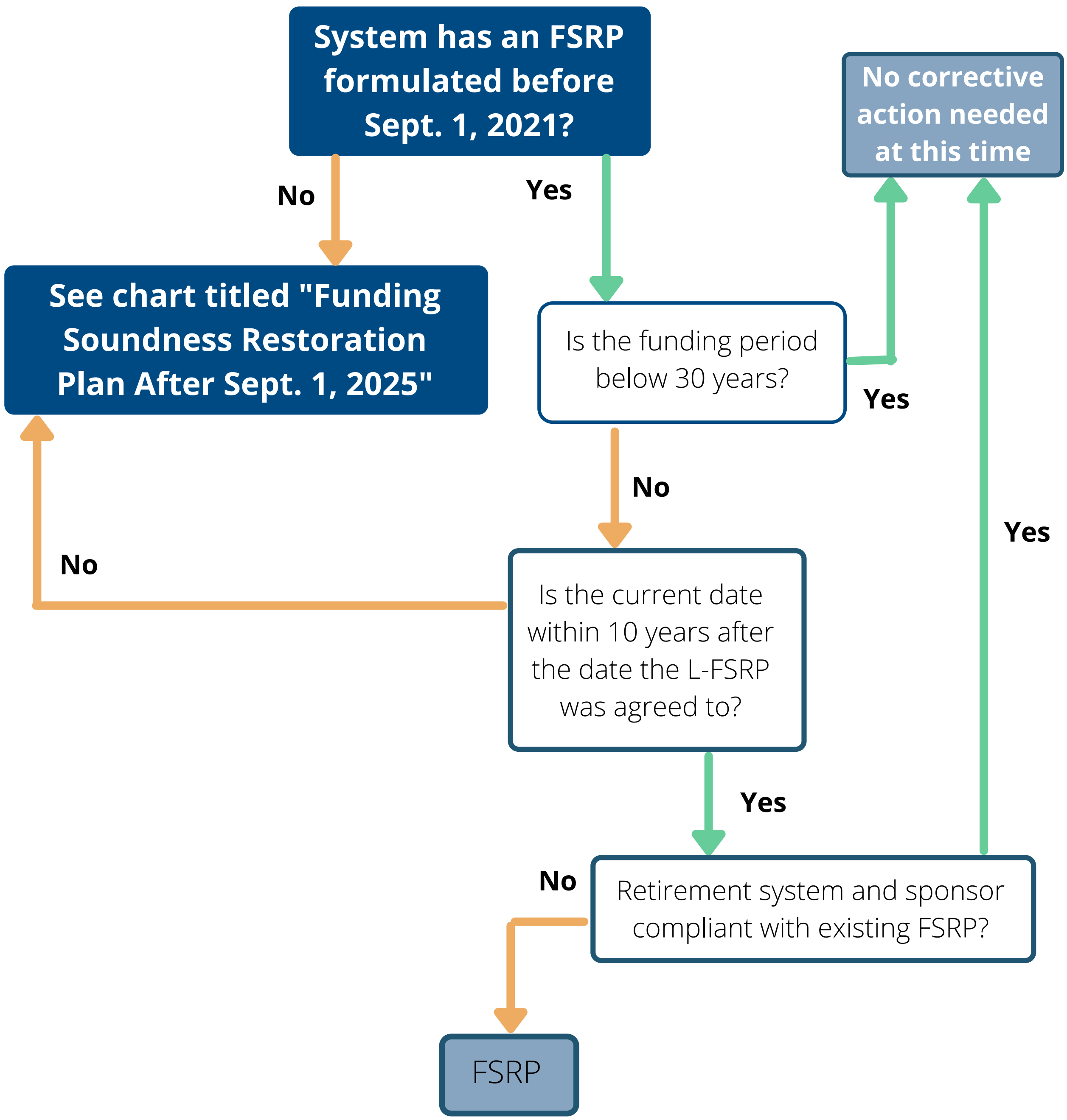
In addition to the policy, a timeline titled *FSRP Reporting to PRB* is also included in Appendix E. The timeline is intended to assist systems in keeping up with the various stages of reporting to the PRB. This includes when to send progress updates, when an FSRP should be adopted, when the FSRP should be submitted to the PRB, and when an analysis of the impact of the FSRP should be submitted.

Appendix C: FSRP Flowcharts

Funding Soundness Restoration Plan After Sept. 1, 2025



Funding Soundness Restoration Plan for Legacy FSRP Systems



If a retirement system with an Legacy FSRP is not compliant with the L-FSRP, the retirement system and sponsor shall prepare an FSRP under requirements as they stand after Sept. 1, 2021, instead of a revised FSRP under previous statute.

Appendix D: Compliance Corridors

Compliance Corridors

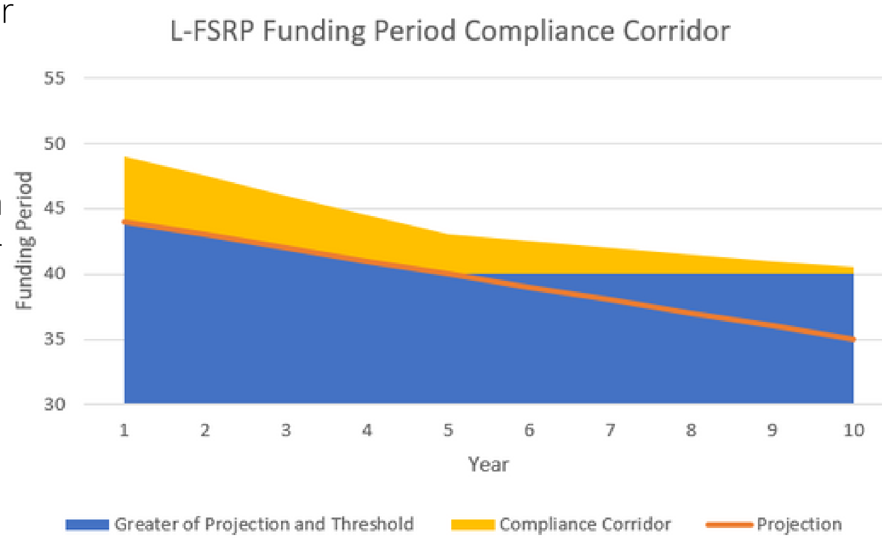
- Compliance corridors are the mechanism to demonstrate that a system with a new FSRP or V-FSRP is adherent **so they can qualify for the pre-Sept. 2025 branch of the revision exemption**.
  - Corridors would only apply for the 10 year period when a system could potentially trigger an R-FSRP.
- Compliance corridors have a baseline and a corridor of variation from that baseline that narrows towards the end of the exemption period. As long as a system remains within the corridor, it would still be considered adherent to the FSRP for the purposes of the exemption.
- There are two types of compliance corridors:
  - **Funding period corridors** have a baseline of 30 years.
  - A baseline for a **funded ratio corridor** is the asset-liability projection submitted as part of the actuarial valuation or other analysis submitted to complete the new FSRPs.

Compliance Corridors for L-FSRPs

- While compliance corridors were created for new FSRPs, a variation offers L-FSRP systems greater flexibility.
- L-FSRP systems have the option to submit their own asset-liability projection to use a funded ratio corridor and a custom funding period corridor.

If an L-FSRP system chooses not to submit a projection for a compliance corridor baseline, they would only have a funding period corridor, which would have a baseline of a 1-year-per-year reduction while the system's funding period is >40 years

- If a system's funding period is <40 years, then the baseline for the compliance corridor would remain at a 40-year minimum.



Appendix E: Compliance Policy and Timeline

TEXAS PENSION REVIEW BOARD

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 §§802.2015(f) or 802.2016(f), Texas Government Code.

f. Notice when FSRP is due or late as outlined in §§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 §§801.204, 802.205, and 802.003(d) of the Texas Government Code.

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 (or by Sept. 1, 2025):
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 or 90 days of request from PRB:
submit AV or separate analysis showing combined impact of all changes adopted in FSRP/R-FSRP, an asset-liability projection between the valuation date and projected date of full funding, and a description of the methods and assumptions.

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

Item 12. Update on Pension Online Reporting Tool

Ashley Rendon

Pension Online Reporting Tool

- Background
  - 87th Legislature – HB 2 appropriated $600,000 for two major IT projects for the 2023 biennium
  - 88th Legislature – SB 30 provided an extension of the remainder of the money to complete both projects over the 2024-2025 biennium
- Project 1: database rewrite – complete
- Project 2: reporting portal – creating a portal to allow retirement systems to access a self-service portal to submit reports – complete

Portal Project Overview

- Goals:
  - Improve overall customer service
  - Streamline report submission
  - Provide efficient information sharing
- Timeline and steps
  - Began working in April 2023 to outline project
  - Worked with programmer through summer 2024
  - Tested in July/August
  - Full launch August 6, 2024

PORT Features

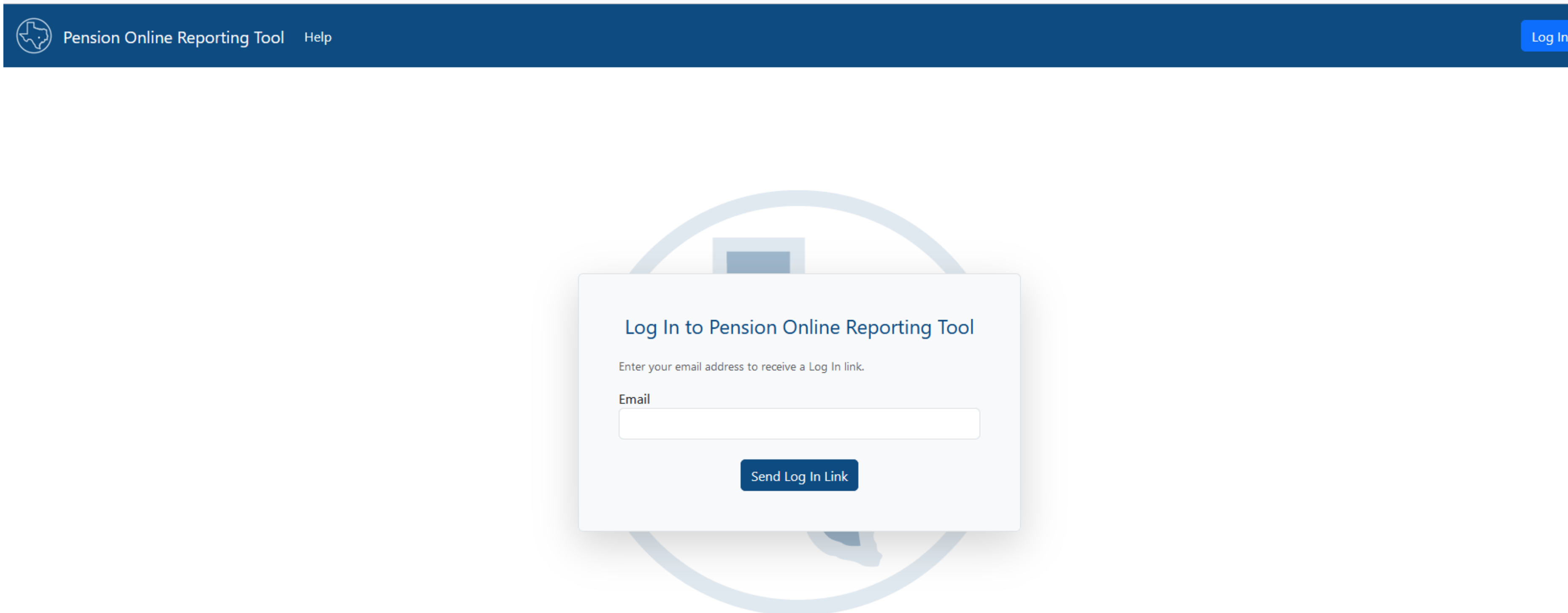
- Administrators and other portal contacts may login and submit reports
  - Access depends on whether they are in the PRB's internal database
  - Administrators typically reported on PRB-100 or 150 forms
  - Systems may request other portal contacts to be added
- No password required – authentication through PRB's internal database.
- Any system administrator/portal contact will see all submitted reports in their dashboard
- Once documents are submitted, they are automatically uploaded to internal PRB folders and logged into internal workflow in the database.

PORT – additional information

- Direct link added to PRB website: portal.prb.texas.gov/auth/index
- Staff created a Help page, which is linked on the portal website. Includes:
  - general information about the portal
  - F.A.Q.s
  - tutorial videos to come

PRB Homepage Link

PORT Login Screen



PORT Authentication

Texas Pension Review Board - Pension Online Reporting Tool

Hello!

You're receiving this email because you're trying to log into the **Texas PRB Pension Online Reporting Tool.**

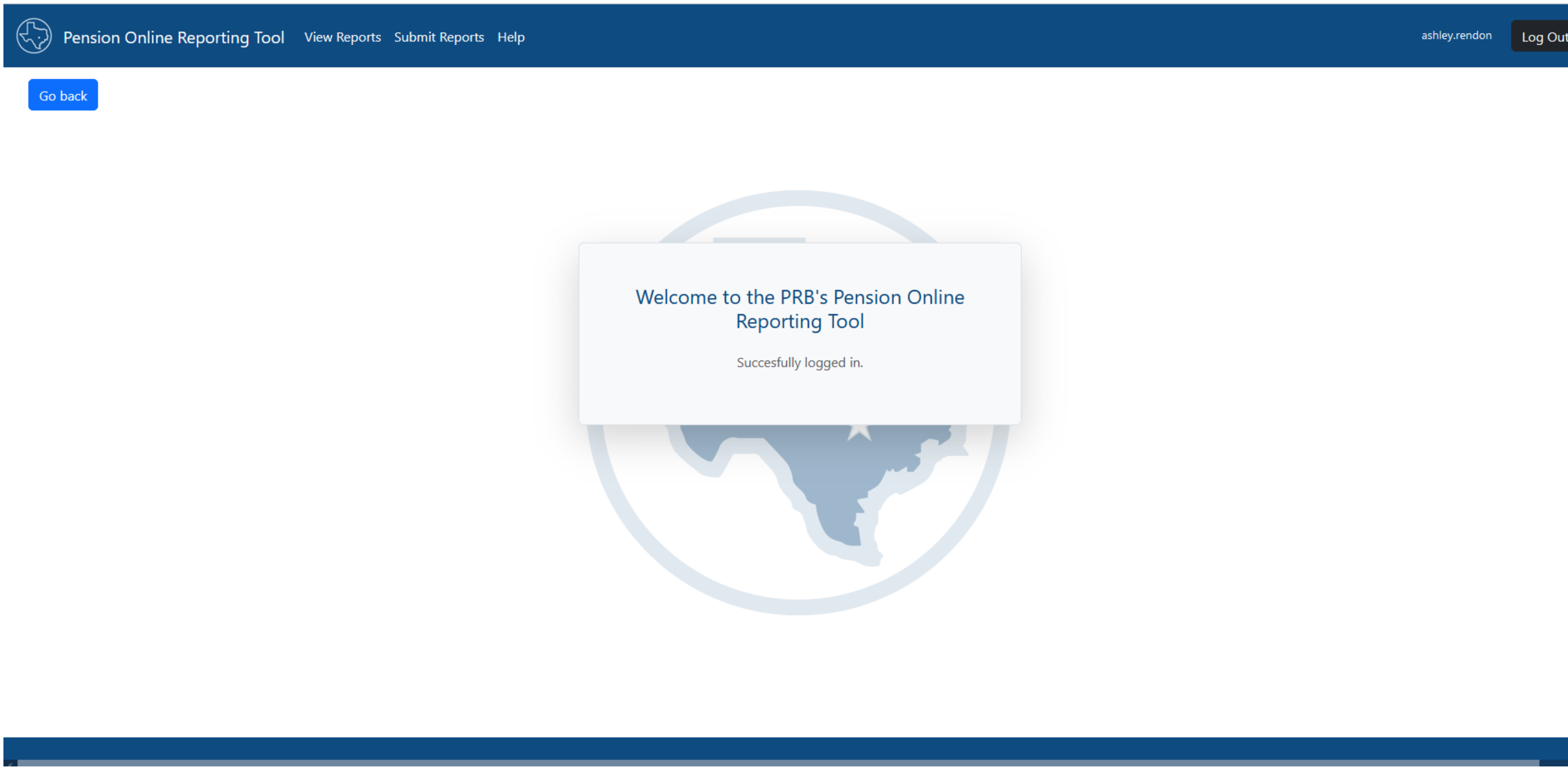
Please click the following link to log in:

This link will be disabled within 15 minutes.

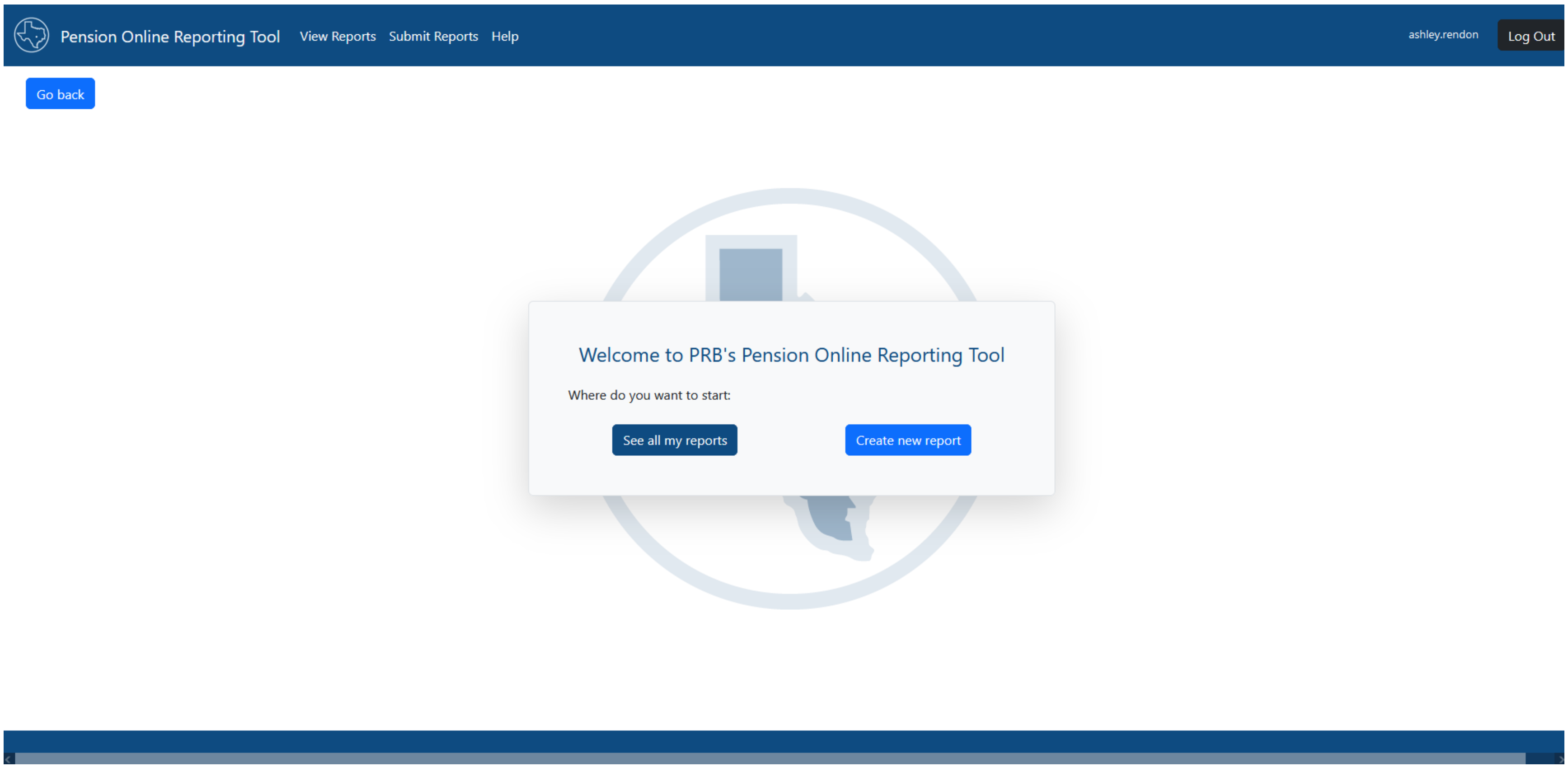
Thank you,
Texas Pension Review Board

Phone: (512) 463-1736
300 W 15th Street, Suite 406
Austin, Texas 78701
P. O. Box 13498
Austin, Texas 78711-3498
prb.texas.gov
prb@prb.texas.gov

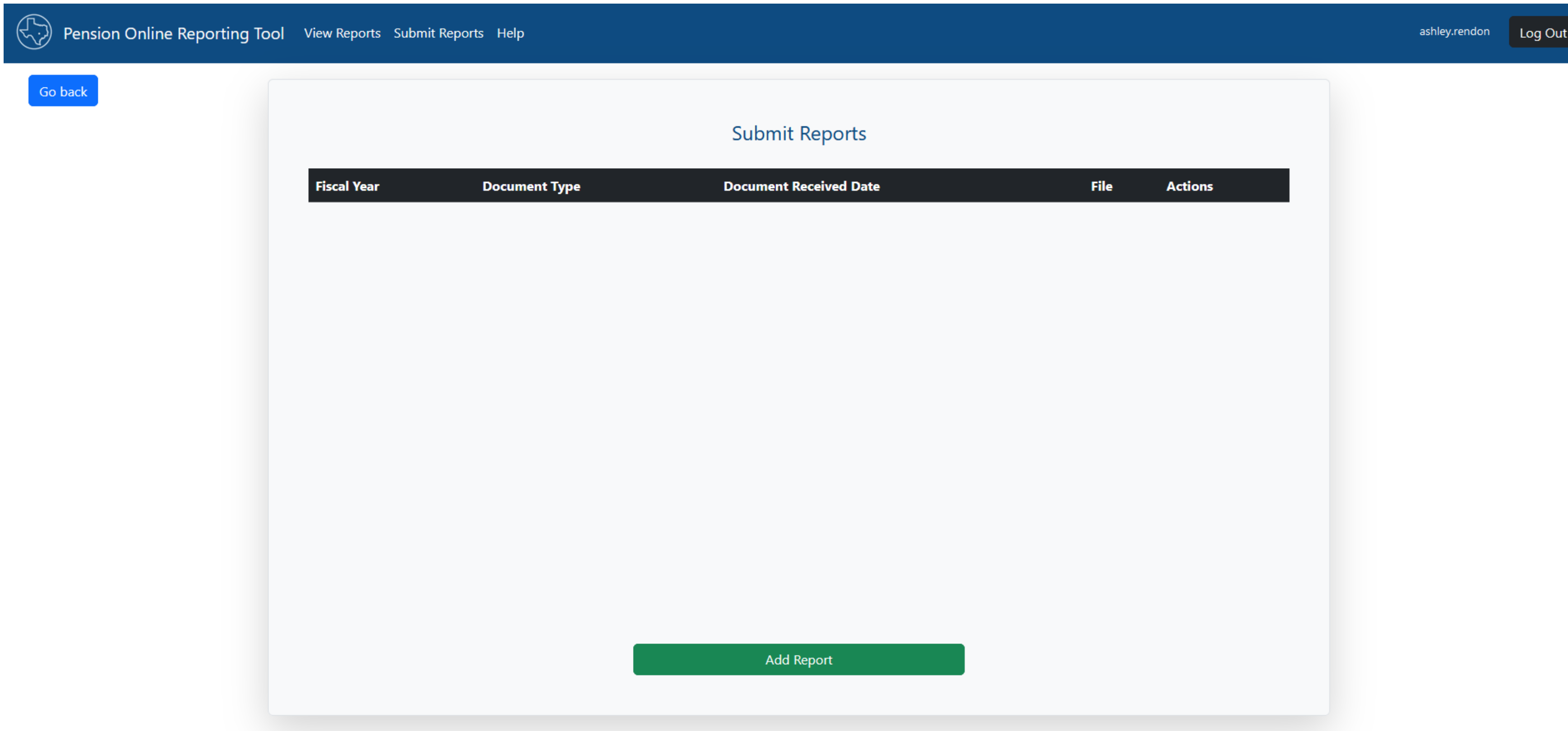
PORT Welcome



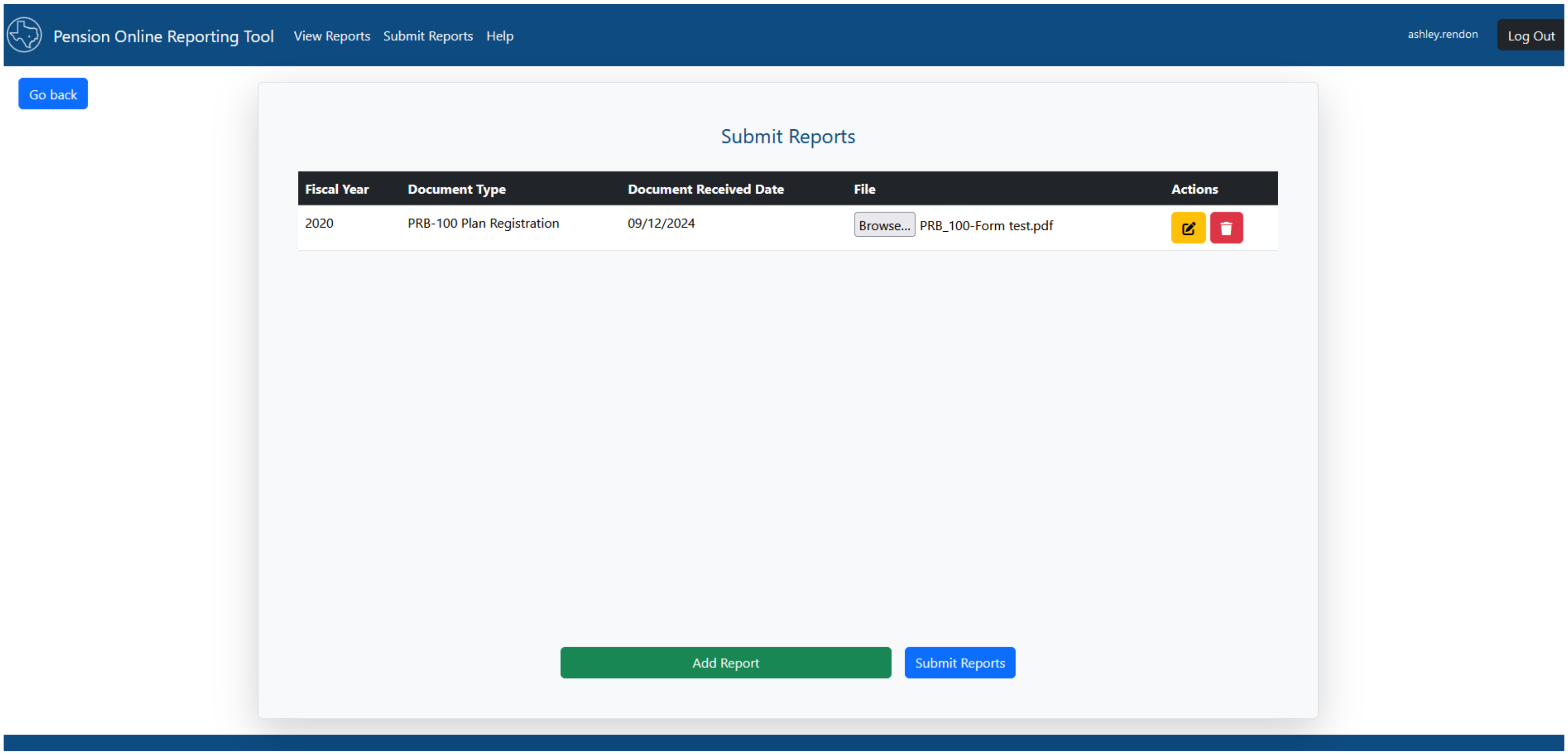
PORT Welcome, cont.



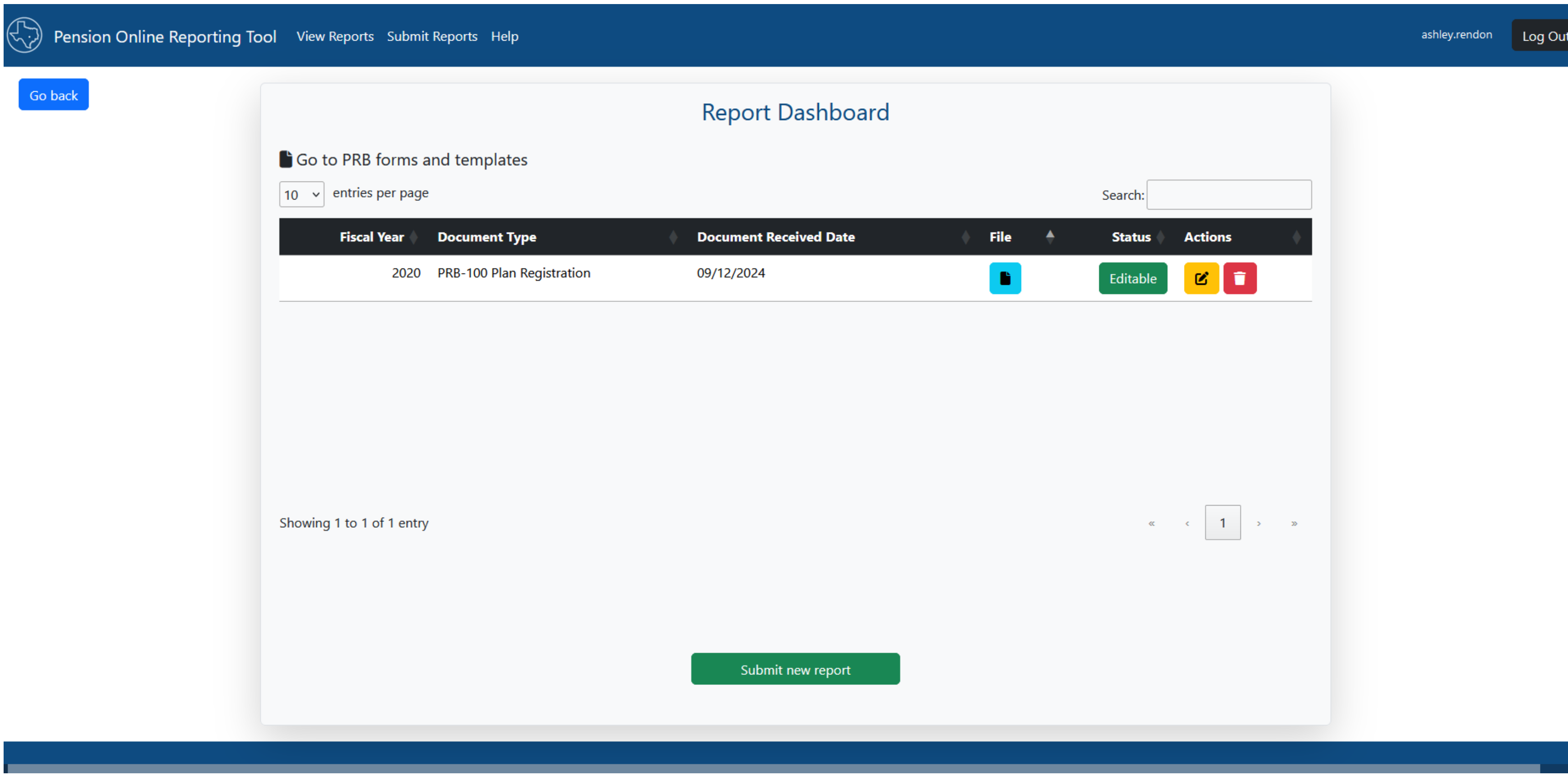
Report Submission



Report Submission, cont.



Report Dashboard



Next Steps

- Continue to look for improvements and opportunities for technical assistance
  - LAR exceptional item four - updates to portal so systems are able to view their own compliance status for education and reporting requirements
  - TLFFRA Conference demonstration in October
  - Tutorial videos for the Help page

Item 13. Executive Director's Report

Amy Cardona

13a: Conference Updates

- TEXPERS Summer Educational Forum in San Antonio (August 19-20, 2024)
  - Presentation on updates to the Pension Funding Guidelines by David Fee
  - Now offered on demand via the PRB's MET website
- TLFFRA Annual Conference in Irving (October 7-8, 2024)
  - Actuarial panel moderated by David Fee
  - Pension Online Reporting Tool demo by Ashley Rendon and Bryan Burnham

13b: 2023-2024 Biennial Report

- Due in November to the legislature and the governor
- Will include major PRB accomplishments and activities in 2023-2024, such as:
  - Completion of major IT projects
  - Reporting requirements and compliance
  - Intensive reviews, including updates on past reviews
  - MET program, including compliance and rule changes
  - Reporting requirements related to DPFP funding plan
  - IPPE summaries and Investment Performance Report
  - Legislative recommendations
  - New and updated guidelines and guidance, including:
    - Pension Funding Guidelines (updated)
    - Funding Policy Guidance (updated)
    - Lump Sum Guidance (new)
    - Investment Policy Statement Guidelines, Guidance, and Tools (new)

13c: Legislative Updates

- Legislative Appropriations Request
  - Submitted August 2024
  - Four exceptional items
  - Joint Budget Hearing on September 27, 2024
- House Pensions, Investments and Financial Services Committee interim hearing on September 19
  - PRB staff testimony on two items:
    - Dallas Police and Fire update
    - Pension amortization periods

13d: Operating Budget

- Updated Fiscal Year 2025 Operating Budget in attachments

Biennial Outline Draft
8/28/2024

2024 Biennial Report Outline

1. Executive Summary
2. Transparency Initiatives and Legislative Priorities
    a. Pension Funding Guidelines and Funding Policy Guidance updates
    b. TLFFRA Governance project
    c. Rule Review
        i. Chapters 601-605 review
        ii. Chapter 607, Minimum Educational Training Program
        iii. Chapter 609, Investment Expense Reporting
    d. Investment Policy Statement Guidelines, guidance, and tool
    e. Investment Data Report
    f. Guidance for Calculating and Administering Lump Sums
    g. Report, as required by Section 2.025, Article 6243-1, Vernon's Texas Civil Statutes
3. Major IT Projects
    a. Internal database rewrite
    b. PRB Pension Online Reporting Tool
4. Reporting Requirements
    a. FSRP reporting and compliance
    b. Investment expense reporting
    c. Annual reporting and compliance
    d. Investment Practices and Performance Evaluations Summary and Investment Performance Report
5. Intensive studies
    a. Abilene Fire Intensive review
    b. Funding Soundness Restoration Plans: Overview, Implementation and Case Studies
    c. Update on past reviews
6. Data collection
    a. Public Pension Data Center
    b. Actuarial Valuation Report
    c. PRB Websites
    d. Guide to Public Retirement Systems in Texas
    e. Public Pension Search Tool
7. PRB Minimum Educational Training (MET) Program
    a. Core compliance project
    b. New continuing education courses
    c. Presentations given by PRB staff at conferences
    d. New learning management software & course utilization update
    e. Sponsor Accreditation
    f. MET reporting and compliance
8. Technical Assistance
    a. System technical assistance
    b. News Clips
    c. Customer Service Survey

   d. Educational Services Survey
   e. Other Data Requests
9. Specific Assistance for TLFFRA Systems
   a. Role of the TLFFRA Specialist
   b. Conference presentations provided by PRB board members and staff
   c. 2024 TLFFRA Pension Report
10. 88^{th} Legislature
   a. Public Pension Legislation and Impact Statements
   b. Presentations to the Legislature
11. Recommendations to the Legislature
   a. TLFFRA governance
   b. Investment Practices and Performance Evaluations

TEXAS PENSION REVIEW BOARD
OPERATING BUDGET
FISCAL YEAR 2025

	LBB Obj. Code	GAA BUDGETED	ADJUSTED BUDGETED	TOTAL BUDGETED	TOTAL EXPENDED	ENCUMBRANCES	PERCENT EXPENDED	REMAINING BALANCE	PERCENT REMAINING
METHOD OF FINANCING									
General Revenue		$1,281,259.00		$1,281,259.00					
			$0.00	$0.00					
Total Method of Financing		**$1,281,259.00**	**$0.00**	**$1,281,259.00**					
OBJECT OF EXPENSE									
Exempt Salaries	1001A	$149,240.00		$149,240.00	$0.00		0.00%	$149,240.00	100.00%
Classified Salaries	1001B	$1,024,229.00		$1,024,229.00	$0.00		0.00%	$1,024,229.00	100.00%
Other Personal Exp / Longevity Pay	1002A	$19,600.00		$19,600.00	$0.00		0.00%	$19,600.00	100.00%
Retirement Deduction .5% Salary	1002B	$5,000.00		$5,000.00	$0.00		0.00%	$5,000.00	100.00%
Benefit Replacement Pay	1004	$0.00		$0.00	$0.00		0.00%	$0.00	100.00%
Non-Overnight Meals	1001C	$0.00		$0.00	$0.00		0.00%	$0.00	100.00%
Sub-Total Salaries & Wages		$1,198,069.00	$0.00	$1,198,069.00	$0.00	$0.00	0.00%	$1,198,069.00	100.00%
Professional Fees and Services	2001	$12,500.00		$12,500.00	$0.00	$0.00	0.00%	$12,500.00	100.00%
Consumable Supplies	2003	$3,500.00		$3,500.00	$0.00	$0.00	0.00%	$3,500.00	100.00%
Travel	2005A	$26,000.00		$26,000.00	$0.00	$0.00	0.00%	$26,000.00	100.00%
Rent-Building (Record Storage)	2006	$1,000.00		$1,000.00	$0.00	$0.00	0.00%	$1,000.00	100.00%
Rent-Machine & Other (Copier/Software)	2007	$15,000.00		$15,000.00	$0.00	$0.00	0.00%	$15,000.00	100.00%
Operating Costs (Miscellaneous)	2009A	$6,214.25		$6,214.25	$0.00	$0.00	0.00%	$6,214.25	100.00%
Telecommunication Services	2009D	$2,000.00		$2,000.00	$0.00	$0.00	0.00%	$2,000.00	100.00%
Education and Training	2009B	$2,500.00		$2,500.00	$0.00	$0.00	0.00%	$2,500.00	100.00%
Postage	2009C	$500.00		$500.00	$0.00	$0.00	0.00%	$500.00	100.00%
Printing	2009E	$1,000.00		$1,000.00	$0.00	$0.00	0.00%	$1,000.00	100.00%
Subscription/Publications	2009G	$2,000.00		$2,000.00	$0.00	$0.00	0.00%	$2,000.00	100.00%
PHC Deduction 1% Salary	2009H	$8,476.75		$8,476.75	$0.00		0.00%	$8,476.75	100.00%
Hardware & Software	2009F	$2,499.00		$2,499.00	$0.00	$0.00	0.00%	$2,499.00	100.00%
Sub-Total Operating Cost		$25,190.00	$0.00	$25,190.00	$0.00	$0.00	0.00%	$25,190.00	100.00%
Total Object of Expense		**$1,281,259.00**	**$0.00**	**$1,281,259.00**	**$0.00**	**$0.00**	**0.00%**	**$1,281,259.00**	**100.00%**