

**Policy for Determination of System Actuarial Review**  
**(Adopted May 5, 2016)**

1. In accordance with Government Code, Section 801.202, the Pension Review Board (PRB or Board) staff will review all actuarial reports submitted by public retirement systems. Staff will determine whether or not the public retirement system's actuarial valuation ("Valuation") shows that the system's actual contributions are sufficient to amortize the unfunded actuarial accrued liability within 40 years, as specified in Texas Government Code, Sections 802.2015 and 802.2016. As part of its review of a system's actuarial reports, the PRB staff may calculate an amortization period that is different from what is reported in the Valuation.
2. If the staff determines a system's actual contributions are not sufficient to amortize the unfunded actuarial accrued liability within 40 years ("Over-40-Year-Amortization-Determination"), the executive director will notify the Board.
3. If the Board actuary concurs with the Over-40-Year-Amortization-Determination, the executive director will notify the system of this determination in writing and provide the system a 30-day period in which to voluntarily respond to staff. If the PRB does not receive any response from the system within the designated time period, the system's Over-40-Year-Amortization-Determination will be confirmed. The system will also be informed of the requirement that the system provide its associated governmental entity the notice required under Sections 802.2015(c) and 802.2016(c) of the Texas Government Code.
4. If the system in its response, if any, does not agree with staff's Over-40-Year-Amortization-Determination, the staff will present staff's review and the system's response to the Board's actuarial committee. The actuarial committee will confirm, deny, or amend the staff's Over-40-Year-Amortization-Determination and will recommend its findings to the Board. The Board will make the final decision regarding the Over-40-Year-Amortization-Determination. The Board's decision and the system's disagreement, if any, will be included in the PRB's actuarial and financial reports and in the funding soundness restoration plan (FSRP) lists staff presents at each PRB meeting.
5. A system with a confirmed Over-40-Year-Amortization-Determination will be placed under staff review for further risk assessment. The staff will notify the system and the Board in advance of the review to provide the system with details of the review, including the scope and time period

of the review. The executive director will report preliminary findings to the Board's actuarial committee.

6. If a system receives a confirmed Over-40-Year-Amortization-Determination based on three consecutive annual Valuations, or two consecutive Valuations for a system that conducts the Valuations every two or three years, the executive director will notify the system and its associated governmental entity regarding the statutory requirement to formulate an FSRP in accordance with Texas Government Code Section 802.2015.<sup>1</sup>
7. At each PRB meeting, staff will provide a list of systems subject to the FSRP formulation requirement. The staff will also provide a list of systems that are at risk of becoming subject to the requirement because the system has a confirmed Over-40-Year-Amortization-Determination, based on the most recent Valuation.
8. The Board may refer a system that is subject to the FSRP formulation requirement to be placed under the review of the Board's actuarial committee. If a system is referred as such, the findings and recommendations of the staff review will be presented at the next meeting of the committee. The system and its associated governmental entity will be notified in writing no later than seven (7) days prior to the committee meeting and may be asked to appear before the committee.
9. Upon the recommendation of the committee, the Board may ask a system and its associated governmental entity to appear at a regularly scheduled meeting of the PRB. If such recommendation is made, the entities will be notified in writing no later than ten (10) business days prior to such meeting.

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<sup>1</sup> Texas Government Code Section 802.2016, concerning the Funding Soundness Restoration Plan for Certain Public Retirement Systems, has similar requirements to Section 802.2015 and applies only to a public retirement system that is governed by Article 6243i, Revised Statutes.