

BILL ANALYSIS

Senate Research Center
87R15856 KFF-D

C.S.S.B. 483
By: Schwertner
Finance
4/19/2021
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Teacher Retirement System of Texas (TRS) and the Employees Retirement System of Texas (ERS) have both failed to meet assumed rates of return over the long-term. This failure led to S.B. 12 (86R) which provides increased funding to TRS from the state, retired teachers, and employing school districts. Additional funding was necessary to shore up the fund, and keep it actuarially sound. Similarly, ERS's failure to meet assumed rates of return has led to an anticipated depletion date of 2061.

We cannot fail our retired teachers and our retired state employees. Accordingly, TRS and ERS both must adopt achievable assumed rates of return, and the pensions' returns should be readily available to the state and to the public.

S.B. 483 requires both TRS and ERS to provide a report that compares the assumed rate of return and the actual rate of return achieved by the system for the most recent one, five, 10, and 20 years.

The report must include the value of the fund should it have met its assumed rate of return and compare that with the value of the fund due to the actual rate of return.

The report is due to the governor, lieutenant governor, and legislature.

(Original Author's / Sponsor's Statement of Intent)

C.S.S.B. 483 amends current law relating to a biennial report on the investment returns of the Employees Retirement System of Texas and the Teacher Retirement System of Texas.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 802, Government Code, by adding Section 802.1085, as follows:

Sec. 802.1085. BIENNIAL REPORT ON INVESTMENT RETURNS OF CERTAIN PUBLIC RETIREMENT SYSTEMS. (a) Provides that this section applies only to the Employees Retirement System of Texas and the Teacher Retirement System of Texas.

(b) Requires the governing body of a public retirement system, not later than December 31 of each even-numbered year, to submit to the governor, the lieutenant governor, and each member of the legislature a report that details and compares the assumed rate of return and the annualized actual time-weighted rate of return achieved by the system for the most recent 1-year, 5-year, 10-year, and 20-year fiscal periods. Requires that the report include:

(1) for each period, an estimate of what the market value of the invested assets of the fund would have been as of the most recent fiscal year end had the system achieved the applicable assumed rate of return; and

(2) a comparison of each estimate described by Subdivision (1) and the actual market value of the invested assets in the fund as of the most recent fiscal year end.

(c) Authorizes the report required by this section to be combined with any other report required by law.

SECTION 2. Effective date: September 1, 2021.