

BILL ANALYSIS

Senate Research Center

S.B. 1612
By: Ogden
State Affairs
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Recent events and conditions affecting financial markets and the economy have highlighted the importance of monitoring and analysis of public retirement systems and relevant internal and external financial conditions by entities like Texas' Pension Review Board (PRB). PRB must be well prepared to alert and provide assistance to public retirement systems before potential problems become crises for the systems. In addition, thorough analyses and reports by PRB help officials make informed decisions affecting public retirement systems and their active members and annuitants.

This bill provides that an annual contribution of 50 cents for each active member and annuitant is to be made to PRB by the governing board of a public retirement system. It also strikes language regarding the enforceability of PRB rules.

S.B. 1612 would require PRB to prepare an annual report regarding certain public retirement systems administering defined benefit plans and to include in all reports to the governor and legislature any instance in which public retirement systems do not provide PRB with information as requested or required by law.

S.B. 1612 would allow PRB to require a public retirement system with assets of at least \$100 million to conduct an actuarial experience study and to provide PRB with any actuarial experience study conducted by or for the system. The bill would allow PRB to make rules in this regard, but would not allow PRB to require a system to conduct more than one actuarial experience study every five years. This bill would also repeal Chapter 107 (Obligations for Certain Liabilities to Public Pension Funds of a Municipality), Local Government Code.

As proposed, S.B. 1612 amends current law relating to the monitoring, oversight, and funding of certain public retirement systems.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the State Pension Review Board (PRB) in SECTION 4 (Section 802.1013, Government Code) of this bill.

Rulemaking authority previously granted to PRB is modified in SECTION 2 (Section 802.201, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 801.113(c) and (e), Government Code, as follows:

- (c) Requires the governing board of a public retirement system, rather than authorizes the governing board of any public retirement system to vote, to make an annual contribution to the State Pension Review Board (PRB) in an amount equal to 50 cents, rather than not to exceed 50 cents, for each active member and annuitant of the retirement system as of September 1 of the year for which the contribution is made.

(e) Deletes existing text authorizing the fees to be based on whether or not the trustees, administrators, or systems contribute to the PRB fund under Subsection (c) of this section.

SECTION 2. Amends Section 801.201(b), Government Code, to delete existing text prohibiting a rule under this subsection from being enforced against a public retirement system if compliance with the rule would cause the system to incur a major expense.

SECTION 3. Amends Section 801.203, Government Code, by adding Subsections (c), (d), and (e), as follows:

(c) Requires PRB to prepare an annual report relating to the performance of each public retirement system that administers a defined benefit plan and has total assets the book value of which, as of the last day of the preceding fiscal year, is at least \$100 million. Requires that the report required under this section include:

- (1) each system's investment allocations and practices during the preceding fiscal year;
- (2) the rate of return on the investment of each system's cash and securities during the preceding fiscal year;
- (3) a description of the extent to which, during the preceding fiscal year, each system complied with the reporting requirements under this chapter and Chapter 802 (Administrative Requirements), and the system's investment strategy;
- (4) alternative rate of return projections for the current fiscal year; and
- (5) solvency and cash flow projections for the current fiscal year.

(d) Requires PRB to:

- (1) prepare the report required under Subsection (c) in two parts, with the first part posted on PRB's Internet website not later than March 1 of each year and the second part posted on PRB's Internet website not later than September 1 of each year, and to include the information required for a public retirement system in one of the two parts based on the date the system's fiscal year ends; and
- (2) immediately notify the governor and all members of the legislature when the report, or part of the report, is available for viewing on PRB's Internet website.

(e) Requires PRB to include in any report to the governor or members of the legislature:

- (1) a description of any information that was not provided by a public retirement system pursuant to a requirement of this chapter or Chapter 802 or pursuant to a request by PRB;
- (2) details regarding the circumstances of the requirement or request described in Subdivision (1), including the identification of the public retirement system, the requirement or request, and any response provided by the public retirement system; and
- (3) the effect of the lack of the information on PRB's ability to meet the duties and reporting requirements in this chapter or Chapter 802.

SECTION 4. Amends Subchapter B, Chapter 802, Government Code, by adding Section 802.1013, as follows:

Sec. 802.1013. ACTUARIAL EXPERIENCE STUDIES. (a) Defines "plan year."

(b) Authorizes PRB, subject to Subsection (c), to require a public retirement system with total assets the book value of which, as of the last day of the preceding plan year, is at least \$100 million to conduct an actuarial experience study. Requires a public retirement system to provide to PRB any actuarial experience study conducted by or for the public retirement system.

(c) Prohibits PRB from requiring a public retirement system to conduct more than one actuarial experience study every five years.

(d) Authorizes PRB adopt rules to implement this section.

SECTION 5. Repealer: Chapter 107 (Obligations for Certain Liabilities to Public Pension Funds of a Municipality), Local Government Code.

SECTION 6. Requires the governing board of a public retirement system to make the initial contribution required under Section 801.113(c), Government Code, as amended by this Act, to the PRB fund as required by that section on or before September 1, 2011.

SECTION 7. Provides that the repeal of Chapter 107, Local Government Code, by this Act does not affect the validity of an obligation issued under that chapter before the effective date of this Act, or diminish or impair the rights of a holder of an obligation of a municipality issued for the purpose authorized by that chapter before the effective date of this Act.

SECTION 8. Effective date: upon passage or the 91st day after the last day of the legislative session.