

BILL ANALYSIS

C.S.H.B. 1070
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Pensions, Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Retired governmental employees rely on their pension funds for the well-being of their retirement income. Therefore, accurate and consistent audits of actuarial valuations are of primary importance. Under current statute, all public retirement systems must have their actuarial valuations, reports, and studies audited every five years if at the end of the preceding fiscal year the book value of their total assets is at least \$100 million. Clarifying the statute's intent with respect to the time frame for complying with these provisions would reduce the recordkeeping burden on plan sponsors.

C.S.H.B. 1070 makes technical corrections to the Government Code to clarify the time periods for when audits of actuarial valuations should be conducted by actuaries. The bill also provides that all public retirement systems that do not currently exceed \$100 million in assets but that will exceed that amount in future years have six months to comply with the auditing requirement upon realization that their assets exceed \$100 million dollars.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 1070 amends the Government Code to establish that the requirement for an audit of actuarial valuations, studies, and reports applies only to a public retirement system with total assets the book value of which is at least \$100 million as of the last day of the retirement system's preceding plan year, rather than of its fiscal year. The bill defines "plan year" as the 12-month accounting period of the affected pension plan of a public retirement system. The bill requires an independent actuary to audit the most recently prepared actuarial valuations, studies, and reports of a retirement system that has assets with a book value of at least \$100 million on the last day of a plan year not later than the date six months after the last day of the first plan year in which the total assets' book value is at least that amount on that year's last day, with subsequent audits every five years after that date. The bill establishes that the change in law made by this bill applies only to a public retirement system that has a plan year that ends on or after September 1, 2009.

C.S.H.B. 1070 exempts a governmental entity that has received the final audit report of actuarial valuations, studies, and reports of a public retirement system before the effective date of this bill from having to initiate another audit accommodating the changes made by this bill before September 1, 2013. The bill requires a governmental entity that was required to but has not initiated the audits of actuarial valuations, studies, and reports before the effective date of this bill to initiate the audit not later than March 1, 2010.

C.S.H.B. 1070 requires the first audit initiated accommodating the changes made by this bill to include an audit of each actuarial valuation, study, and report of the public retirement system

prepared for that retirement system in the preceding five years. The bill exempts a governmental entity that has initiated but has not completed the audits of actuarial valuations, studies, and reports before the effective date of this bill from having to include in that audit an audit of each valuation, study, and report prepared in the preceding five-year period.

EFFECTIVE DATE

September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 1070 differs from the original by exempting a governmental entity that has received a final audit report of actuarial valuations, studies, and reports of a public retirement system before the effective date of this bill from having to initiate another audit accommodating the changes made by this bill before September 13, 2013, whereas the original exempted a public retirement system, rather than a governmental entity, that has conducted the appropriate audits of a public retirement system before the effective date of this bill from having to conduct an additional audit.

C.S.H.B. 1070 differs from the original by requiring a governmental entity that was required to but has not initiated the appropriate audits before the effective date of this bill to conduct the audit not later than March 1, 2010, rather than requiring a public retirement system that was required to but has not conducted the appropriate audits before the effective date of this bill to conduct the audits not later than March 1, 2010, as in the original.

C.S.H.B. 1070 adds a provision not in the original establishing that the requirement for the first audit initiated under the provisions of the substitute to include an audit of each actuarial valuation, study, and report prepared for a retirement system in the preceding five years does not apply to a governmental entity that has initiated but has not completed the audits of actuarial valuations, studies, and reports.