

## **BILL ANALYSIS**

C.S.H.B. 13  
By: Callegari  
Pensions  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Public pension plans in Texas cover not only schoolteachers and state employees but also firefighters, police officers, county employees, and municipal employees, among others. Interested parties note that, given the large number of participants, the financial health of these plans affect the lives of millions of Texans whether or not they are participants in the public pension plans.

C.S.H.B. 13 seeks to improve public pension systems and the administrative authority of the State Pension Review Board by increasing the transparency of information, particularly financial information, relating to public pension plans and improving the training of trustees who serve on certain public pension boards and of system administrators.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the State Pension Review Board in SECTIONS 2, 7, and 8 of this bill.

### **ANALYSIS**

C.S.H.B. 13 amends the Government Code to require the State Pension Review Board to post on the board's Internet website, or on a publicly available website that is linked to the board's website, for each public retirement system the most recent data from system reports relating to actuarial valuation, annual finances, the number of system members and retirees, system registration with the board, and certain investment returns and assumptions. The bill requires the board, on the 60th day after the date a statutorily required report or information is due to the board, to post on the board's website a list of public retirement systems that have not submitted the required reports or information. The bill requires the board, for each public retirement system included on the list, to notify, as applicable, the governor and the Legislative Budget Board regarding the lack of a timely submission by the Employees Retirement System of Texas, the Teacher Retirement System of Texas, the Texas County and District Retirement System, the Texas Municipal Retirement System, or the Judicial Retirement System of Texas Plan Two or the governing body of the political subdivision of which the public retirement system's members are employees regarding the lack of a timely submission by a public retirement system other than those specified systems.

C.S.H.B. 13 requires the pension review board, as soon as practicable after the bill's effective date but not later than December 31, 2013, to develop and make reasonably accessible on the board's Internet website model ethical standards and conflict-of-interest policies for voluntary use by a public retirement system but establishes that such a system is not required to adopt a standard or policy based on the developed model.

C.S.H.B. 13 requires the pension review board to develop and administer an educational training program for trustees and system administrators and requires the program's curriculum to include minimum training requirements for trustees and system administrators. The bill requires the

board to develop a system to track compliance with the minimum training requirements by trustees and system administrators and to report the level of compliance in the board's biennial report to the legislature and governor. The bill authorizes the inclusion of optional training classes for trustees, system administrators, and other employees of public retirement systems in that curriculum. The bill requires the board, to the extent practicable, to make training classes reasonably accessible to trustees and system administrators on an Internet website maintained for that purpose.

C.S.H.B. 13 authorizes the pension review board to adopt rules and appropriate fees to administer and to provide the educational training programs. The bill requires the fees set by the board to be reasonable to pay the actual costs incurred by the board to conduct the training classes and to be paid from a source considered appropriate by the governing body of the public retirement system. The bill authorizes a public retirement system to provide its own educational training to its trustees and system administrators if the board determines that the system's training meets or exceeds the minimum training requirements established by the board and establishes that a trustee or system administrator who participates in that approved educational training fulfills the minimum training requirements established by the board.

C.S.H.B. 13 requires a public retirement system to post on a publicly available Internet website the name, business address, and business telephone number of a system administrator and a copy of the most recent edition of each report and other written information that the system is required to submit to the pension review board. The bill requires a public retirement system that maintains a website or for which a website is maintained to prominently post a link on that website to the required information. The bill requires all other public retirement systems to prominently post the required information on a website that is maintained by the governing body of the political subdivision of which the system's members are officers or employees or to post the required information on a publicly available website maintained by a state agency. The bill requires a posted report or information to remain posted until replaced with a more recently submitted edition of the report or information.

C.S.H.B. 13 requires a public retirement system, before the 211th day after the last day of its fiscal year, to submit to the pension review board an investment returns and actuarial assumptions report that includes: gross investment returns and net investment returns for each of the most recent 10 fiscal years; the rolling gross and rolling net investment returns for the most recent 1-year, 3-year, and 10-year periods; the rolling gross and rolling net investment return for the most recent 30-year period or the gross and net investment return since inception of the system, whichever period is shorter; the assumed rate of return used in the most recent actuarial valuation; and the assumed rate of return used in each of the most recent 10 actuarial valuations. The bill, for purposes of the report, authorizes the net investment return, defined as the gross investment return minus investment expenses, to be calculated as the money-weighted rate of return as required by generally accepted accounting principles and requires the period basis for each report of investment returns to be the fiscal year of the public retirement system submitting the report. The bill requires the governing body of a public retirement system, if any information required to be reported by the public retirement system as part of the investment returns and actuarial assumptions report is unavailable, to submit to the pension review board, before the 211th day after the last day of the system's fiscal year, a letter certifying that the information is unavailable, providing a reason for the unavailability of the information, and agreeing to timely submit the information to the board if it becomes available.

C.S.H.B. 13 requires the pension review board to conduct a study of the financial health of public retirement systems in Texas, including each system's ability to meet its long-term obligations taking into account the contributions made to, benefits paid by, and investments made by the public retirement system. The bill authorizes the pension review board to adopt rules to define the scope of the study. The bill requires each system to cooperate fully with the board in conducting the study and to timely respond to requests for information made by the board for the purpose of performing the study. The bill establishes that certain confidential

information about individuals that is provided by a public retirement system for purposes of conducting the study remains confidential and may not be disclosed by the board. The bill requires the board, not later than September 1, 2014, to prepare a written report containing the findings of the study, including the board's recommendations regarding how a public retirement system may mitigate its risk of not meeting its long-term obligations. The bill requires the pension review board to provide each public retirement system covered in the report a reasonable opportunity to review the portion of the report and the recommendations applicable to that retirement system and an opportunity to submit a response to the board. The bill authorizes the board to revise its report after considering a response and requires the board, not later than December 31, 2014, to submit to the legislature the final written report, including the board's recommendations and a copy of the responses provided by the public retirement systems.

C.S.H.B. 13 requires the pension review board to adopt rules to implement the educational training program required by the bill's provisions as soon as practicable after the bill's effective date but not later than necessary to begin providing training classes on or before September 1, 2014. The bill restricts the board's evaluation of trustee and system administrator compliance with the minimum training requirements of the educational training program for reporting purposes to the level of compliance on or after January 1, 2015.

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2013.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 13 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

#### INTRODUCED

**No equivalent provision.**

SECTION 1. Subchapter C, Chapter 801, Government Code, is amended by adding Sections 801.209, 801.210, and 801.211 to read as follows:  
Sec. 801.209. PUBLIC RETIREMENT SYSTEM REPORTS AND INFORMATION. (a) For each public

#### HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 801.001, Government Code, is amended by adding Subdivisions (1-a), (3), and (4) to read as follows:  
(1-a) "Governing body of a public retirement system" has the meaning assigned by Section 802.001.  
(3) "System administrator" means a person designated by the governing body of a public retirement system to supervise the day-to-day affairs of the public retirement system.  
(4) "Trustee" means a member of the governing body of a public retirement system.

SECTION 2. Subchapter C, Chapter 801, Government Code, is amended by adding Sections 801.209, 801.210, and 801.211 to read as follows:  
Sec. 801.209. PUBLIC RETIREMENT SYSTEM REPORTS AND INFORMATION. (a) For each public

retirement system, the board shall post on the board's Internet website, or on a publicly available website that is linked to the board's website:

(1) the most recent data from each annual financial report received by the board;

(2) the most recent data from each report on investment returns and assumptions received by the board; and

(3) the name, business address, and business telephone number of the administrator of the public retirement system.

(b) On the 60th day after the date a report or information required by this chapter or Chapter 802 is due to the board, the board shall post on the board's website a list of public retirement systems that have not submitted the required reports or information.

(c) For each retirement system included on the list posted under Subsection (b), the board shall notify:

(1) the governor and the Legislative Budget Board regarding the lack of a timely submission by the Employees Retirement System of Texas, the Teacher Retirement System of Texas, the Texas County and District Retirement System, the Texas Municipal Retirement System, or the Judicial Retirement System of Texas Plan Two; or

(2) the governing body of the political subdivision of which members of the public retirement system are officers or employees regarding the lack of a timely submission by a public retirement system other than a system listed in Subdivision (1).

Sec. 801.210. MODEL ETHICAL STANDARDS AND CONFLICT-OF-INTEREST POLICIES.

Sec. 801.211. PUBLIC RETIREMENT SYSTEM EDUCATIONAL TRAINING PROGRAM. (a) The board shall develop and administer an educational training program for trustees and administrators of public retirement systems.

(b) The curriculum of the educational training program must include minimum training requirements for board members and administrators. The board shall develop a system to track compliance with

retirement system, the board shall post on the board's Internet website, or on a publicly available website that is linked to the board's website, the most recent data from reports received under Sections 802.101, 802.103, 802.104, 802.105, and 802.108.

(b) On the 60th day after the date a report or information required by this chapter or Chapter 802 is due to the board, the board shall post on the board's website a list of public retirement systems that have not submitted the required reports or information.

(c) For each public retirement system included on the list posted under Subsection (b), the board shall notify:

(1) the governor and the Legislative Budget Board regarding the lack of a timely submission by the Employees Retirement System of Texas, the Teacher Retirement System of Texas, the Texas County and District Retirement System, the Texas Municipal Retirement System, or the Judicial Retirement System of Texas Plan Two; or

(2) the governing body of the political subdivision of which members of the public retirement system are employees regarding the lack of a timely submission by a public retirement system other than a system listed in Subdivision (1).

Sec. 801.210. Substantially the same as introduced version.

Sec. 801.211. PUBLIC RETIREMENT SYSTEM EDUCATIONAL TRAINING PROGRAM. (a) The board shall develop and administer an educational training program for trustees and system administrators.

(b) The curriculum of the educational training program must include minimum training requirements for trustees and system administrators. The board shall develop a system to track compliance with

the minimum training requirements by board members and administrators and shall report the level of compliance in the biennial report required by Section 801.203.

(c) The curriculum of the educational training program under this section may include optional training classes for trustees, administrators, and employees of public retirement systems.

(d) To the extent practicable, the board shall make training classes reasonably accessible to trustees and administrators of public retirement systems on an Internet website maintained for that purpose.

(e) The board may adopt rules and appropriate fees to administer and provide educational training programs under this section. The net proceeds of the fees shall be deposited in the State Pension Review Board fund.

No equivalent provision.

SECTION 2. The heading to Section 802.107, Government Code, is amended to read as follows:

Sec. 802.107. GENERAL PROVISIONS RELATING TO REPORTS AND CONTACT INFORMATION.

the minimum training requirements by trustees and system administrators and shall report the level of compliance in the biennial report required by Section 801.203.

(c) The curriculum of the educational training program under this section may include optional training classes for trustees, system administrators, and other employees of public retirement systems.

(d) To the extent practicable, the board shall make training classes reasonably accessible to trustees and system administrators of public retirement systems on an Internet website maintained for that purpose.

(e) The board may adopt rules and appropriate fees to administer and provide educational training programs under this section. The fees set by the board must be reasonable to pay the actual costs incurred by the board to conduct the training classes. The fees must be paid from a source considered appropriate by the governing body of the public retirement system. A public retirement system may provide its own educational training to its trustees and system administrators if the board determines that the system's training meets or exceeds the minimum training requirements established by the board. A trustee or system administrator who participates in that approved educational training fulfills the minimum training requirements established by the board.

SECTION 3. Section 802.001, Government Code, is amended by adding Subdivision (4) to read as follows:

(4) "System administrator" means a person designated by the governing body of a public retirement system to supervise the day-to-day affairs of the public retirement system.

SECTION 4. Same as introduced version.

SECTION 3. Section 802.107, Government Code, is amended by adding Subsections (c), (d), and (e) to read as follows:

(c) A public retirement system shall post on a publicly available Internet website:

(1) the name, business address, and business telephone number of the administrator of the public retirement system; and

(2) a copy of the most recent edition of each report and other information that is required by this chapter or Chapter 801 to be submitted to the board.

(d) A public retirement system that maintains a website or for which a website is maintained shall prominently post a link on that website to the information required by Subsection (c). All other public retirement systems shall:

(1) prominently post the information required by Subsection (c) on a website that is maintained by the governing body of the political subdivision of which members of the public retirement system are officers or employees; or

(2) post the information required by Subsection (c) on a publicly available website that is maintained by a state agency.

(e) A report or other information posted under Subsection (c) must remain posted until replaced with a more recently submitted edition of the report or information.

SECTION 4. Subchapter B, Chapter 802, Government Code, is amended by adding Section 802.108 to read as follows:

Sec. 802.108. REPORT OF INVESTMENT RETURNS AND ASSUMPTIONS. A public retirement system shall, before the 211th day after the last day of the fiscal year under which the system operates, submit to the board an investment returns and assumptions report that includes:

(1) net investment returns for each of the most recent 10 fiscal years;

(2) the rolling net rate of return for the most recent 1-year, 3-year, 10-year, and 30-year periods;

(3) the net rate of return since inception of

SECTION 5. Section 802.107, Government Code, is amended by adding Subsections (c), (d), and (e) to read as follows:

(c) A public retirement system shall post on a publicly available Internet website:

(1) the name, business address, and business telephone number of a system administrator of the public retirement system; and

(2) a copy of the most recent edition of each report and other written information that is required by this chapter or Chapter 801 to be submitted to the board.

(d) A public retirement system that maintains a website or for which a website is maintained shall prominently post a link on that website to the information required by Subsection (c). All other public retirement systems shall:

(1) prominently post the information required by Subsection (c) on a website that is maintained by the governing body of the political subdivision of which members of the public retirement system are officers or employees; or

(2) post the information required by Subsection (c) on a publicly available website that is maintained by a state agency.

(e) A report or other information posted under Subsection (c) must remain posted until replaced with a more recently submitted edition of the report or information.

SECTION 6. Subchapter B, Chapter 802, Government Code, is amended by adding Section 802.108 to read as follows:

Sec. 802.108. REPORT OF INVESTMENT RETURNS AND ASSUMPTIONS. (a) A public retirement system shall, before the 211th day after the last day of its fiscal year, submit to the board an investment returns and actuarial assumptions report that includes:

(1) gross investment returns and net investment returns for each of the most recent 10 fiscal years;

(2) the rolling gross and rolling net investment returns for the most recent 1-year, 3-year, and 10-year periods;

(3) the rolling gross and rolling net

the system;

(4) the current assumed rate of return; and

(5) the assumed rates of return for the most recent 10 fiscal years.

No equivalent provision.

No equivalent provision.

SECTION 5. (a) In this section:

(1) "Governing body of a public retirement system" and "public retirement system" have the meanings assigned by Section 802.001, Government Code.

(2) "Pension review board" means the State Pension Review Board established under Chapter 801, Government Code.

(b) The pension review board shall conduct a study of the financial health of public retirement systems in this state, including each system's ability to meet its long-term obligations considering the contributions, benefits, and investments made under the system.

(c) Each public retirement system,

investment return for the most recent 30-year period or the gross and net investment return since inception of the system, whichever period is shorter;

(4) the assumed rate of return used in the most recent actuarial valuation; and

(5) the assumed rate of return used in each of the most recent 10 actuarial valuations.

(b) For purposes of this section, "net investment return" means the gross investment return minus investment expenses. The net investment return may be calculated as the money-weighted rate of return as required by generally accepted accounting principles. The period basis for each report of investment returns under this section must be the fiscal year of the public retirement system submitting the report.

(c) If any information required to be reported by a public retirement system under Subsection (a) is unavailable, the governing body of the public retirement system shall, before the 211th day after the last day of the public retirement system's fiscal year, submit to the board a letter certifying that the information is unavailable, providing a reason for the unavailability of the information, and agreeing to timely submit the information to the board if it becomes available.

SECTION 7. (a) In this section:

(1) "Governing body of a public retirement system" and "public retirement system" have the meanings assigned by Section 802.001, Government Code.

(2) "Pension review board" means the State Pension Review Board established under Chapter 801, Government Code.

(b) The pension review board shall conduct a study of the financial health of public retirement systems in this state, including each system's ability to meet its long-term obligations taking into account the contributions made to, benefits paid by, and investments made by the public retirement system. The pension review board may adopt rules to define the scope of the study under this subsection.

(c) Each public retirement system shall

including the governing bodies, officers, and employees of each retirement system, shall fully cooperate with the pension review board in conducting the study required under Subsection (b) of this section and timely respond to any request for information made by the board for the purpose of performing the study.

(d) Not later than September 1, 2014, the pension review board shall submit to the legislature a written report containing the findings of the study conducted under this section and the board's recommendations, including the board's recommendations regarding how each public retirement system may mitigate any risk of not meeting the system's long-term obligations.

fully cooperate with the pension review board in conducting the study required under Subsection (b) of this section and timely respond to requests for information made by the board for the purpose of performing the study. Confidential information as described by Section 552.0038(c), Government Code, that is provided by a public retirement system under this subsection remains confidential and may not be disclosed by the board.

(d) Not later than September 1, 2014, the pension review board shall prepare a written report containing the findings of the study conducted under this section, including the board's recommendations regarding how a public retirement system may mitigate its risk of not meeting its long-term obligations.

(e) The pension review board shall provide each public retirement system covered in the report prepared under Subsection (d) of this section a reasonable opportunity to review the portion of the report and the recommendations applicable to that retirement system and an opportunity to submit a response to the board. The board may revise its report after considering a response. Not later than December 31, 2014, the board shall submit to the legislature the final written report, including the board's recommendations, and a copy of the responses provided by the public retirement systems under this subsection.

SECTION 6. (a) The State Pension Review Board shall develop and publish the model ethical standards and conflict-of-interest policies required by Section 801.210, Government Code, as added by this Act, as soon as practicable after the effective date of this Act, but not later than December 31, 2013.

(b) The State Pension Review Board shall adopt rules to implement the educational training program required by Section 801.211, Government Code, as added by this Act, as soon as practicable after the effective date of this Act, but not later than necessary to begin providing training classes on or before September 1, 2014.

SECTION 8. Same as introduced version.



(c) For purposes of reporting the level of compliance with the minimum training requirements of the educational training program as required by Section 801.211(b), Government Code, as added by this Act, the State Pension Review Board may only evaluate compliance with the minimum training requirements by trustees and administrators of public retirement systems on or after January 1, 2015.

SECTION 7. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2013.

SECTION 9. Same as introduced version.