

## **BILL ANALYSIS**

C.S.S.B. 200  
By: Patrick  
Pensions  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The State Pension Review Board was created in 1979 to oversee state and local public retirement systems through the ongoing assessment of the systems' actuarial and financial soundness. The agency also provides policymakers and the public with information on Texas' public pensions, and provides education and assistance to pension trustees and administrators. The Board is subject to the Sunset Act and will be abolished on September 1, 2013, unless continued by the Legislature. As a result of its review of the Board, the Sunset Advisory Commission recommended several statutory modifications that are contained in this legislation.

### **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**

#### ***Continues the State Pension Review Board.***

C.S.S.B. 200 changes the Board's Sunset review date to 2025 to continue the agency for 12 years.

#### ***Removes the two legislative members from the Board and reduces the Board to seven members.***

C.S.S.B. 200 repeals Section 801.104, Government Code, which requires the lieutenant governor to appoint a member of the senate and the speaker to appoint a member of the house to the Pension Review Board. By removing the legislative members, the bill reduces the Board from nine to seven members and makes conforming changes necessary to reflect the reduced membership, including specifying that two or three members' terms expire each odd-numbered year.

The bill specifies that the term of a legislative member of the Board expires on January 31, 2017, while a board member appointed by the governor who is serving on the effective date of the bill continues to serve until the term expires. C.S.S.B. 200 requires the governor to make appointments to fill vacancies on the Board so that board members' terms expire in compliance with statute to provide for staggering the remaining members' terms and allows a person to be appointed to a term of less than six years.

#### ***Exempts defined contribution and certain local volunteer firefighter retirement plans from most State Pension Review Board reporting requirements.***

C.S.S.B. 200 defines "defined contribution plan" and exempts defined contribution and certain local volunteer firefighter retirement plans from certain reporting requirements including reports on membership, investment policy, annual financial condition, actuarial valuations, and membership. The bill maintains requirements for defined contribution and certain local volunteer firefighter retirement plans regarding registration with the Board, summarized plan information, and significant plan changes.

C.S.S.B. 200 includes an exemption for certain local volunteer firefighter retirement plans from the statutory requirement to have their accounts audited at least annually by a certified public accountant, but does not include this exemption for defined contribution plans. The bill makes a conforming change by repealing Sec. 802.103(c), Government Code, which provides an alternative annual financial reporting requirement for local firefighter pension plans with less than \$50,000 in total assets.

***Clarifies the Board's authority to provide training.***

C.S.S.B. 200 creates a new section of code that describes and expands upon the agency's existing statutory authorization to develop and conduct training and other educational activities for public retirement system trustees and administrators. The bill authorizes the Board to use live training seminars on the Internet and other technologies, and to maintain archives of previous training sessions online.

***Updates public retirement system reporting requirements to help the Board receive needed data.***

C.S.S.B. 200 defines "actuarial experience study" and requires public retirement systems that conduct actuarial experience studies to submit copies of the studies to the Board before the 31st day after the study's adoption. The bill exempts five statewide retirement systems from this requirement. The bill specifies that the requirement to send copies of actuarial experience studies applies only to actuarial experience studies conducted on or after the effective date of the bill.

C.S.S.B. 200 clarifies existing law regarding required financial reports specifying that a general audit of the governmental entity that employs the active members of a retirement system does not satisfy retirement systems' annual financial reporting requirements.

C.S.S.B. 200 requires public retirement systems to provide the Board with a summary of significant changes to their statutes or ordinances affecting benefits, contributions, or eligibility before the 31st day, rather than the 271st day, after their adoption. The bill specifies that the requirement to report plan changes to the Board before the 31st day after their adoption applies only to changes adopted on or after the effective date of the bill. The bill does not change the requirement for public retirement systems to submit specified summary information under Sec. 802.106(a) before the 31st day after the date of publication.

***Applies standard Sunset across-the-board recommendations.***

C.S.S.B. 200 adds standard Sunset language requiring the Board to develop a policy that encourages the use of negotiated rulemaking and alternative dispute resolution. The bill adds standard Sunset language prohibiting a person from serving as a board member or high-level agency employee if the person, or the person's spouse, is an officer, employee, or paid consultant of a Texas trade association in the field of pensions and defines "Texas trade association." The bill specifies that this change in law related to board membership applies only to a member appointed on or after September 1, 2013.

***Repealers***

C.S.S.B. 200 repeals Sections 801.104 and 802.103(c), Government Code.

**EFFECTIVE DATE**

September 1, 2013.

**COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.S.B. 200 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 Senate engrossed and committee substitute versions of the bill.

SENATE ENGROSSED	HOUSE COMMITTEE SUBSTITUTE
SECTION 1. Subsection (a), Section 801.102, Government Code, is amended.	SECTION 1. Same as engrossed version.
SECTION 2. Section 801.1021, Government Code, is amended.	SECTION 2. Same as engrossed version.
SECTION 3. Section 801.106, Government Code, is amended.	SECTION 3. Same as engrossed version.
SECTION 4. Subsection (a), Section 801.1061, Government Code, is amended.	SECTION 4. Same as engrossed version.
SECTION 5. Section 801.107, Government Code, is amended.	SECTION 5. Same as engrossed version.
SECTION 6. Subchapter C, Chapter 801, Government Code, is amended.	SECTION 6. Same as engrossed version.
SECTION 7. Subchapter C, Chapter 801, Government Code, is amended.	SECTION 7. Same as engrossed version.
SECTION 8. Section 802.001, Government Code, is amended.	SECTION 8. Same as engrossed version.
SECTION 9. Section 802.002, Government Code, is amended.	SECTION 9. Same as engrossed version.
SECTION 10. Subchapter B, Chapter 802, Government Code, is amended.	SECTION 10. Same as engrossed version.
SECTION 11. Section 802.102, Government Code, is amended.	SECTION 11. Same as engrossed version.
SECTION 12. Section 802.103, Government Code, is amended.	SECTION 12. Same as engrossed version.
SECTION 13. Subsection (h), Section 802.106, Government Code, is amended.	SECTION 13. Same as engrossed version.
SECTION 14. Section 801.104 and	SECTION 14. Same as engrossed version.

Subsection (c), Section 802.103, Government Code, are repealed.

SECTION 15. (a) The change in law made by this Act to Section 801.1021, Government Code, regarding prohibitions on members of the State Pension Review Board does not affect the entitlement of a member serving on the board immediately before September 1, 2013, to continue to serve and function as a member of the board for the remainder of the member's term. The change in law made to that section applies only to a member appointed on or after September 1, 2013.

(b) Section 802.1014, Government Code, as added by this Act, applies only to an actuarial experience study conducted on or after the effective date of this Act. An actuarial experience study conducted before the effective date of this Act is governed by the law in effect immediately before that date, and that law is continued in effect for that purpose.

(c) Section 802.102, Government Code, as amended by this Act, is intended to clarify existing law with respect to the audit required by that section.

(d) Subsection (d), Section 802.103, Government Code, as added by this Act, is intended to clarify existing law with respect to the annual financial report required by Section 802.103, Government Code.

(e) Subsection (h), Section 802.106, Government Code, as amended by this Act, applies only to a change in statutes or ordinances governing a retirement system described by Subsection (b), Section 802.106, Government Code, that is adopted on or after the effective date of this Act. A change in statutes or ordinances that is adopted before the effective date of this Act is governed by the law in effect immediately before that date, and that law is continued in effect for that purpose.

SECTION 16. (a) A person who is serving as a member of the State Pension Review Board appointed under Section 801.103, Government Code, on the effective date of this Act continues to serve until the person's term expires.

(b) The governor shall make appointments to fill vacancies on the State Pension

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SECTION 16. (a) A person who is serving as a member of the State Pension Review Board appointed under Section 801.103, Government Code, on the effective date of this Act continues to serve until the person's term expires.

(b) The governor shall make appointments to fill vacancies on the State Pension

Review Board so that board members' terms of office expire in compliance with Section 801.106, Government Code, as amended by this Act, and, if necessary for compliance with that section, a person may be appointed to a term of office that expires in less than six years.

(c) The term of a person who is serving as a member of the State Pension Review Board appointed under Section 801.104, Government Code, expires on the effective date of this Act.

SECTION 17. This Act takes effect September 1, 2013.

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(c) The term of a person who is serving as a member of the State Pension Review Board appointed under Section 801.104, Government Code, expires January 31, 2017.

SECTION 17. Same as engrossed version.