

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 26, 2013

TO: Honorable Bill Callegari, Chair, House Committee on Pensions

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3148** by Anchia (Relating to the abolition of the office of the fire fighters' pension commissioner and the transfer and disposition of its functions relating to the Texas Emergency Services Retirement System and the Texas local firefighters retirement systems.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3148, Committee Report 1st House, Substituted: a positive impact of \$173,838 through the biennium ending August 31, 2015.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$85,669
2015	\$88,169
2016	\$88,169
2017	\$88,169
2018	\$88,169

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2013
2014	\$85,669	2.5
2015	\$88,169	2.5
2016	\$88,169	2.5
2017	\$88,169	2.5
2018	\$88,169	2.5

Fiscal Analysis

The Fire Fighters' Pension Commissioner is subject to the Sunset Act and will be abolished on September 1, 2013 unless continued by the Legislature. The bill would amend the Government Code; Texas Revised Civil Statutes, the Texas Local Fire Fighters Retirement Act (TLFFRA); and, the Education Code (non-substantive revisions) to abolish the Fire Fighters' Pension Commissioner and eliminate statutory duties and responsibilities of the office. The bill would amend the Government Code to delete the appointment of the Commissioner by the Governor.

The bill would amend the Government Code to establish the board of the Texas Emergency Services Retirement System (TESRS) as an independent state entity, with the power to employ an executive director for system administration. The bill would amend the Government Code to provide for a review of TESRS by the Sunset Commission in 2025. The bill would amend the Government Code to revise the procedure for appeals related to TESRS. The bill would amend the Government Code to include certain standard Sunset across-the-board recommendations related to potential conflicts of interest, board member training, policies required for the separation of duties between the board and the executive director, a written policy for contract management, and a policy related to file maintenance for complaints. The bill would amend the Government Code to require certain reporting of the actuarial condition of the pension fund and both an audit of the actuarial valuation and an experience study every five years. The bill would permit a retiree to serve as a trustee of the TESRS board.

The bill would amend Texas Revised Civil Statutes related to the procedure for appeals of decisions by local fire fighter pension boards established under this act, providing for submission of appeals directly to the State Office of Administrative Hearings instead of the Fire Fighters' Pension Commissioner. The bill would provide certain transition provisions for the abolition of the Fire Fighters' Pension Commissioner. The bill would require the State Pension Review Board (PRB) to provide technical assistance, training, and information designed to meet the needs of board members of local fire fighter pension plans. The bill would require PRB to designate a person on staff who specializes in providing the assistance to local fire fighter pension plans.

The bill would take effect immediately upon receiving a two-thirds majority vote in each house. Otherwise, the bill would take effect September 1, 2013.

Methodology

The bill would eliminate the Commissioner's duties and responsibilities related to the education and assistance programs for local fire fighter pension funds established under Texas Revised Civil Statutes, resulting in a savings of \$173,000 in General Revenue and a reduction of 3.5 FTE in each year of the 2014-15 biennium. The savings is offset by the estimated cost of the Pension Review Board designating a staff person to specialize in providing training and technical assistance to local fire fighter plans. PRB estimates the need for an additional Program Specialist III at a cost of \$65,000 per fiscal year plus \$19,331 per fiscal year for associated employee benefits. PRB estimates an additional \$500 cost in each fiscal year for other operating expenses.

The bill would continue the duties and responsibilities of the Texas Emergency Services Retirement System and this analysis assumes continued state appropriation for the cost of administration of approximately \$500,000 and five FTE per year. The bill would require additional actuarial services, including an audit of the actuarial valuation and an experience study every five years, at an estimated cost to the pension fund of approximately \$100,000 over the next five years.

Based on the responses of the Office of Attorney General, State Office of Administrative Hearings, and the Comptroller of Public Accounts any costs associated with the bill could be absorbed within the affected agencies' existing resources.

Technology

The Pension Review Board estimates a one-time cost of \$2,500 for equipment necessary for an additional Program Specialist to implement the requirement of the bill to have a designated person that specializes in providing technical assistance and training to local fire fighter plans.

Local Government Impact

The bill would transfer certain services currently provided by the office of the Fire Fighters' Pension Commissioner (FFPC) to local pension funds organized under the Texas Local Fire Fighters Retirement Act (TLFFRA) to the State Pension Review Board (PRB). PRB must provide similar services and must designate a person who specializes in providing these services. No significant fiscal impact to local governments is anticipated.

The Texas County and District Retirement Systems (TCDRS) reported there would be no fiscal impact to TCERS or their member counties and districts to implement the provisions of the bill.

The Texas Association of Counties reported no fiscal impact to counties is expected.

The Texas Municipal Retirement System reported no fiscal impact is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 325 Fire Fighters' Pension Commissioner, 338 Pension Review Board, 360 State Office of Administrative Hearings

LBB Staff: UP, RB, EP, PFe, WM, TP