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S.B. No. 936

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the creation of a joint interim committee to undertake a
3 study of the public retirement systems of this state.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. DEFINITION. In this Act, "public retirement
6 system" has the meaning assigned by Section 802.001, Government
7 Code.

8 SECTION 2. CREATION OF JOINT INTERIM COMMITTEE. (a) A
9 joint interim committee is created to study and assess each public
10 retirement system of this state and report on the issues described
11 by Section 3 of this Act.

12 (b) The joint interim committee shall be composed of three
13 senators appointed by the lieutenant governor and three members of
14 the house of representatives appointed by the speaker of the house
15 of representatives.

16 (c) The lieutenant governor and speaker of the house of
17 representatives shall each designate a co-chair from among the
18 joint interim committee members.

19 (d) The joint interim committee shall convene at the joint
20 call of the co-chairs.

21 (e) The joint interim committee has all other powers and
22 duties provided to a special or select committee by the rules of the
23 senate and house of representatives, by Subchapter B, Chapter 301,
24 Government Code, and by policies of the senate and house committees

1 on administration.

2 SECTION 3. INTERIM STUDY REGARDING PUBLIC RETIREMENT
3 SYSTEMS. The joint interim committee created by Section 2 of this
4 Act shall:

5 (1) review and assess:

6 (A) the different types of retirement system
7 plans, including:

8 (i) defined contribution plans;

9 (ii) defined benefit plans;

10 (iii) hybrid public pension plans; and

11 (iv) cash balance pension plans;

12 (B) the actuarial assumptions used in making
13 actuarial valuations and analyses of public retirement systems and
14 the consequences of amending an assumption rate; and

15 (C) the effect that local agreements, including
16 meet and confer agreements, have on the sustainability of this
17 state's public retirement systems;

18 (2) study:

19 (A) the potential for allowing public retirement
20 systems to pool their assets for the purposes of taking advantage of
21 economies of scale and reducing costs; and

22 (B) the governance policies of this state's
23 public retirement systems and the effect of imposing more formal
24 requirements on governance, including a requirement that the
25 retirement systems and their associated governmental entities
26 jointly develop written funding, investment, and benefits policies
27 that have goals and objectives that reference one another, are

1 coordinated, and promote transparency;

2 (3) consider enhancing fee disclosures, specifically
3 the disclosure of fees that are related to alternative investment
4 vehicles;

5 (4) consider requiring:

6 (A) additional actuarial analyses, including a
7 discount rate sensitivity analysis and risk assessments; and

8 (B) additional disclosures, including disclosure
9 of:

10 (i) the sustained differences between the
11 actual and assumed rate of return on assets;

12 (ii) projected cash flows;

13 (iii) risks; and

14 (iv) the potential impact of actual future
15 measurements differing significantly from expected future
16 measurements; and

17 (5) study the public retirement systems' valuation
18 methodology for the illiquid asset class, including the
19 effectiveness of and compliance with the fair value measurement
20 requirement under the Governmental Accounting Standards Board
21 Statement No. 72.

22 SECTION 4. COMMITTEE FINDINGS AND RECOMMENDATIONS.

23 (a) Not later than January 15, 2019, the joint interim committee
24 shall report the committee's findings and recommendations to the
25 lieutenant governor, the speaker of the house of representatives,
26 and the governor. The joint interim committee shall include in its
27 recommendations specific statutory and regulatory changes that

1 appear necessary from the results of the committee's study under
2 Section 3 of this Act.

3 (b) Not later than the 60th day after the effective date of
4 this Act, the lieutenant governor and the speaker of the house of
5 representatives shall appoint the members of the joint interim
6 committee created under Section 2 of this Act in accordance with
7 that section.

8 SECTION 5. ABOLITION OF COMMITTEE. The joint interim
9 committee created by this Act is abolished and this Act expires
10 January 20, 2019.

11 SECTION 6. EFFECTIVE DATE. This Act takes effect
12 immediately if it receives a vote of two-thirds of all the members
13 elected to each house, as provided by Section 39, Article III, Texas
14 Constitution. If this Act does not receive the vote necessary for
15 immediate effect, this Act takes effect September 1, 2017.