

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**March 21, 2017**

**TO:** Honorable Joan Huffman, Chair, Senate Committee on State Affairs

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB509** by Huffman (Relating to the evaluation and reporting of investment practices and performance of certain public retirement systems.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB509, Committee Report 1st House, Substituted: a negative impact of (\$204,930) through the biennium ending August 31, 2019.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2018	(\$102,465)
2019	(\$102,465)
2020	(\$102,465)
2021	(\$102,465)
2022	(\$102,465)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable (Cost) from General Revenue Fund 1</b>
2018	(\$102,465)
2019	(\$102,465)
2020	(\$102,465)
2021	(\$102,465)
2022	(\$102,465)

**Fiscal Analysis**

The bill would amend the Government Code requiring certain public retirement systems to hire an independent firm to evaluate the retirement system's investment practices. A retirement system

that has a book value of \$100 million on the last day of the fiscal year would perform an evaluation every three years. A retirement system that has a book value of less than \$100 million and at least \$30 million on the last day of the fiscal year would perform an evaluation every 6 years. The bill excludes public retirement systems with a book value of less than \$30 million on the last day of the fiscal year from this requirement.

No later than 31st day after the governing body receives a report the retirement system would submit an annual investment performance report to the Pension Review Board.

No later than February 1 of each year the Pension Review Board would submit a comprehensive investment report to the governor, the lieutenant governor, the speaker of the house, and the legislative committees having principal jurisdiction over public retirement systems.

### **Methodology**

The Pension Review Board (PRB) estimates it would need one Investment Analyst II at \$75,000 per year in salary and \$27,465 per year in benefits to implement the provisions of the bill. According to information provided by PRB, the agency does not currently have staff that are experts on retirement investments.

The LBB estimates any additional cost to state agencies can be absorbed within existing resources.

### **Local Government Impact**

According to the Texas Municipal Retirement Systems, no local fiscal impact is anticipated.

**Source Agencies:** 323 Teacher Retirement System, 326 Texas Emergency Services Retirement System, 327 Employees Retirement System, 338 Pension Review Board

**LBB Staff:** UP, BM, AG, GG, NV, KFa