

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**March 25, 2019**

**TO:** Honorable Jim Murphy, Chair, House Committee on Pensions, Investments & Financial Services

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE: HB1887** by Murphy (Relating to the evaluation and reporting of investment practices and performance of certain public retirement systems.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1887, As Introduced: a negative impact of (\$202,396) through the biennium ending August 31, 2021.

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>
2020	(\$101,198)
2021	(\$101,198)
2022	(\$101,198)
2023	(\$101,198)
2024	(\$101,198)

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

<b>Fiscal Year</b>	<b>Probable (Cost) from General Revenue Fund 1</b>
2020	(\$101,198)
2021	(\$101,198)
2022	(\$101,198)
2023	(\$101,198)
2024	(\$101,198)

<b>Fiscal Year</b>	<b>Change in Number of State Employees from FY 2019</b>
2020	1.0
2021	1.0
2022	1.0
2023	1.0
2024	1.0

### **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 \$26,198 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 System, the Texas Association of Counties, and the Texas Municipal League, no significant fiscal implication to units of local government is anticipated.

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

**LBB Staff:** WP, CMa, NV, KFB, ASa, AF