LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 22, 2019

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

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

IN RE: **SB322** by Huffman (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 SB322, 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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	($101,198)
2021	($101,198)
2022	($101,198)
2023	($101,198)
2024	($101,198)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *General Revenue Fund* 1
2020	($101,198)
2021	($101,198)
2022	($101,198)
2023	($101,198)
2024	($101,198)

Fiscal Year	Change in Number of State Employees from FY 2019
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