87R11631 BDP-D

By:  Capriglione H.B. No. 3685

A BILL TO BE ENTITLED

AN ACT

relating to the creation of a work group to undertake a study of the Employees Retirement System of Texas.

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

SECTION 1.  DEFINITION. In this Act, "retirement system" means the Employees Retirement System of Texas.

SECTION 2.  CREATION OF WORK GROUP. (a) A work group is created to study and assess the retirement system and report on the issues described by Section 3 of this Act.

(b)  The work group shall be composed of:

(1)  three senators appointed by the lieutenant governor;

(2)  three members of the house of representatives appointed by the speaker of the house of representatives;

(3)  two members of the public who are appointed by the lieutenant governor; and

(4)  two members of the public who are appointed by the speaker of the house of representatives.

(c)  The lieutenant governor and speaker of the house of representatives shall jointly designate a presiding officer from among the members of the work group.

(d)  The work group shall convene at the call of the presiding officer.

SECTION 3.  INTERIM STUDY REGARDING RETIREMENT SYSTEM. The work group created by Section 2 of this Act shall:

(1)  review and assess:

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

(i)  defined contribution plans;

(ii)  defined benefit plans;

(iii)  hybrid public pension plans; and

(iv)  cash balance pension plans; and

(B)  the actuarial assumptions used in making actuarial valuations and analyses of the retirement system and the consequences of amending an assumption rate;

(2)  study:

(A)  the potential for allowing the retirement system to pool assets with other systems for the purposes of taking advantage of economies of scale and reducing costs; and

(B)  the governance policies of the retirement system and the effect of imposing more formal requirements on governance;

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

(4)  consider requiring:

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

(B)  additional disclosures, including disclosure of:

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

(ii)  projected cash flows;

(iii)  risks; and

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

(5)  study the retirement system's valuation methodology for the illiquid asset class, including the effectiveness of and compliance with the fair value measurement requirement under the Governmental Accounting Standards Board Statement No. 72.

SECTION 4.  WORK GROUP FINDINGS AND RECOMMENDATIONS. (a)  Not later than January 15, 2023, the work group shall report the work group's findings and recommendations to the lieutenant governor, the speaker of the house of representatives, and the governor. The work group shall include in its recommendations specific statutory and regulatory changes that appear necessary from the results of the work group's study under Section 3 of this Act.

(b)  Not later than the 60th day after the effective date of this Act, the lieutenant governor and the speaker of the house of representatives shall appoint the members of the work group created under Section 2 of this Act in accordance with that section.

SECTION 5.  ABOLITION OF WORK GROUP. The work group created by this Act is abolished and this Act expires January 20, 2023.

SECTION 6.  EFFECTIVE DATE. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2021.