

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

1 work group created by Section 2 of this Act shall:

2 (1) review and assess:

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

5 (i) defined contribution plans;

6 (ii) defined benefit plans;

7 (iii) hybrid public pension plans; and

8 (iv) cash balance pension plans; and

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

12 (2) study:

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

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

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

22 (4) consider requiring:

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

25 (B) additional disclosures, including disclosure
26 of:

27 (i) the sustained differences between the

1 actual and assumed rate of return on assets;
2 (ii) projected cash flows;
3 (iii) risks; and
4 (iv) the potential impact of actual future
5 measurements differing significantly from expected future
6 measurements; and
7 (5) study the retirement system's valuation
8 methodology for the illiquid asset class, including the
9 effectiveness of and compliance with the fair value measurement
10 requirement under the Governmental Accounting Standards Board
11 Statement No. 72.

12 SECTION 4. WORK GROUP FINDINGS AND RECOMMENDATIONS.

13 (a) Not later than January 15, 2023, the work group shall report
14 the work group's findings and recommendations to the lieutenant
15 governor, the speaker of the house of representatives, and the
16 governor. The work group shall include in its recommendations
17 specific statutory and regulatory changes that appear necessary
18 from the results of the work group's study under Section 3 of this
19 Act.

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

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

26 SECTION 6. EFFECTIVE DATE. This Act takes effect
27 immediately if it receives a vote of two-thirds of all the members

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1 elected to each house, as provided by Section 39, Article III, Texas
2 Constitution. If this Act does not receive the vote necessary for
3 immediate effect, this Act takes effect September 1, 2021.