

BILL ANALYSIS

Senate Research Center

H.B. 2664
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State Affairs
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, each public retirement system conducts its own independent actuarial analysis. Retired governmental employees rely on their pension funds for the well-being of their retirement income. Actuarial assessments of those funds can and have varied considerably from one assessment to the next, and from one actuary to the next.

H.B. 2664 seeks to reduce actuarial variability and increase pensioner confidence by requiring certain actuarial statements to be audited once every five years to reduce variability in audit results over time.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 802, Government Code, by adding Section 802.1012, as follows:

Sec. 802.1012. AUDITS OF ACTUARIAL VALUATIONS, STUDIES, AND REPORTS. (a) Defines "governmental entity."

(b) Provides that, except as provided by Subsection (k), this section applies only to a public retirement system (retirement system) with total assets the book value of which, as of the last day of the preceding fiscal year, is at least \$100 million.

(c) Requires the actuarial valuations, studies, and reports of a retirement system most recently prepared for the retirement system as required by Section 802.101 (Actuarial Valuation) or other law under this title (Public Retirement Systems) or Title 109 (Pensions), Revised Statutes, to be audited every five years by an independent actuary who is engaged for the purpose of the audit by the governmental entity and holds certain credentials.

(d) Requires the governmental entity and the independent actuary, before beginning an audit under this section, to agree in writing to maintain the confidentiality of any nonpublic information provided by the retirement system for the audit.

(e) Requires the independent actuary, before beginning an audit under this section, to meet with the manager of the pension fund for the retirement system to discuss the appropriate assumptions to use in conducting the audit.

(f) Requires the independent actuary to submit to the retirement system for purposes of discussion and clarification a preliminary draft of the audit report that is substantially complete not later than the 30th day after completing the audit under Subsection (c).

(g) Requires the independent actuary to discuss the preliminary draft of the audit report with the governing body of the retirement system and to request in writing

that the retirement system, on or before the 30th day after the date of receiving the preliminary draft, submit to the independent actuary any response that the retirement system wants to accompany the final audit report.

(h) Requires the independent actuary to submit to the governmental entity the final audit report that includes the audit results and any response received from the retirement system not earlier than the 31st day after the date on which the preliminary draft is submitted to the retirement system and not later than the 60th day after the date on which the preliminary draft is submitted to the retirement system.

(i) Requires the governmental entity, at the first regularly scheduled open meeting after receiving the final audit report, to include on the posted agenda for the meeting the presentation of the audit results, to present the final audit report and any response from the retirement system, and to provide printed copies of the final audit report and the response from the retirement system for individuals attending the meeting.

(j) Requires the governmental entity to maintain a copy of the final audit report at its main office for public inspection, to submit a copy of the final audit report to the retirement system and the State Pension Review Board not later than the 30th day after the date the final audit report is received by the governmental entity, and to pay all costs associated with conducting the audit and preparing and distributing the report under this section.

(k) Sets forth certain retirement systems to which this section does not apply.

SECTION 2. Requires the first audit required under Section 802.1012, Government Code, as added by this Act, to be conducted not later than September 1, 2008, and requires it to include an audit of each actuarial valuation, study, and report of the retirement system that was prepared for that retirement system in the preceding five years.

SECTION 3. Effective date: September 1, 2007.