

## **BILL ANALYSIS**

Senate Research Center

H.B. 13  
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State Affairs  
4/26/2013  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Chapter 801 (State Pension Review Board), Government Code, grants the State Pension Review Board (PRB) authority to continuously review all public retirement systems based upon benefits, service, financing, actuarial soundness, and administrative functions.

PRB may establish and recommend best practices, as well as conduct studies of public pension systems and submit those studies to the legislature.

H.B. 13 increases transparency by amending the Government Code to require public retirement systems to post annual financial reports on its public website, as well as establish policies for ethics and conflicts of interest for voluntary use by any public pension plan.

In addition, the bill requires PRB to develop a model ethical standards and conflict-of-interest policy for voluntary use by public retirement systems. PRB will also develop and administer an educational training program for trustees and administrators of the systems.

H.B. 13 amends current law relating to the State Pension Review Board and public retirement systems and authorizes a fee.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the State Pension Review Board in SECTION 1 (Section 801.211, Government Code) and SECTION 6, SECTION 7, and SECTION 8 of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 801.001, Government Code, by adding Subdivisions (1-a), (3), and (4), to define "governing body of a public retirement system," "system administrator," and "trustee."

SECTION 2. Amends Subchapter C, Chapter 801, Government Code, by adding Sections 801.209, 801.210, and 801.211, as follows:

Sec. 801.209. PUBLIC RETIREMENT SYSTEM REPORTS AND INFORMATION.

(a) Requires the State Pension Review Board (PRB) for each public retirement system to post on PRB's Internet website, or on a publicly available website that is linked to PRB's website, the most recent data from reports received under Sections 802.101 (Actuarial Valuation), 802.103 (Annual Financial Report), 802.104 (Report of Members and Retirees), 802.105 (Registration), and 802.108.

(b) Requires PRB, on the 60th day after the date a report or information required by this chapter or Chapter 802 (Administrative Requirements) is due to PRB, to post on PRB's website a list of public retirement systems that have not submitted the required reports or information.

(c) Requires PRB to notify for each public retirement system included on the list posted under Subsection (b):

(1) the governor and the Legislative Budget Board (LBB) regarding the lack of a timely submission by the Employees Retirement System of Texas (ERS), the Teacher Retirement System of Texas (TRS), the Texas County and District Retirement System (TCDRS), the Texas Municipal Retirement System (TMRS), the Texas Emergency Services Retirement System, or the Judicial Retirement System of Texas Plan Two; or

(2) the governing body of the political subdivision of which members of the public retirement system are employees regarding the lack of a timely submission by a public retirement system other than a system listed in Subdivision (1).

Sec. 801.210. MODEL ETHICAL STANDARDS AND CONFLICT-OF-INTEREST POLICIES. (a) Requires PRB to develop and make reasonably accessible on PRB's Internet website model ethical standards and model conflict-of-interest policies, including disclosure requirements, for voluntary use by a public retirement system.

(b) Provides that a public retirement system is not required to adopt a standard or policy based on the model developed under this section.

Sec. 801.211. PUBLIC RETIREMENT SYSTEM EDUCATIONAL TRAINING PROGRAM. (a) Requires PRB to develop and administer an educational training program for trustees and system administrators.

(b) Requires that the curriculum of the educational training program include minimum training requirements for trustees and system administrators. Requires PRB to develop a system to track compliance with the minimum training requirements by trustees and system administrators and to report the level of compliance in the biennial report required by Section 801.203 (Reports to Legislature and Governor).

(c) Authorizes the curriculum of the educational training program under this section to include optional training classes for trustees, system administrators, and other employees of public retirement systems.

(d) Requires PRB, to the extent practicable, to make training classes reasonably accessible to trustees and system administrators of public retirement systems on an Internet website maintained for that purpose.

(e) Authorizes PRB to adopt rules and appropriate fees to administer and provide educational training programs under this section. Requires that the fees set by PRB be reasonable to pay the actual costs incurred by the board to conduct the training classes. Requires that the fees be paid from a source considered appropriate by the governing body of the public retirement system. Authorizes that a public retirement system provide its own educational training to its trustees and system administrators if PRB determines that the system's training meets or exceeds the minimum training requirements established by PRB. Provides that a trustee or system administrator who participates in that approved educational training fulfills the minimum training requirements established by PRB.

SECTION 3. Amends Section 802.001, Government Code, by adding Subdivision (4), to define "system administrator."

SECTION 4. Amends the heading to Section 802.107, Government Code, to read as follows:

Sec. 802.107. GENERAL PROVISIONS RELATING TO REPORTS AND CONTACT INFORMATION.

SECTION 5. Amends Section 802.107, Government Code, by adding Subsections (c), (d), and (e), as follows:

(c) Requires a public retirement system to post on a publicly available Internet website the name, business address, and business telephone number of a system administrator of the public retirement system and a copy of the most recent edition of each report and other written information that is required by this chapter or Chapter 801 (State Pension Review Board) to be submitted to PRB.

(d) Requires a public retirement system that maintains a website or for which a website is maintained to prominently post a link on that website to the information required by Subsection (c). Requires all other public retirement systems to prominently post the information required by Subsection (c) on a website that is maintained by the governing body of the political subdivision of which members of the public retirement system are officers or employees or post the information required by Subsection (c) on a publicly available website that is maintained by a state agency.

(e) Requires that a report or other information posted under Subsection (c) remain posted until replaced with a more recently submitted edition of the report or information.

SECTION 6. Amends Subchapter B, Chapter 802, Government Code, by adding Section 802.108, as follows:

Sec. 802.108. REPORT OF INVESTMENT RETURNS AND ASSUMPTIONS. (a) Requires a public retirement system, before the 211th day after the last day of its fiscal year, to submit to PRB an investment returns and actuarial assumptions report that includes gross investment returns and net investment returns for each of the most recent 10 fiscal years; the rolling gross and rolling net investment returns for the most recent 1-year, 3-year, and 10-year periods; the rolling gross and rolling net investment return for the most recent 30-year period or the gross and net investment return since inception of the system, whichever period is shorter; the assumed rate of return used in the most recent actuarial valuation; and the assumed rate of return used in each of the most recent 10 actuarial valuations.

(b) Defines "net investment return" for purposes of this section. Authorizes the net investment return to be calculated as the money-weighted rate of return as required by generally accepted accounting principles. Requires that the period basis for each report of investment returns under this section be the fiscal year of the public retirement system submitting the report.

(c) Requires the governing body of a public retirement system, before the 211th day after the last day of the public retirement system's fiscal year, to submit to PRB a letter certifying that the information is unavailable, providing a reason for the unavailability of the information, and agreeing to timely submit the information to PRB if it becomes available if any information required to be reported by the public retirement system under Subsection (a) is unavailable.

SECTION 7. (a) Defines "governing body of a public retirement system," "public retirement system," and "PRB" in this section.

(b) Requires PRB to conduct a study of the financial health of public retirement systems in this state, including each system's ability to meet its long-term obligations taking into account the contributions made to, benefits paid by, and investments made by the public retirement system. Authorizes PRB to adopt rules to define the scope of the study under this subsection.

(c) Requires each public retirement system to fully cooperate with PRB in conducting the study required under Subsection (b) of this section and timely respond to requests for information made by PRB for the purpose of performing the study. Provides that confidential information as described by Section 552.0038(c) (relating to providing that

records of certain individuals are confidential and not subject to public disclosure; providing that the retirement system, administering firm, carrier, or governmental agency is not required to accept or comply with a request for a record or information about a record or to seek an opinion from the attorney general because the records are exempt from the provisions of this chapter, except as otherwise provided by this section), Government Code, that is provided by a public retirement system under this subsection remains confidential and may not be disclosed by PRB.

(d) Requires PRB, not later than September 1, 2014, to prepare a written report containing the findings of the study conducted under this section, including PRB's recommendations regarding how a public retirement system may mitigate its risk of not meeting its long-term obligations.

(e) Requires PRB to provide each public retirement system covered in the report prepared under Subsection (d) of this section a reasonable opportunity to review the portion of the report and the recommendations applicable to that retirement system and an opportunity to submit a response to PRB. Authorizes PRB to revise its report after considering a response. Requires PRB, not later than December 31, 2014, to submit to the legislature the final written report, including PRB's recommendations, and a copy of the responses provided by the public retirement systems under this subsection.

SECTION 8. (a) Requires PRB to develop and publish the model ethical standards and conflict-of-interest policies required by Section 801.210, Government Code, as added by this Act, as soon as practicable after the effective date of this Act, but not later than December 31, 2013.

(b) Requires PRB to adopt rules to implement the educational training program required by Section 801.211, Government Code, as added by this Act, as soon as practicable after the effective date of this Act, but not later than necessary to begin providing training classes on or before September 1, 2014.

(c) Authorizes PRB, for purposes of reporting the level of compliance with the minimum training requirements of the educational training program as required by Section 801.211(b), Government Code, as added by this Act, to only evaluate compliance with the minimum training requirements by trustees and administrators of public retirement systems on or after January 1, 2015.

SECTION 9. Effective date: upon passage or September 1, 2013.