HOUSE
RESEARCH
ORGANIZATION bill analysis | 4/4/2001 | HB 1503
McCall, Tillery, Chisum, Gallego

SUBJECT: Continuation of State Pension Review Board

COMMITTEE: Pensions and Investments — favorable, with amendment

VOTE: 8 ayes — Tillery, Woolley, Crownover, Salinas, George, Goodman, Rangel, Williams

0 nays

1 absent — Telford

WITNESSES: For — None

Against — None

On — Rita Horwitz, Shari Shivers, State Pension Review Board; Joe Walraven, Sunset Advisory Commission

BACKGROUND: The State Pension Review Board, created by the Legislature in 1979, monitors all state and local public retirement systems for actuarial soundness and compliance with state law. The agency provides the state with information and recommendations to help ensure that public retirement systems are financially sound and properly managed and that benefits are distributed equitably. It provides technical assistance and education on pension planning to public retirement systems. It also develops actuarial impact statements on legislation affecting public retirement systems. During the 76th legislative session, the agency tracked 149 bills and companions affecting public retirement systems and prepared 154 formal impact statements.

The agency currently serves 350 systems with combined assets of more than $143 billion. It serves a total of more than 1.5 million active employees and annuitants. For fiscal 2000-01, the agency received $574,758 in all funds, of which about 86 percent was general revenue. It operates with a full-time staff of five, including an executive director, two professional staff and two administrative staff. The agency has had five FTEs since fiscal year 1983.

The board is composed of nine members who serve staggered six-year terms. The governor appoints seven members who must satisfy the following statutory requirements: three must have experience in securities investment, pension administration, or pension law, but not be members or retirees of a public retirement system; one must be an actuary; one must have experience in governmental finance; one must be an active member of a public retirement system; and one must be receiving retirement benefits from a public retirement system. Two remaining members are legislators: a senator appointed by the Lieutenant Governor, and a representative appointed by the House speaker.

The State Pension Review Board last underwent sunset review in 1991. It will be abolished September 1, 2001, unless continued by the Legislature.

DIGEST: HB 1503 as amended would continue the State Pension Review Board through September 1, 2013.

The board could adopt a brief standard form to assist in determining the actuarial soundness and current financial condition of a public retirement system. A retirement system would have to include the form when submitting information required for the review or study described under section 801.202(1) or (2).

The bill would add standard Sunset Advisory Commission provisions governing membership of the board, appointee qualifications, appointment of board members, grounds for removal of a board member, standards of conduct, equal employment opportunity, training, policies that separate the functions of agency staff and the policymaking body, and complaints. It also would allow the governor to designate the board's presiding officer.

The bill would take effect September 1, 2001. The governor's designation of the presiding officer of the board would apply only to a term of office that began on or after the effective date of the bill, and the presiding officer serving immediately before the effective date would continue to serve for the remainder of his or her term.

SUPPORTERS SAY: HB 1503 should continue the State Pension Review Board because it benefits public pension systems and the Legislature through its oversight and informational functions. The agency serves as an early warning system to identify public retirement systems that may be experiencing problems and as an independent source of information for the Legislature on pension-related legislation. The agency has uncovered and resolved problems involving thousands of pension members and billions of dollars. Transferring its functions to another agency would produce no substantial benefits. Other states have affirmed the need for oversight of public pension systems by designating oversight functions to state entities.

HB 1503 would create administrative efficiencies by authorizing the board to require information from public pension systems in a standardized form. The agency spends much of its time and effort trying to determine information from reports submitted in various formats. Allowing the board to require information in a standard form would not only clarify the agency's authority and make the review process more efficient but also would reduce errors and allow the agency to encourage electronic reporting.

OPPONENTS SAY:

The bill as amended would allow the board to continue to solicit voluntary contributions from the public retirement systems that it monitors. Such contributions are unpredictable and may be perceived as a conflict of interest. Most public retirement systems that the board oversees do not make contributions, while other systems provide voluntary support at varying levels. From year to year, these contributions do not provide a consistent support. No oversight agency in Texas or comparable agency in other states receives voluntary contributions as a means of support from the entities that it oversees. If the Legislature were to replace voluntary contributions with additional general revenue, it would strengthen the agency's role as in independent source.

NOTES:

HB 1503 as filed would prohibit public retirement systems from making contributions to the State Pension Review Board. The committee amendment would delete this provision.

The companion bill, SB 302 by Zaffirini, passed the Senate on March 29 and was referred to the House Pensions and Investments Committee on April 3. The Senate version is almost identical to the House version as amended, except for nonsubstantive differences in references to "board" and "agency" and an additional provision that changes in the prohibitions and qualifications applying to members of the board would apply only to a member appointed on or after September 1, 2001.