

Office of Fire Fighters' Pension Commissioner

S.B. 220 Birdwell (Anchia)

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A central tenet of the Sunset process is that over time almost every state agency, no matter how obscure, has its time in the spotlight, where it must answer hard questions about what it does and why and whether it is needed or if other approaches could better meet the same objectives. For the Office of Fire Fighters' Pension Commissioner, a small agency created in 1937 to provide assistance, training, and other services to local firefighter pension plans, the answers initially seem obvious. Some functions, like providing state financial assistance to these local plans has long since ceased. Other activities, like meaningful financial or actuarial oversight, training, and hearing appeals of decisions by local plans largely occur through other agencies. Technical assistance and advocacy provided by a state agency to these local plans — however worthy — looks unfair and vaguely inappropriate. With this view, the Sunset Commission recommended that the Office and its functions with regard to these local firefighter retirement plans were not needed.

In the course of the legislative session, the answer became a little more nuanced. The Legislature did not see the Office so much as an anachronism whose duplicative functions were not needed, as it did an extra player that itself was not needed to provide the activities for these local firefighter plans that could be capably provided elsewhere. Senate Bill 220, the Sunset bill for the Office, reflects this subtle shift by not just abolishing the Office, but also providing for accommodating its training and assistance functions and its role as an intermediary for benefit appeals from local plans at the Pension Review Board. Under the bill, the Board is to designate a point of contact to assist these local retirement plans and serve as a conduit between local plans and the State of Office of Administrative Hearings, which will decide these appeals.

The Sunset experience for the other Office activity related to the Texas Emergency Services Retirement System (TESRS) follows a more linear narrative. The Fire Fighters' Pension Commissioner's responsibility to administer TESRS was never a good fit, given TESRS' own Governor-appointed Board of Trustees responsible for managing the fund and benefits. Senate Bill 220 eliminates the Commissioner's involvement, makes TESRS an independent entity with the authority to hire its own staff, and makes TESRS subject to future Sunset review. The bill also increases oversight of the TESRS Board's spending of state funds by requiring the Board to report more detailed information about TESRS' actuarial valuation to the Legislature and state leadership, and to conduct certain actuarial audits as a best practice. Increased legislative oversight will help minimize Board decisions that could increase the State's liability and costs from the system.

The Legislature also adopted provisions in Senate Bill 1, the appropriations bill, to ensure that the needed transfer of funds to continue the identified activities in the absence of the Office. Senate Bill 1 provides funding directly to TESRS to cover its own administrative costs and provides funding to the Pension Review Board to provide for the single point of contact for local firefighter plans. The bill also ensures that the State Office of Administrative Hearings continues to receive funding for appeals of benefit decisions from local plans.

The following material describes the results of the review of the Office of Fire Fighters' Pension Commissioner and notes which provisions are management directives not requiring statutory change and which changes are in appropriation. For additional information see the *Office of Fire Fighters' Pension Commissioner Sunset Final Report with Legislative Action* available on the Sunset Commission website at www.sunset.state.tx.us.

Abolishment

- Abolishes the Office of Fire Fighters' Pension Commissioner both in its roles for local firefighter retirement systems and for administering TESRS.
- Eliminates the Office's authority to collect reports from local firefighter retirement systems.
- Eliminates the Commissioner's role in hearing benefit appeals from local firefighter systems and the TESRS Board and establishes processes at the Pension Review Board and the TESRS Board for handling these appeals.
- Eliminates the Office's authority to conduct seminars or workshops.
- Requires the State Pension Review Board to provide technical assistance, training and information to boards of trustees of local firefighter retirement systems.

TESRS Oversight and Administration

- Authorizes the Governor to appoint a retiree to one of the current six TESRS board member positions reserved for active members.
- Makes TESRS subject to Sunset review every 12 years.
- Provides a direct appropriation to TESRS for staffing and administration. (S.B. 1)
- Updates and applies standard Sunset Across-the-Board recommendations to TESRS statute.

TESRS Funding

- Requires the TESRS Board to provide the Legislature with a range of options for meeting the State's contribution requirement should the Fund experience significant losses or increased liabilities.
- Requires the TESRS actuarial valuation to include detailed information on the impact of assuming both a full state contribution and no state contribution.
- Requires the TESRS Board to regularly conduct actuarial audits and experience studies to ensure accurate pension assumptions and valuation.

TESRS Contracting

- Requires TESRS to adopt a clear policy on contract management and oversight.
- The TESRS Board should designate staff to participate in contract management and oversight training. (management action – nonstatutory)
- The TESRS Board should adopt a rule containing the Comptroller's Historically Underutilized Businesses. (management action – nonstatutory)

Fiscal Implication

Senate Bill 220 will result in net savings to General Revenue of \$173,838 over the biennium, and the reduction of 2.5 staff. Initial savings of \$346,000 biennially were reduced by the cost of the Pension Review Board designating a staff person to work with local fire fighter plans.

