

State Pension Review Board

S.B. 200 Patrick (Anchia)

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The economic downturn, which by many accounts began in 2007, has shown how quickly public pensions that appear financially and actuarially healthy can become dangerously underfunded. States and cities facing burdensome, unfunded liabilities to their public employees find themselves having to make difficult, but necessary, pension reforms that likely should have been foreseen.

Recognizing the long-term financial risks associated with public pensions, the Texas Legislature created the State Pension Review Board (PRB) in 1979 to monitor the state's public pensions to help detect and address funding problems before they become insurmountable. The Pension Review Board monitors Texas' 360 state and local public retirement systems that represent approximately 2.3 million public employees, retirees, and beneficiaries and have assets totaling more than \$196 billion. After the Sunset review and action by the Legislature, PRB continues to be needed with a clearer focus on its core mission of overseeing the actuarial soundness of traditional defined benefit retirement plans.

Senate Bill 200, the PRB Sunset bill, relaxes reporting requirements for certain types of retirement plans that do not pose the kind of financial or actuarial risk that warrants state oversight. This change allows PRB to focus its limited resources on monitoring the larger, traditional defined benefit pensions that do present serious funding risks to their members, sponsors, and taxpayers. Along these lines, the bill strengthens reporting requirements for defined benefit pensions to allow PRB to fully evaluate their financial and actuarial condition. The bill also improves PRB's delivery of critical training to reach plans with fewer resources and a greater need for assistance. Reflecting the enhancements to PRB's oversight role, the bill removes the two legislative members from the Board, bringing PRB in line with most state oversight agencies, which have Governor-appointed boards.

The following material summarizes results of the Sunset review of PRB, including management actions directed to the agency that do not require statutory changes. For additional information see the *State Pension Review Board Sunset Final Report with Legislative Action* available on the Sunset Commission website at www.sunset.state.tx.us.

Continuation and Governance

- Continues the State Pension Review Board for 12 years.
- Removes the two legislative members from the Board, reducing the Board's size from nine to seven members, each of whom is appointed by the Governor.

Focused Reporting

- Exempts defined contribution and local volunteer firefighter pension plans from PRB reporting requirements except for registration and basic plan information.
- Directs the agency to stop collecting unnecessary quarterly financial data from retirement systems. (management action – nonstatutory)

Enhanced Reporting Requirements

- Requires public retirement systems to provide PRB with a summary of significant plan changes within 30 days, rather than 270, of their adoption.
- Requires public retirement systems that conduct experience studies to submit copies of the studies to PRB.
- Clarifies in statute that sponsoring entity audits do not satisfy retirement systems' annual financial reporting requirements.

Retirement System Training

- Clarifies the agency's authority to provide training in a way that is accessible to all public retirement system trustees and administrators.
- Directs PRB to develop training content that more directly assists public retirement systems with managing their plans. (management action – nonstatutory)

Prohibition on Investments with Iran

- Prohibits the statewide retirement systems from investing in companies engaged in certain business operations with the government of Iran. The bill requires PRB to create and maintain a list of those companies and provide it to the statewide retirement systems.

Across-the-Board Recommendations and Reporting Requirements

- Applies standard Sunset Across-the-Board recommendations to the State Pension Review Board.
- Continues requiring PRB to submit its biennial report to the Legislature.

Fiscal Implication

Senate Bill 200 will not have a significant fiscal impact to the State.