

Section 1

**Texas Emergency Services Retirement System
Summary of Recommendations - House**

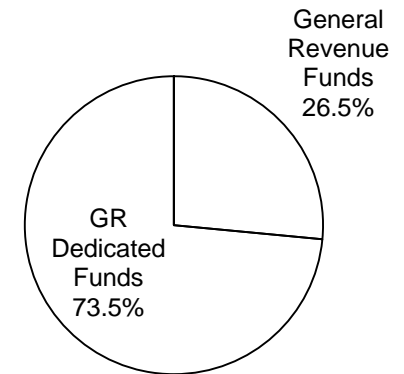
Page I-36

Michelle Jordan, Executive Director

Katy Fallon, LBB Analyst

Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	\$4,412,910	\$1,249,696	(\$3,163,214)	(71.7%)
GR Dedicated Funds	\$0	\$3,465,951	\$3,465,951	100.0%
<i>Total GR-Related Funds</i>	<i>\$4,412,910</i>	<i>\$4,715,647</i>	<i>\$302,737</i>	<i>6.9%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$4,412,910	\$4,715,647	\$302,737	6.9%

**RECOMMENDED FUNDING
BY METHOD OF FINANCING**



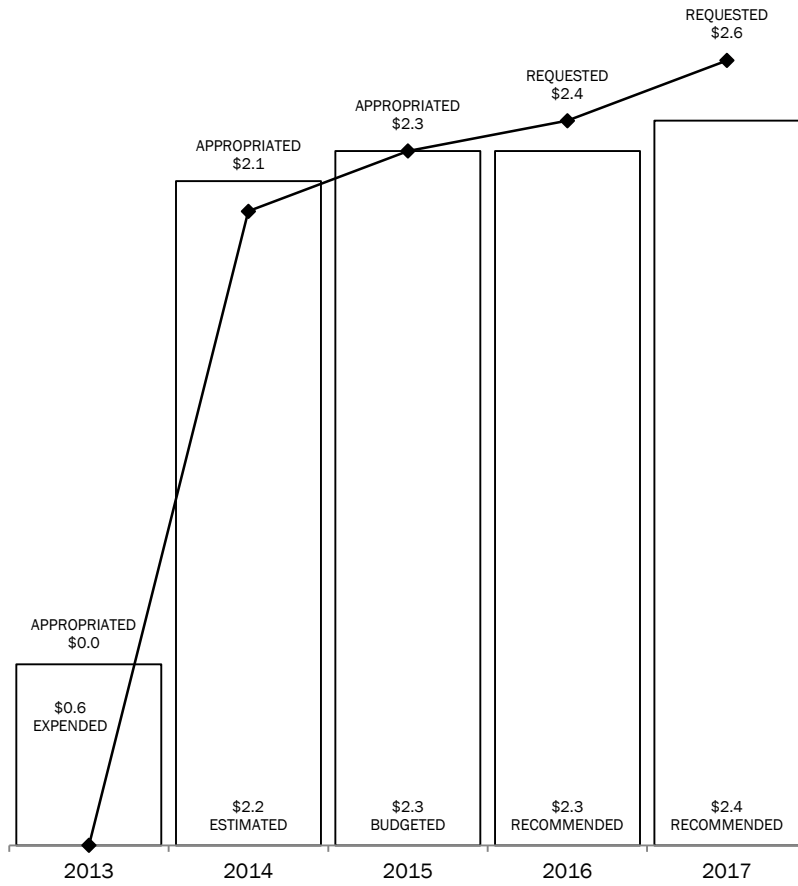
	FY 2015 Budgeted	FY 2017 Recommended	Biennial Change	% Change
FTEs	6.6	6.0	(0.6)	(9.1%)

The bill pattern for this agency (2016-17 Recommended) represents an estimated 4.1% of the agency's estimated total available funds for the 2016-17 biennium.

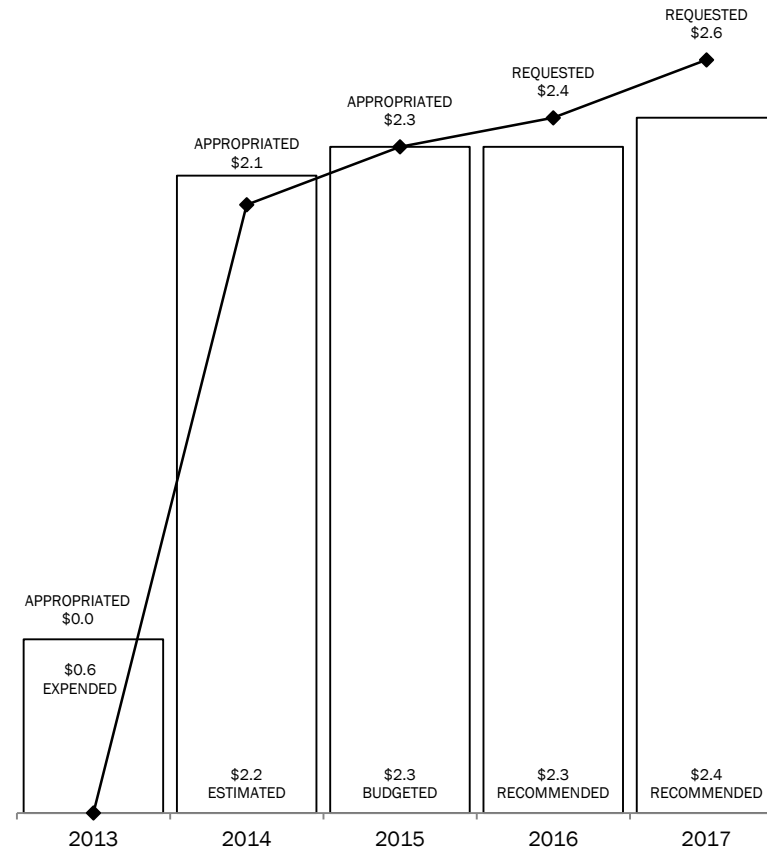
Section 1
Texas Emergency Services Retirement System
 2016-2017 BIENNIUM
 IN MILLIONS

TOTAL= \$4.7 MILLION

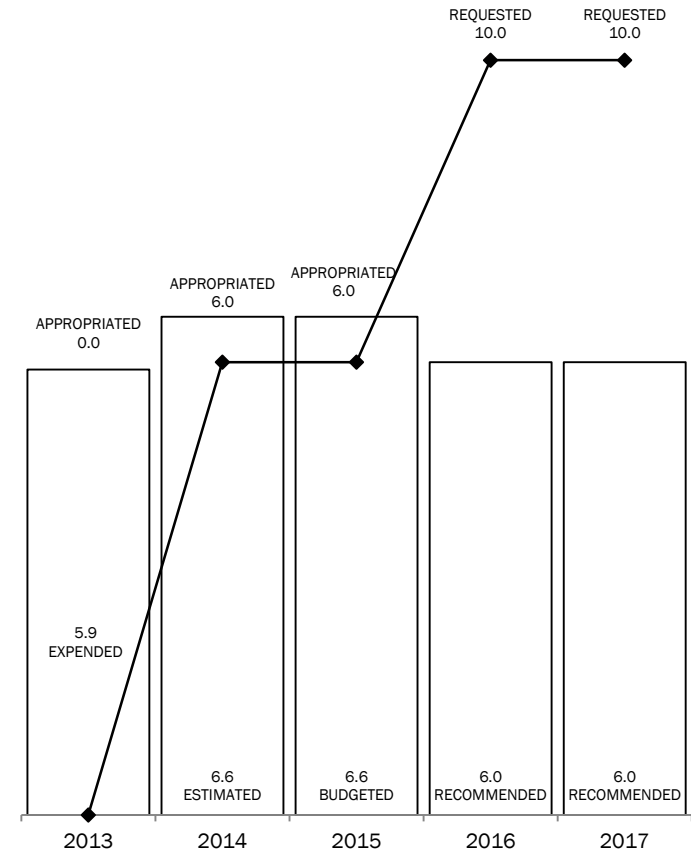
ALL FUNDS



**GENERAL REVENUE AND
 GENERAL REVENUE-DEDICATED FUNDS**



FULL-TIME-EQUIVALENT POSITIONS



Section 2

**Texas Emergency Services Retirement System
Summary of Recommendations - House, By Method of Finance -- ALL FUNDS**

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
ADMINISTER PENSION FUND A.1.1	\$4,412,910	\$4,715,647	\$302,737	6.9%	Recommendations reflect an increase of \$4,437 in General Revenue for biennialization of the fiscal year 2015 statewide salary increase. Recommendations reflect a method of finance swap of \$3.2 million from General Revenue to General Revenue-Dedicated Volunteer Fire Department Assistance Account No. 5064, contingent on a statutory change, for the state's contribution to the Texas Emergency Services Retirement System and \$0.3 million from General Revenue-Dedicated Account No. 5064 for the incremental increase for the state's contribution of one-third of projected local contributions pursuant to Government Code §865.015. See Section 3, Selected Fiscal and Policy Issues.
Total, Goal A, SOUND PENSION FUND	\$4,412,910	\$4,715,647	\$302,737	6.9%	
Grand Total, All Strategies	\$4,412,910	\$4,715,647	\$302,737	6.9%	

**Texas Emergency Services Retirement System
Selected Fiscal and Policy Issues – House**

1. **Method of Finance Swap.** Recommendations include a method of finance swap from General Revenue to General Revenue-Dedicated Volunteer Fire Department (VFD) Assistance Account No. 5064, contingent on a statutory change, for the state's contribution to the Texas Emergency Services Retirement System of \$3.5 million. This amount includes \$3,167,651 for baseline 2014-15 levels and an incremental increase of \$298,301 to meet the maximum state contribution of one-third of the projected local contributions pursuant to Government Code §865.015.

Authorized by Government Code Chapter 614, the Texas A&M Forest Service (TFS) administers VFD Assistance Account No. 5064, which is used to assist volunteer fire departments to pay for equipment and training of personnel, as well as staff and operating costs associated with the Statewide Wildfire Protection Plan. Income in the VFD Assistance Account No. 5064 is derived from an assessment applied to insurers that write particular property and casualty insurance policies for fire insurance and allied lines, including residential property insurance. According to the Comptroller's Cash Report, VFD Assistance Account No. 5064 had an estimated ending balance of \$85.4 million as of August 31, 2014. The Biennial Revenue Estimate indicates that annual revenue to the Account in fiscal years 2016-17 is anticipated to be \$37.3 million.

A statutory change to Government Code §614.104 would be needed to implement LBB Recommendations to use VFD Assistance Account No. 5064 for the state's contribution to the Texas Emergency Services Retirement System. See Section 4, Performance Review and Policy Report Highlights.

2. **Actuarial Valuation and Contribution Arrangement.** The August 31, 2014 actuarial valuation of the Texas Emergency Services Retirement System Fund, released in December 2014, found that, assuming a state contribution equal to 2014-15 appropriated amounts, the Fund's amortization period would be 30 years and the funded ratio would be 76.2 percent. This is an improvement from the valuation two years previous in which the amortization period was infinity and the funded ratio was 66.7 percent. The 2014 valuation assumes a state contribution of \$1,583,825 in both fiscal years 2016 and 2017 and \$1,300,000 in subsequent years.

Prior to the most recent valuation, in anticipation of continued inadequate local contribution arrangements, the agency requested and LBB recommended \$3,465,951 for the state contribution which is equal to one-third of assumed local contributions for the 2016-17 biennium. According to the actuarial valuation, this amount is \$298,301 more than what is needed to make the fund actuarially sound.

In addition, in June 2014 the TESRS Board adopted a new assessment on local departments effective September 2015, a Part Two contribution that would be directed to address the unfunded liability. The Part Two contribution would charge up to 15 percent or \$5.40 of the \$36 monthly Part One contribution. According to the actuarial valuation, the Part Two contribution assessment is also not necessary to make the fund actuarially sound.

Section 3

**Texas Emergency Services Retirement System
FTE Highlights - House**

Full-Time-Equivalent Positions	Expended 2013	Estimated 2014	Budgeted 2015	Recommended 2016	Recommended 2017
Cap	NA	6.0	6.0	6.0	6.0
Actual/Budgeted	5.9	6.6	6.6	NA	NA
Schedule of Exempt Positions (Cap)					
Executive Director, Group 2	NA	\$90,000	\$90,000	\$90,000	\$90,000

The agency is not requesting any changes to its Exempt Position.

The State Auditor's Office Report, *Executive Compensation at State Agencies* (Report No. 14-705, August 2014), indicates a market average salary of \$109,535 for the Executive Director position at the Texas Emergency Services Retirement System and does not recommend changing the Group 2 classification for the position.

Section 4

**Texas Emergency Services Retirement System
Performance Review and Policy Report Highlights - House**

Reports & Recommendations	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
Reduce Reliance on General Revenue-Dedicated Accounts for Certification					
This report fulfills House Bill 7, Eighty-third Legislature, 2013, requirements relating to the reduction of reliance on available dedicated revenue for certification of the General Appropriations Act. The report provides an overview of the issue and includes recommendations and options to reduce reliance on General Revenue-Dedicated Accounts, including dedicated revenue appropriated to the Texas Emergency Services Retirement System.					
1. Amend statute and include a contingency rider to allow Volunteer Fire Department Assistance Account No. 5064 to be used for the state's contribution to the Texas Emergency Services Retirement System.	\$3,465,951 (\$3,465,951)		GR GR-D	Contingency Rider 2, p. I-37	Amend Statute

Section 5

Texas Emergency Services Retirement System Rider Highlights – House

2. (new) **Contingency for Contributions to Texas Emergency Services Retirement System** Add new rider identifying source, amounts, and method of finance for state contribution to Texas Emergency Services Retirement System, contingent upon passage of legislation to expand the use of General Revenue-Dedicated Fund No. 5064, Volunteer Fire Department Assistance Account, for the state's contribution. General Revenue would be appropriated for the state contribution in the event that such legislation is not enacted.
2. (old) **Administration of the Texas Emergency Services Retirement System** Delete rider that identifies appropriations for administration of and the state contribution to the System.
3. (old) **Unexpended Balances Between Biennia** Delete rider that provides agency authority to carry forward unexpended balances across biennia.

Section 6

**Texas Emergency Services Retirement System
Items not Included in Recommendations - House**

	2016-17 Biennial Total	
	GR & GR-Dedicated	All Funds
Agency Exceptional Items - In Agency Priority Order		
1. Recruit New Departments and Provide Technical Assistance to Existing Departments. Additional General Revenue for 2.0 full-time equivalents (FTE) that would provide technical assistance to member departments and recruit additional volunteer fire departments to participate in the System. Also add a new strategy in Goal A, Sound Pension Fund: A.1.2, Recruit New Departments and Technical Assistance.		
a. Contract Specialist	\$ 145,000	\$ 145,000
b. Marketing / Recruiting Specialist	\$ 107,000	\$ 107,000
2. Salaried Chief Financial Officer FTE Increase. Increase FTE cap by 1.0 FTE for a Chief Financial Officer. The agency would reallocate \$130,000 in General Revenue out of the recommendations to fund the position.	\$ -	\$ -
3. Office Receptionist FTE Increase. Increase FTE cap by 1.0 FTE for a receptionist. The agency would reallocate \$50,000 in General Revenue out of the recommendations to fund the position.	\$ -	\$ -
Total, Items Not Included in the Recommendations	\$ 252,000	\$ 252,000

Section 7

**Texas Emergency Services Retirement System
Summary of 10 Percent Biennial Base Reduction Options - House**

Priority	Item	Description/Impact	Biennial Reduction Amounts				Reduction as % of Program GR/GR-D Total	Included in Intro Bill?
			GR and GR-Dedicated	All Funds	FTEs	Potential Revenue Loss		
1	Statutory pension plan funding	According to the agency: As an agency mindful of cost and efficiency, there is little that could be offered up as base reduction options, without a serious compromise in the agency's ability to operate. However, if required, a 5 percent reduction would come from base appropriations intended for the System's unfunded liabilities.	\$220,117	\$220,117		\$0	5%	No
2	Statutory pension plan funding	According to the agency: If required, an additional five percent would come from base appropriations intended for the System's unfunded liabilities.	\$220,117	\$220,117		\$0	5%	No
TOTAL, 10% Reduction Options			\$440,234	\$440,234		\$0		

Section 7

**Texas Emergency Services Retirement System
Summary of 10 Percent Biennial Base Reduction Options - House
Agency 10% Reduction Options by Category of Reduction**

