Section 1

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Pension Review Board
**Summary of Recommendations - House**

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Anumeha, Interim Executive Director   Katy Fallon, LBB Analyst

RECOMMENDED FUNDING
BY METHOD OF FINANCING

Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	$1,735,278	$1,802,315	$67,037	3.9%
GR Dedicated Funds	$0	$0	$0	0.0%
Total GR-Related Funds	*$1,735,278*	*$1,802,315*	*$67,037*	*3.9%*
Federal Funds	$0	$0	$0	0.0%
Other	$0	$20,000	$20,000	100.0%
All Funds	**$1,735,278**	**$1,822,315**	**$87,037**	**5.0%**

Other
1.1%

General
Revenue
Funds
98.9%
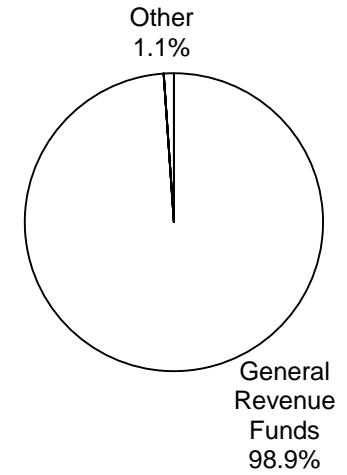
	FY 2015 Budgeted	FY 2017 Recommended	Biennial Change	% Change
FTEs	14.0	15.0	1.0	7.1%

The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.
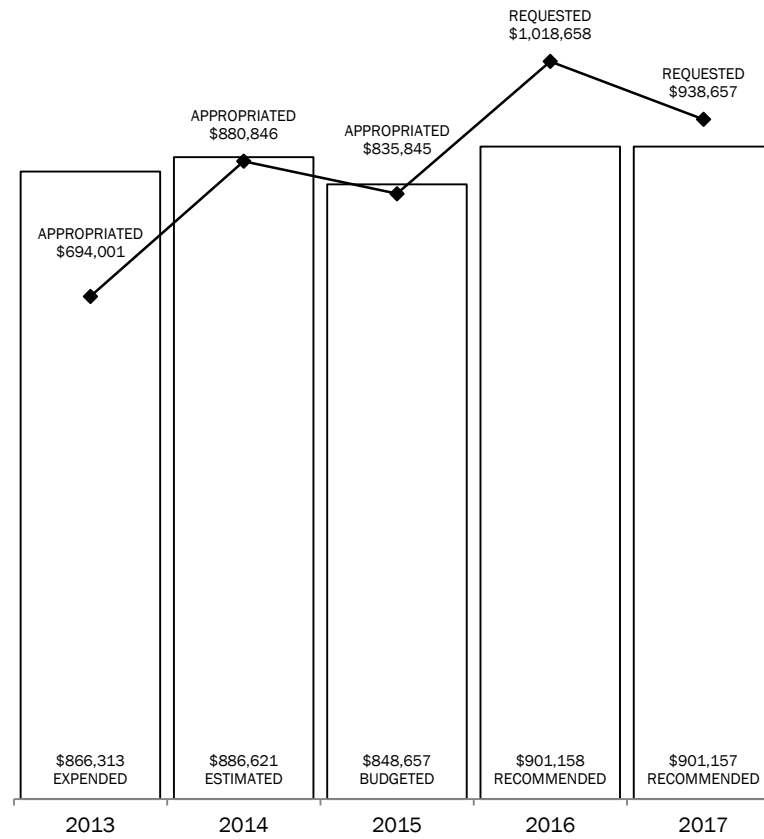
Section 1
Pension Review Board

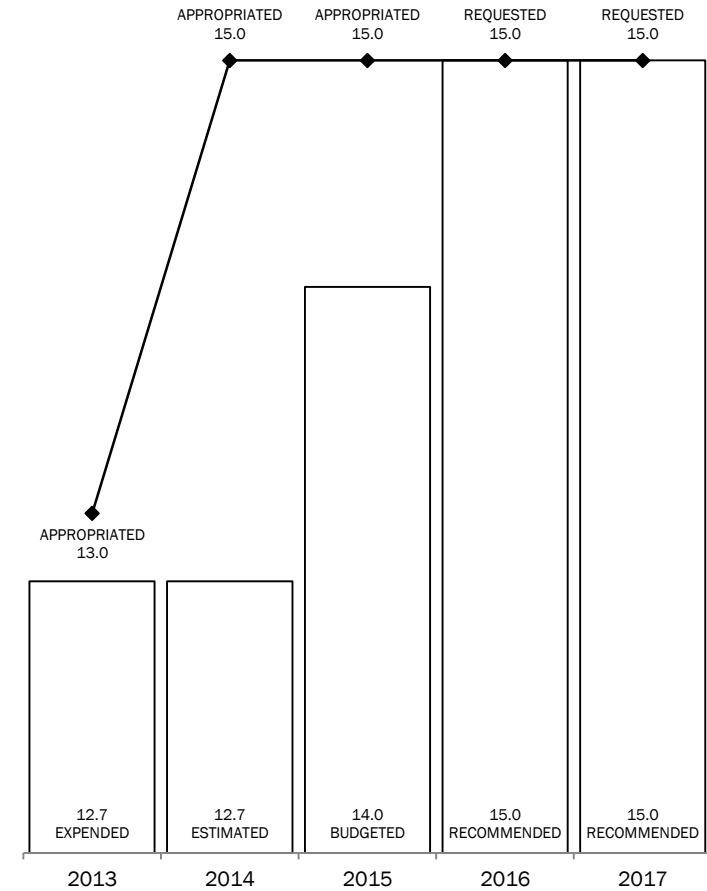2016-2017 BIENNIUM   TOTAL= $1,822,315

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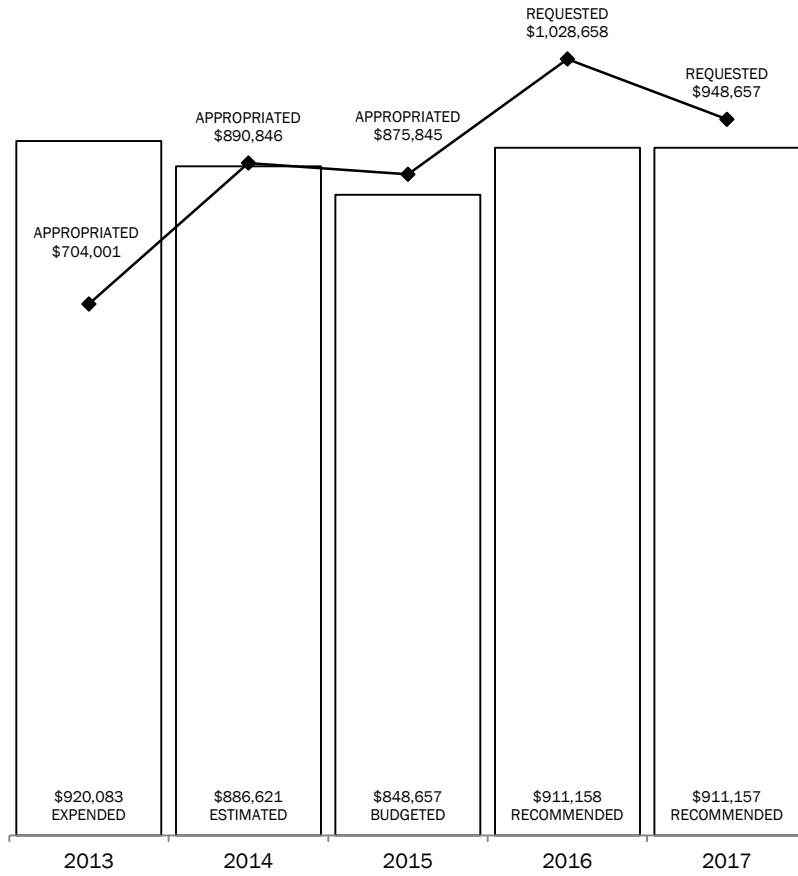
**GENERAL REVENUE AND
GENERAL REVENUE-DEDICATED FUNDS**

FULL-TIME-EQUIVALENT POSITIONS

Section 2

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
RETIREMENT SYSTEM REVIEWS A.1.1	$718,741	$744,503	$25,762	3.6%	Recommendations reflect an increase of $7,037 in General Revenue for biennialization of the fiscal year 2015 statewide salary increase across all strategies.
					Recommendations include an increase of $20,000 in Appropriated Receipts from training fees from sessions anticipated in the 2016-17 biennium.
TECHNICAL ASSISTANCE AND EDUCATION A.2.1	$1,016,537	$1,077,812	$61,275	6.0%	Recommendations reflect an increase of $60,000 in General Revenue for new educational initiatives authorized by House Bill 13, Eighty-third Legislature, 2013.
Total, Goal A, SOUND RETIREMENT SYSTEMS	**$1,735,278**	**$1,822,315**	**$87,037**	**5.0%**	
Grand Total, All Strategies	**$1,735,278**	**$1,822,315**	**$87,037**	**5.0%**	

Section 3

Pension Review Board
Selected Fiscal and Policy Issues – House

1. **Study of the Financial Health of Texas Public Retirement Systems.** House Bill 13, Eighty-third Legislature, Regular Session, 2013, directed the agency to conduct a study of the financial health of public retirement systems in Texas. The study was published in December 2014 and reviewed 91 actuarially funded defined benefit systems as well as the Texas County and District Retirement System (TCDRS) and the Texas Municipal Retirement System (TMRS). TCDRS and TMRS are multiple-employer systems, consisting of 844 and 656 members respectively, as of December 31, 2013. The study provides findings and recommendations regarding systems' ability to meet long-term obligations, considering contributions, benefits and investments.

   Key findings include:
   - Public retirement systems that have consistently received adequate funding are in a better position to meet their long-term obligations than systems that have not.
   - Public retirement systems face higher funding requirements now than in 2000; the increase is generally greater for plans at risk of not meeting their long-term obligations.
   - Public retirement systems with the longest amortization periods experienced the largest decline in their funded ratios, putting them at greater risk of not meeting their long-term obligations.
   - Consistent and adequate contributions play a greater role than strong investment performance in determining a system's ability to meet its long-term obligations.

   Key recommendations include:
   - The retirement system sponsor and the system should establish an adequate funding policy.
   - Actuarial valuations should adequately disclose total contribution levels needed for systems to have appropriate amortization periods. The governing body of the retirement system and the sponsor should be provided this information.
   - The costs of benefit changes, including multiplier increases and granting of COLAs, should be actuarially valued prior to adoption to ensure that additional costs will be funded adequately and continuously. Such benefit changes should only be granted if the costs can be properly funded after adoption and amortized in accordance with the PRB *Guidelines for Actuarial Soundness*.

   The study has no budget implications for the Pension Review Board.

Section 3

Pension Review Board
FTE Highlights - House

Full-Time-Equivalent Positions	Expended 2013	Estimated 2014	Budgeted 2015	Recommended 2016	Recommended 2017
Cap	13.0	15.0	15.0	15.0	15.0
Actual/Budgeted	12.7	12.7	14.0	NA	NA
Schedule of Exempt Positions (Cap)					
Executive Director, Group 2	$80,000	$110,000	$110,000	$110,000	$110,000

The agency is requesting an increase in authority and funding for the Executive Director Exempt Position salary from $110,000 to $125,000 per fiscal year.

State Auditor's Office report 14-705, *Executive Compensation at State Agencies,* indicates a market average salary of $117,538 for the Executive Director position. The report recommends a change from the current Group 2 classification to Group 3.

Pension Review Board
Performance Review and Policy Report Highlights - House

Reports & Recommendations	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session

NO RELATED RECOMMENDATIONS

Section 5

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Pension Review Board
Rider Highlights – House

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2. (old) **Sunset Contingency**. Delete rider related to the Sunset review.

3. (old) **Assistance and Training to Local Fire Fighter Retirement Systems**. Delete rider that identifies appropriations related to functions that Senate Bill 200, Eighty-third Legislature, 2013, transferred to the agency from the Fire Fighters' Pension Commissioner due to the agency incorporating these functions into its operations.

4. (old) **Training for Trustees and Administrators of Public Retirement Systems**. Delete rider that identifies appropriations related to functions enacted by House Bill 13, Eighty-third Legislature, 2013, regarding training of trustees and administrators of public retirement systems due to the agency incorporating these functions into its operations.

Section 6

Agency Exceptional Items - In Agency Priority Order	2016-17 Biennial Total			
		GR & GR- Dedicated		All Funds
1. Additional General Revenue for agency's payroll contribution of 0.5% of salaries for retirement and 1.0% of salaries for health care, required by provisions in Article IX.	$	12,000	$	12,000
2. Additional General Revenue for Staff Salary Increases.	$	33,000	$	33,000
3. Database Dashboard. General Revenue to develop an online dashboard that would allow the most recent data from pension system reports to be online, and provide an online searchable database of public pension information.	$	80,000	$	80,000
4. Authority and Funding for Executive Director Salary Increase. The agency is requesting an increase in authority and funding for the Executive Director Exempt Position from $110,000 to $125,000 per fiscal year. State Auditor's Office report 14-705, Executive Compensation at State Agencies, indicates a market average salary of $117,538 for the Executive Director position. The report recommends a change from the current Group 2 classification to Group 3.	$	30,000	$	30,000
Total, Items Not Included in the Recommendations	$	155,000	$	155,000

Section 7

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Intro Bill?
			GR and GR-Dedicated	All Funds	FTEs			
1	**Baseline Reduction of First Five Percent**	To achieve the necessary general revenue reduction of the first $85,834 for the 2016-2017 biennium, the PRB would eliminate one staff position, or 7.1% of the agency's authorized FTE. Current funding restraints already prevent the agency from filling one position; this additional reduction would under staff PRB by 14.3% from the legislatively acknowledged preferred level of 15. Currently 90% of the budget is dedicated to salary, thus to achieve a reduction of 5%, the agency must reduce its salary budget further. The impact on agency morale and service delivery would be significant. The loss of staff will further aggravate existing workload excesses on remaining personnel. More importantly, a 5% reduction would reduce PRB's ability to conduct timely analysis of the state's public retirement systems and erode the educational services provided by the agency.	$85,834	$85,834	1.0	$0	5%	No
2	**Baseline Reduction of Second Five Percent**	To achieve the necessary general revenue reduction of the second $85,835 for the 2016-2017 biennium, the PRB would eliminate a second staff position, resulting in total understaffing for the 2014-15 biennium of 14.3%, or 21.4% off the legislatively acknowledged preferred level of 15. As already noted, the agency currently has 90% of its budget dedicated to salary, thus to achieve a reduction of another 5% (10% total for the biennium) the agency would have to reduce further its number of personnel. The impact would be severe and delay the implementation of services. A reduction of 10% would jeopardize the ability of the agency to fulfill its mission. Nonetheless, the board and staff are committed to doing the best we can to deliver effective services at whatever level the Legislature and Governor deem necessary.	$85,835	$85,835	1.0	$0	5%	No

TOTAL, 10% Reduction Options $171,669 $171,669   2.0 $0

Pension Review Board
Summary of 10 Percent Biennial Base Reduction Options - House

Agency 10% Reduction Options by Category of Reduction

Programs - Service Reductions
(FTEs-Layoffs)
100.0%