

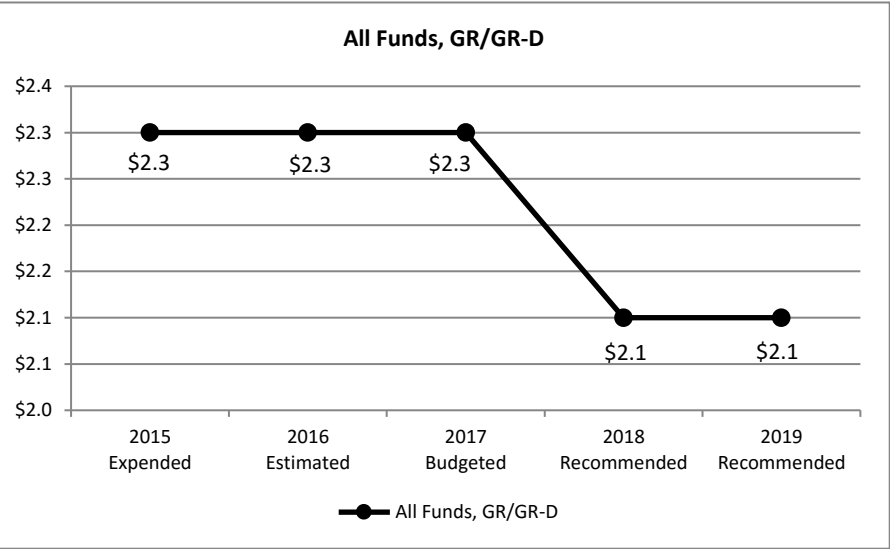
Texas Emergency Services Retirement System
Summary of Recommendations - House

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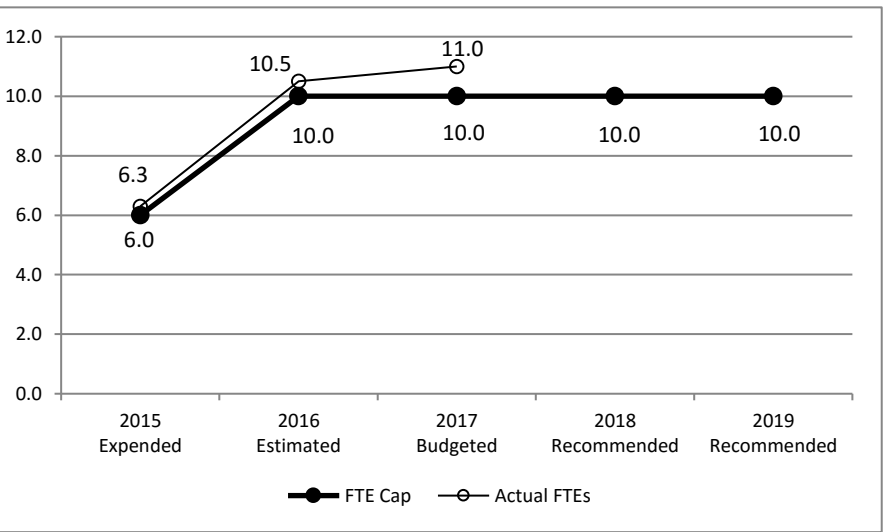
| Method of Financing | 2016-17 Base | 2018-19 Recommended | Biennial Change (\$) | Biennial Change (%) |
|------------------------|-----------------|------------------------|-------------------------|------------------------|
| General Revenue Funds | \$1,516,638 | \$1,455,972 | (\$60,666) | (4.0%) |
| GR Dedicated Funds | \$3,167,650 | \$2,658,448 | (\$509,202) | (16.1%) |
| Total GR-Related Funds | \$4,684,288 | \$4,114,420 | (\$569,868) | (12.2%) |
| Federal Funds | \$0 | \$0 | \$0 | 0.0% |
| Other | \$0 | \$0 | \$0 | 0.0% |
| All Funds | \$4,684,288 | \$4,114,420 | (\$569,868) | (12.2%) |

| | FY 2017 Budgeted | FY 2019 Recommended | Biennial Change | Percent Change |
|------|---------------------|------------------------|--------------------|-------------------|
| FTEs | 11.0 | 10.0 | (1.0) | (9.1%) |

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2018-19 Recommended) represents an estimated 3.6% of the agency's estimated total available funds for the 2018-19 biennium.

Texas Emergency Services Retirement System
Summary of Funding Changes and Recommendations - House

Section 2

| Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level | | General Revenue | GR-Dedicated | Federal Funds | Other Funds | All Funds | Strategy in Appendix A |
|---|--|--------------------|--------------------|------------------|-------------|--------------------|---------------------------|
| <i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i> | | | | | | | |
| A) | State contributions to the retirement system, based on an adjusted statutory calculation. | \$0 | (\$509,202) | \$0 | \$0 | (\$509,202) | A.1.1 |
| <i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i> | | | | | | | |
| B) | Decreases in technology, travel, postage, supplies, and salary funding, pursuant to the four percent base reduction. | (\$60,666) | \$0 | \$0 | \$0 | (\$60,666) | A.1.1, A.2.1 |
| TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions) | | (\$60,666) | (\$509,202) | \$0 | \$0 | (\$569,868) | As Listed |
| <i>SIGNIFICANT & OTHER Funding Increases</i> | | \$0 | \$0 | \$0 | \$0 | \$0 | As Listed |
| <i>SIGNIFICANT & OTHER Funding Decreases</i> | | (\$60,666) | (\$509,202) | \$0 | \$0 | (\$569,868) | As Listed |

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

1. **State Contributions to the Fund.** Government Code Sec. 865.015 requires that the state contribute the amount necessary to make the Texas Emergency Services Retirement System Fund actuarially sound, but the amount may not exceed one-third of contributions from local member departments. Recommendations for the 2018-19 biennium include annual contributions of \$1,329,224 from General Revenue-Dedicated. This is less than the previous biennium due to an adjusted methodology for calculating the amount the state can contribute. The annual state contribution for fiscal years 2016 and 2017, \$1,583,825, was the average of the state contributions in fiscal years 2014 and 2015. The requested and recommended state contribution for fiscal years 2018 and 2019 is one-third of the average of member department contributions between 2012 and 2016. This updated methodology is intended to better capture historical contributions and remove anomalies due to one-time increases or decreases.

The August 31, 2016 Actuarial Valuation determined that with current contributions from member departments and the state's contribution discussed above, the system has a funding period of 33 years. In order to bring the funding period to an actuarially sound 30 years, the board voted in December to increase member department contributions by two percent. The additional contribution will not be included in the calculation of the state's maximum contribution. This is the first time the agency has exercised its administrative rule authority to collect Part Two contributions.

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

Deleted Rider

2. **Contingency for Contributions to the Texas Emergency Services Retirement System.** Recommendations delete this rider because House Bill 7, 84th Regular Legislature, amended Government Code Sec. 614.014 to allow the use of General Revenue-Dedicated Volunteer Fire Department Assistance Account No. 5064 for contributions to the System.

Texas Emergency Services Retirement System
Items Not Included in Recommendations - House

| | | 2018-19 Biennial Total | | | Information Technology Involved? | Contracting Involved? | Estimated Continued Cost 2020-21 |
|---|------|------------------------|-----------|------|--|--------------------------|--|
| | | GR & GR-D | All Funds | FTEs | | | |
| Agency Exceptional Items - In Agency Priority Order | | | | | | | |
| | None | | | | | | |
| TOTAL Items Not Included in Recommendations | | \$0 | \$0 | 0.0 | | | \$0 |

**Texas Emergency Services Retirement System
Appendices - House**

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* Appendix is not included - no significant information to report

Texas Emergency Services Retirement System
Funding Changes and Recommendations - House, by Strategy -- GR & GR DEDICATED FUNDS

| Strategy/Goal | 2016-17 Base | 2018-19 Recommended | Biennial Change | % Change | Comments |
|---|-----------------|------------------------|--------------------|-------------|---|
| ADMINISTER PENSION FUND A.1.1 | \$4,432,288 | \$3,872,500 | (\$559,788) | (12.6%) | General Revenue-Dedicated reduced by \$509,202 due to lower state contribution to the system. See Section 3. General Revenue reduced by \$50,586 for merit increases, computer hardware and software, information technology services, postage, travel, supplies, and copier rental as part of four percent base funding decrease. |
| RECRUITING AND TECHNICAL ASSISTANCE A.2.1 | \$252,000 | \$241,920 | (\$10,080) | (4.0%) | General Revenue reduced by \$10,080 for computer hardware, supplies, postage, and merit increases as part of four percent base funding decrease. |
| Total, Goal A, SOUND PENSION FUND | \$4,684,288 | \$4,114,420 | (\$569,868) | (12.2%) | |
| Grand Total, All Strategies | \$4,684,288 | \$4,114,420 | (\$569,868) | (12.2%) | |

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

| Full-Time-Equivalent Positions | Expended 2015 | Estimated 2016 | Budgeted 2017 | Recommended 2018 | Recommended 2019 |
|---------------------------------------|--------------------------|---------------------------|--------------------------|-----------------------------|-----------------------------|
| Cap | 6.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Actual/Budgeted | 6.3 | 10.5 | 11.0 | NA | NA |

Schedule of Exempt Positions (Cap)

| | | | | | |
|-----------------------------|----------|-----------|-----------|-----------|-----------|
| Executive Director, Group 2 | \$90,000 | \$101,047 | \$101,047 | \$101,047 | \$101,047 |
|-----------------------------|----------|-----------|-----------|-----------|-----------|

Notes:

a) Article IX, Sec. 6.10(a)(2))A) allows agencies to exceed their limitation on employment levels by no more than 10 percent. Actual FTE amounts for fiscal years 2015, 2016, and 2017 are higher than FTE cap limits because previous management hired additional staff to address additional workload. Agency is not requesting an increase to its FTE cap.

b) The State Auditor's Office *Report on Executive Compensation at State Agencies* (Report No. 16-706, August 2016), indicates a market average salary of \$121,777 for the Executive Director position and recommends changing the classification for the position from Group 2 to 3. The agency is not requesting any changes to its exempt position.

Texas Emergency Services Retirement System
Summary of Ten Percent Biennial Base Reduction Options Recommendations - House

| Priority | Item | Description/Impact | Biennial Reduction Amounts | | | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Included in Intro Bill? |
|-------------------------------------|--|---|----------------------------|------------------|------------|------------------------|---|-------------------------|
| | | | GR & GR-D | All Funds | FTEs | | | |
| 1) | Administration - General Revenue | The reduction would result in the elimination of 2.0 FTE positions (\$133,597) and a decrease of \$12,000 in travel funds. The agency indicates that these reductions would affect the agency's ability to administer the pension fund as well as the ability to recruit new departments. | \$145,597 | \$145,597 | 2.0 | \$0 | 10.0% | No |
| 2) | State Contribution to Pension Plan - General Revenue-Dedicated | This reduction would lower the state contribution, making it 25.7 percent less than the previous biennium. | \$304,094 | \$304,094 | 0.0 | \$0 | 11.4% | No |
| TOTAL, 10% Reduction Options | | | \$449,691 | \$449,691 | 2.0 | \$0 | | |