

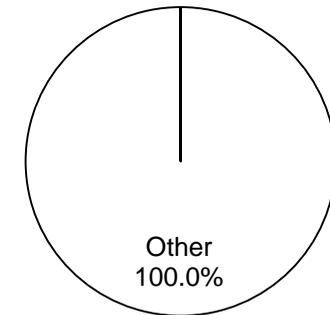
**Pension Review Board
Summary of Recommendations - Senate**

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Chris Hanson, Executive Director

Demetrio Hernandez, LBB Analyst

RECOMMENDED FUNDING
BY METHOD OF FINANCING

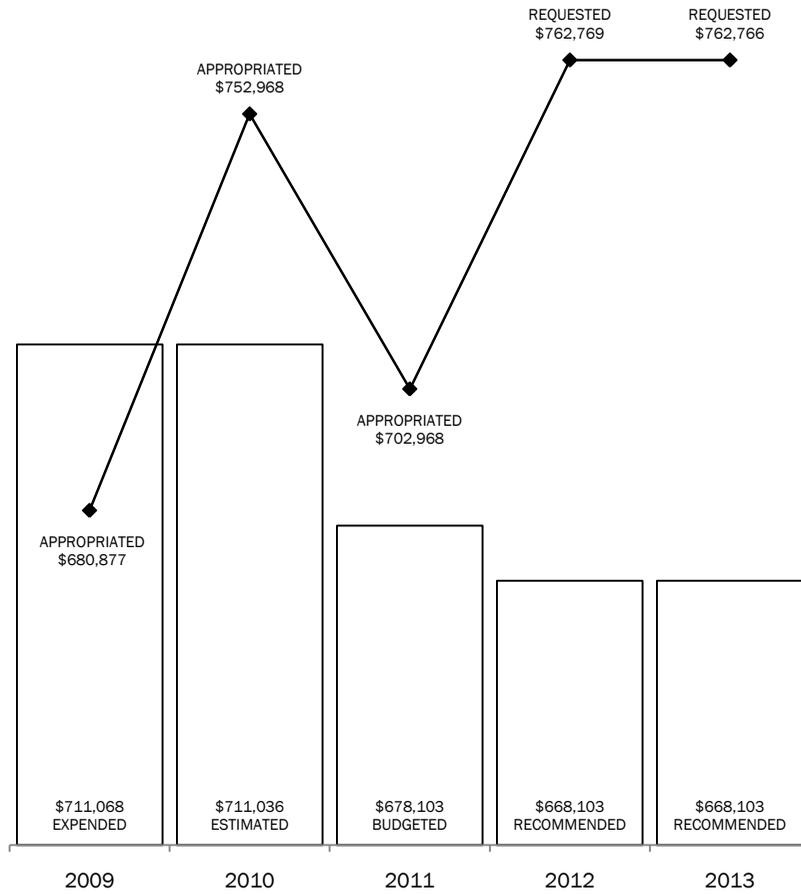
Method of Financing	2010-11 Appropriations	2010-11 Base	2012-13 Recommended	Biennial Change	% Change
General Revenue Funds	\$1,435,936	\$1,364,139	\$0	(\$1,364,139)	(100.0%)
GR Dedicated Funds	\$0	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$1,435,936</i>	<i>\$1,364,139</i>	<i>\$0</i>	<i>(\$1,364,139)</i>	<i>(100.0%)</i>
Federal Funds	\$0	\$0	\$0	\$0	0.0%
Other	\$20,000	\$25,000	\$1,336,206	\$1,311,206	5,244.8%
All Funds	\$1,455,936	\$1,389,139	\$1,336,206	(\$52,933)	(3.8%)



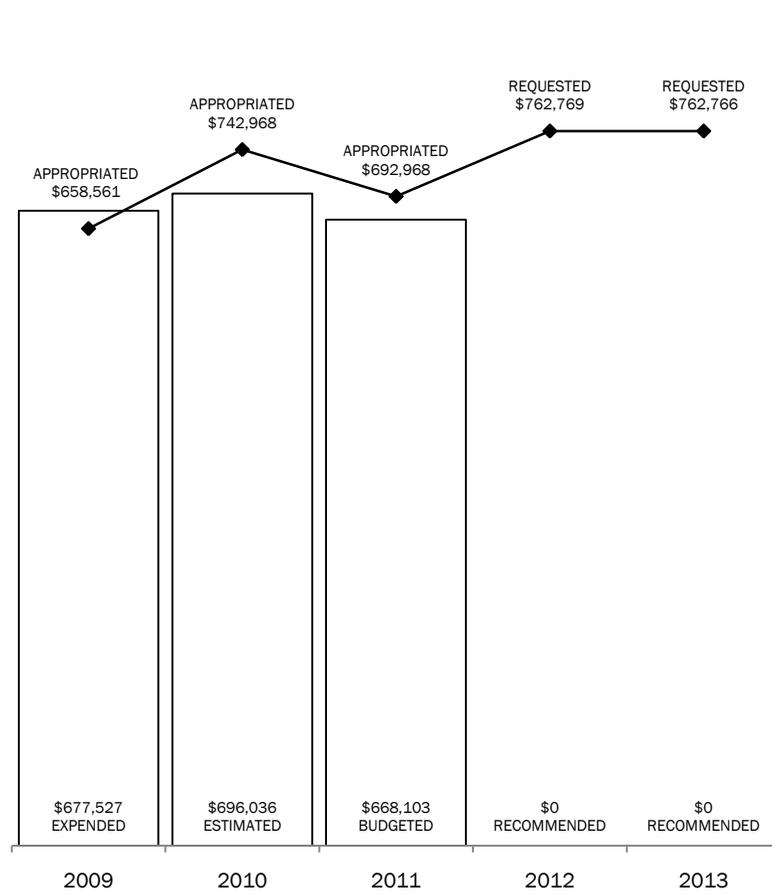
	FY 2011 Appropriations	FY 2011 Budgeted	FY 2013 Recommended	Biennial Change	% Change
FTEs	13.0	12.0	12.0	0.0	0.0%

The bill pattern for this agency (2012-13 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2012-13 biennium.

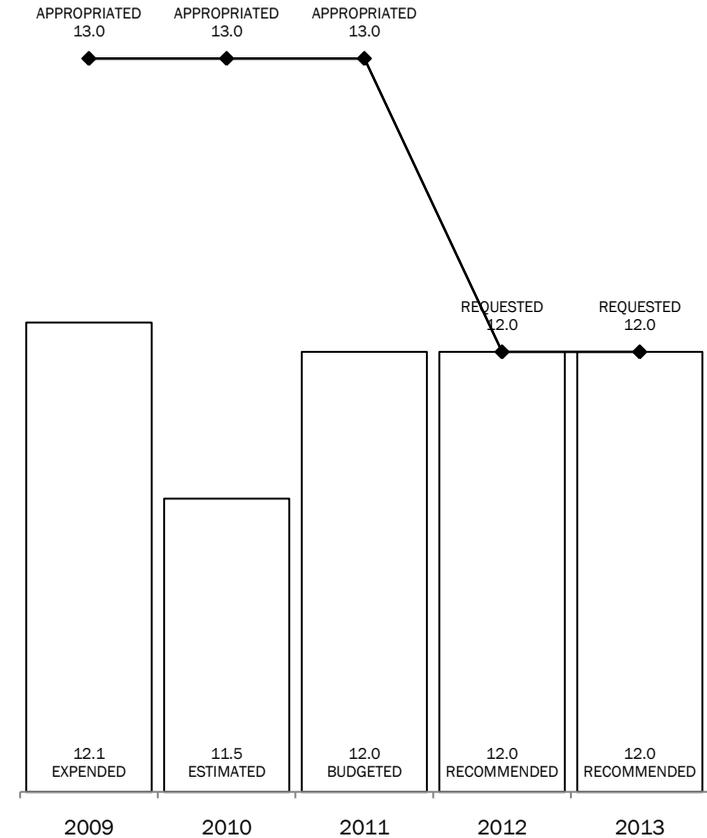
ALL FUNDS



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



FULL-TIME-EQUIVALENT POSITIONS



**Pension Review Board
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS**

Strategy/Goal	2010-11 Base	2012-13 Recommended	Biennial Change	% Change	Comments
					Recommendations are to amend statute to assess a mandatory fee to public retirement systems, based on their number of active members and annuitants, which would be deposited into the State Pension Review Board Fund No. 662. Currently, the statutory fee is optional, therefore raising concerns regarding the appearance of a conflict of interest in that only some of the retirement systems are making payments to an agency charged with overseeing them. Appropriations for the agency would then be made from this fund, eliminating the need for General Revenue. The recommendations reflect a \$1.3 million decrease in General Revenue associated with a Method of Finance swap with funds from State Pension Review Board Fund 662. In addition, the recommendations reflect a \$47,933 decrease in All Funds associated with the purchase and implementation of a new database appropriated by the Eighty-first Legislature. Finally, the recommendations reflect a \$5,000 decrease in Appropriated Receipts for the 2012-13 biennium related to the amount of expected revenue the agency's annual seminar will generate.
RETIREMENT SYSTEM REVIEWS A.1.1	\$748,962	\$658,103	(\$90,859)	(12.1%)	
TECHNICAL ASSISTANCE AND EDUCATION A.2.1	\$640,177	\$678,103	\$37,926	5.9%	
Total, Goal A, SOUND RETIREMENT SYSTEMS	\$1,389,139	\$1,336,206	(\$52,933)	(3.8%)	
Grand Total, All Strategies	\$1,389,139	\$1,336,206	(\$52,933)	(3.8%)	

Pension Review Board
Summary of Recommendations - Senate, By Method of Finance -- GENERAL REVENUE FUNDS

Strategy/Goal	2010-11 Base	2012-13 Recommended	Biennial Change	% Change	Comments
					Recommendations are to amend statute to assess a mandatory fee to public retirement systems, based on their number of active members and annuitants, which would be deposited into the State Pension Review Board Fund No. 662. Appropriations for the agency would then be made from this fund, eliminating the need for General Revenue. The recommendations reflect a \$1.3 million decrease in General Revenue associated with a Method of Finance swap with funds from State Pension Review Board Fund 662.
RETIREMENT SYSTEM REVIEWS A.1.1	\$748,962	\$0	(\$748,962)	(100.0%)	
TECHNICAL ASSISTANCE AND EDUCATION A.2.1	\$615,177	\$0	(\$615,177)	(100.0%)	
Total, Goal A, SOUND RETIREMENT SYSTEMS	\$1,364,139	\$0	(\$1,364,139)	(100.0%)	
Grand Total, All Strategies	\$1,364,139	\$0	(\$1,364,139)	(100.0%)	

Pension Review Board
Summary of Recommendations - Senate, By Method of Finance -- 662 - State Pension Review Bd

Strategy/Goal	2010-11 Base	2012-13 Recommended	Biennial Change	% Change	Comments
					Recommendations are to amend statute to assess a mandatory fee to public retirement systems, based on their number of active members and annuitants, which would be deposited into the State Pension Review Board Fund No. 662. Currently, the statutory fee is optional, therefore raising concerns regarding the appearance of a conflict of interest in that only some of the retirement systems are making payments to an agency charged with overseeing them. Appropriations for the agency would then be made from this fund, eliminating the need for General Revenue. The recommendations reflect a \$1.3 million increase in State Pension Review Board Fund 662 associated with a Method of Finance swap with General Revenue funds. Based on total membership of Texas public retirement systems exceeding 2.3 million active and retired members, the estimated revenue expected is approximately \$1.2 million annually.
RETIREMENT SYSTEM REVIEWS A.1.1	\$0	\$1,316,206	\$1,316,206	100.0%	
TECHNICAL ASSISTANCE AND EDUCATION A.2.1	\$0	\$1,316,206	\$1,316,206	100.0%	
Total, Goal A, SOUND RETIREMENT SYSTEMS	\$0	\$2,632,412	\$2,632,412	100.0%	
Grand Total, All Strategies	\$0	\$2,632,412	\$2,632,412	100.0%	

**Pension Review Board
Selected Fiscal and Policy Issues**

Fiscal Implications of LBB Recommendations

- The Pension Review Board is currently funded with General Revenue, along with Appropriated Receipts from the annual seminar the agency holds. The recommendations would effectively shift the agency's operating costs from General Revenue to the public retirement systems statewide. Until fiscal year 2010, the agency was also appropriated funds from State Pension Review Board Fund 662, which contained receipts from public retirement systems whose governing boards voted to make annual contributions of no more than 50 cents per active member and annuitant to the fund. A 2000 Sunset Advisory Commission report recommended eliminating these voluntary contributions and fully funding the agency with General Revenue to ensure objectivity in the agency's oversight function and stability in its funding. The recommendations would generate approximately \$1.2 million annually based on total membership in Texas public retirement systems exceeding 2.3 million in active and retired members.
- The recommendations include the Pension Review Board assuming the education and assistance functions of the Fire Fighters' Pension Commissioner for the fire departments in the Texas Local Fire Fighter Retirement Act (TLFFRA) program. The Pension Review Board currently provides similar functions for public pension systems statewide, and any additional costs incurred for providing education and assistance to the TLFFRA pension plans will be absorbed by the Pension Review Board.

Statutory Changes Required to Implement LBB Recommendations

- State Pension Review Board Finances and Equipment – Government Code, Sections 801.112
- State Pension Review Board Fund – Government Code, Sections 801.113

**Pension Review Board
FTE Highlights**

Full-Time-Equivalent Positions	Expended 2009	Actual 2010	Budgeted 2011	Recommended 2012	Recommended 2013
Cap	13.0	13.0	13.0	12.0	12.0
Actual/Budgeted	12.1	11.5	12.0	NA	NA
Schedule of Exempt Positions (Cap)					
Executive Director, Group 1	\$60,000	\$70,000	\$70,000	\$70,000	\$70,000

The decrease in the agency's FTE cap for 2012-13 reflects a reduction of 1 program specialist FTE that is currently unfilled. There is no expected impact to current services.

The agency is requesting an increase in the Executive Director salary cap to \$90,000 for 2012-13, and no change to the group classification. State Auditor's Office Report No. 10-706, A Classification Study of Exempt Positions, recommended a salary range of \$80,500 to \$126,600 and a classification of Group 2 for the Executive Director.

Section 4

Pension Review Board (PRB)
Performance Review and Policy Report Highlights

Reports & Recommendations	GEER Report Page	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Is included in the Introduced Bill	Action Required During Session
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NO RELATED RECOMMENDATIONS

**Pension Review Board
Rider Highlights**

2. (new) **Contingency Appropriation Requiring Statutory Changes.** Add rider to reflect that the recommendations involving instituting a mandatory per member fee for public retirement systems to contribute to the State Pension Review Board Fund 662 to fund the agency in lieu of General Revenue are contingent on the enactment of legislation by the Eighty-second Legislature relating to the modification of Government Code, Section 801.113, relating to the State Pension Review Board Fund 662.
2. (old) **Capital Budget.** Delete rider to reflect the completion of the agency's database project during the 2010-11 biennium and that the recommendations do not include capital budget projects during the 2012-13 biennium.
3. (new) **Contingency Appropriation: Public Retirement System Fees.** Add rider to appropriate funds derived from revenues deposited into the State Pension Review Board Fund 662 to the agency contingent upon the passage of legislation. **Note:** The annual amounts appropriated by the rider should state "not to exceed \$658,103" instead of \$648,103, as it currently appears. Likewise, the amounts shown appropriated in the rider to Strategy A.1.1, Retirement System Reviews, should show \$329,052 annually, and the amounts shown appropriated in the rider to Strategy A.2.1, Technical Assistance and Education, should show \$329,051 annually.

**Pension Review Board
Items not Included in Recommendations - Senate**

	<u>2012-13 Biennial Total</u>	
	<u>GR & GR- Dedicated</u>	<u>All Funds</u>
1. Increased funding for the agency from the revenue collected by mandatory fee to public retirement systems. Amount includes the following:		
a. Restore the 5 percent reduction in 2010-11;	\$	71,797
b. Host quarterly regional seminars at different locations around the state;	\$	24,000
c. Increase staff salaries;	\$	25,600
d. Fund additional personnel (5 FTEs), as well as the costs of assessing the mandatory fee on the public retirement systems, and assuming additional workload based on the elimination of the Fire Fighters' Pension Commissioner.	\$	422,397
2. Increase the salary of the Executive Director. No change requested for the group classification of the position.	\$	- \$ 40,000
3. Add the agency's Executive Director position to Article IX, Section 3.05(b)(3), which would allow the Pension Review Board, through the Governor, the ability to set the Executive Director pay within a range approved by the Legislature.	\$	- \$ -
4. Add a contingency rider to fund the agency with General Revenue if the contingency in Rider 3, Contingency Appropriation: Public Retirement System Fees, does not occur. This amount represents the agency's original base request for 2012-13.	\$	1,364,139 \$ -
Total, Items Not Included in the Recommendations	\$	1,364,139 \$ 583,794