Chapter 530

S.B. No. 301

AN ACT
relating to the operations and functions of the Employees
Retirement System of Texas and the sunset review date for,
financial management of, and programs administered by the agency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
SECTION 1. Section 815.005, Government Code, is amended to
read as follows:
Sec. 815.005. SUNSET PROVISION. The board of trustees of
the Employees Retirement System of Texas is subject to review under
Chapter 325 (Texas Sunset Act), but is not abolished under that
chapter. The board shall be reviewed during the period in which
state agencies abolished in 2029 [2017], and every 12th year after
that year, are reviewed.

SECTION 2. Subchapter A, Chapter 815, Government Code, is
amended by adding Section 815.009 to read as follows:
Sec. 815.009. BOARD MEMBER TRAINING. (a) A person who is
appointed to and qualifies for office as a member of the board of
trustees may not vote, deliberate, or be counted as a member in
attendance at a meeting of the board of trustees until the person
completes a training program that complies with this section.

(b) The training program must provide the person with
information regarding:

(1) the law governing the retirement system's
operations;
(2) the programs, functions, rules, and budget of the retirement system;
(3) the scope of and limitations on the rulemaking authority of the board of trustees;
(4) the results of the most recent formal audit of the retirement system;
(5) the requirements of:
   (A) laws relating to open meetings, public information, administrative procedure, and disclosing conflicts of interest; and
   (B) other laws applicable to members of the board of trustees in performing their duties; and
(6) any applicable ethics policies adopted by the retirement system or the Texas Ethics Commission.

(c) A person appointed to the board of trustees is entitled to reimbursement, as provided by the General Appropriations Act, for the travel expenses incurred in attending the training program regardless of whether the attendance at the program occurs before or after the person qualifies for office.

(d) The executive director shall create a training manual that includes the information required by Subsection (b). The executive director shall distribute a copy of the training manual annually to each member of the board of trustees. On receipt of the training manual, each member of the board of trustees shall sign and submit to the executive director a statement acknowledging receipt of the training manual.

SECTION 3. Subchapter B, Chapter 815, Government Code, is
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amended by adding Section 815.1025 to read as follows:

Sec. 815.1025. USE OF ALTERNATIVE RULEMAKING AND DISPUTE RESOLUTION. (a) The board of trustees shall develop a policy to encourage the use of:

(1) negotiated rulemaking procedures under Chapter 2008 for the adoption of the retirement system's rules; and

(2) appropriate alternative dispute resolution procedures under Chapter 2009 to assist in the resolution of internal and external disputes under the retirement system's jurisdiction.

(b) The retirement system's procedures relating to alternative dispute resolution must conform, to the extent possible, to any model guidelines issued by the State Office of Administrative Hearings for the use of alternative dispute resolution by state agencies.

(c) The retirement system shall:

(1) coordinate the implementation of the policy adopted under Subsection (a);

(2) provide training as needed to implement the procedures for negotiated rulemaking or alternative dispute resolution; and

(3) collect data concerning the effectiveness of those procedures.

(d) The board of trustees shall ensure that the implementation of this section and the negotiated rulemaking procedures and alternative dispute resolution procedures adopted under this section are consistent with the fiduciary responsibility
imposed on the board by law.

SECTION 4. Section 815.105, Government Code, is amended to read as follows:

Sec. 815.105. ADOPTING TABLES. At least once every four years, the board of trustees shall adopt mortality, service, and other tables the board considers necessary for the retirement system after considering the results of the actuary's investigation of the mortality, service, and compensation experience of the system's members and beneficiaries under Section 815.206.

SECTION 5. Section 815.202(f), Government Code, is amended to read as follows:

(f) Subject to Section 815.3016, the board of trustees may specifically delegate any right, power, or duty imposed or conferred on the executive director by law to another employee of the retirement system. If not so specifically delegated and subject to Section 815.3016, the executive director may delegate to another employee of the retirement system any right, power, or duty assigned to the executive director.

SECTION 6. Section 815.206(c), Government Code, is amended to read as follows:

(c) At least once every four years, the actuary, under the direction of the board of trustees, shall:

(1) make an actuarial investigation of the mortality, service, and compensation experience of the members and beneficiaries of the retirement system; and

(2) make a valuation of the assets and liabilities of the retirement system's funds.
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SECTION 7. Sections 815.301(b) and (c), Government Code, are amended to read as follows:

(b) Except as provided by Section 815.3016, the board of trustees may delegate its authority under Subsection (a) to the executive director. Subject to Section 815.3016, the board of trustees or the executive director may, under the standard of care provided by Section 815.307, invest and reinvest any of the retirement system's assets and may commingle assets of the trust fund and the law enforcement and custodial officer supplemental retirement fund with the assets of the Judicial Retirement System of Texas Plan Two for investment purposes, as long as proportionate ownership records are maintained and credited. Investments may include home office facilities, including land, equipment, and office building, used in administering the retirement system.

(c) Subject to Section 815.3016, the board of trustees may contract with private professional investment managers to assist the board in investing the assets of the retirement system.

SECTION 8. Subchapter D, Chapter 815, Government Code, is amended by adding Sections 815.3015 and 815.3016 to read as follows:

Sec. 815.3015. TRACKING AND REPORTING OF PROFIT SHARE.

(a) In this section:

(1) "Alternative investment" means an investment in a private equity fund, private real estate fund, hedge fund, infrastructure fund, or another asset as further defined by rule of the board of trustees.

(2) "Profit share" means an amount received by a
private professional investment manager either in consideration for achieving certain investment returns or as part of the negotiated division of investment returns between the private professional investment manager and an investor. The term includes a performance fee, incentive fee, and carried interest.

(b) The board of trustees shall develop a consistent method, guided by best industry practices and standards, to collect or calculate profit share data in connection with alternative investments of the retirement system.

(c) The board of trustees shall consistently track profit share data collected or calculated in accordance with Subsection (b) and the amount of realized gains for the retirement system from the associated alternative investments.

(d) The board of trustees shall report, at a minimum, the aggregate amount of profit shares received by private professional investment managers in connection with alternative investments of the retirement system, categorized by asset class, in the annual financial report required under Section 2101.011 and in other appropriate investment reports and board presentations.

(e) The board of trustees may adopt rules necessary to implement this section.

Sec. 815.3016. APPROVAL OF CERTAIN ALTERNATIVE INVESTMENTS. (a) In this section, "alternative investment" has the meaning assigned by Section 815.3015.

(b) The executive director, a private professional investment manager, or any other person delegated authority to invest or reinvest retirement system assets under Section

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815.202(f) or 815.301 may not invest retirement system assets in a single alternative investment that exceeds 0.6 percent of the total market value of the trust fund established by Section 815.310 as reported in the most recent annual financial report required under Section 2101.011 unless the board of trustees votes to approve the investment.

(c) The board of trustees may hold a closed meeting by telephone conference call or video conference call to consider and discuss an alternative investment or a potential alternative investment under this section, regardless of whether a quorum is physically present at one location of the meeting.

(d) Chapter 551 does not require the board of trustees to confer with one or more employees, consultants, or legal counsel of the retirement system or with a third party in an open meeting if the only purpose of the conference is to receive information from or question the employees, consultants, or legal counsel of the retirement system or the third party relating to an alternative investment or a potential alternative investment under this section.

(e) During a closed meeting held under this section, members of the board of trustees may not deliberate public business or agency policy that affects public business.

(f) A final action, decision, or vote on a matter considered or discussed in a closed meeting held under this section may only be made in an open meeting that is held in compliance with the notice provisions of Chapter 551.

(g) The board of trustees may adopt rules necessary to
implement this section.

SECTION 9. Section 840.005, Government Code, is amended to read as follows:

Sec. 840.005. ADOPTING TABLES AND RATES. At least once every four years, the board of trustees by rule shall adopt interest rates and mortality, service, and other tables the board considers necessary for the retirement system after considering the results of the actuary's investigation of the mortality, service, and compensation experience of the system's members and beneficiaries under Section 815.206.

SECTION 10. Section 1551.061, Insurance Code, is amended to read as follows:

Sec. 1551.061. ANNUAL REPORT. The board of trustees shall submit a written report not later than February [January] 1 of each year to the governor, lieutenant governor, speaker of the house of representatives, and Legislative Budget Board concerning the coverages provided and the benefits and services being received by all participants under this chapter. The report must include:

(1) information about the effectiveness and efficiency of:

(A) [±±] managed care cost containment practices; and

(B) [±±] fraud detection and prevention procedures;

(2) basic information about each group coverage plan provided under this chapter, including the number of participants in each plan and the claims amounts and administrative expenses
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incurred under each plan;

(3) a summary of recent changes to the benefits
provided under this chapter that highlights any key benefits the
board of trustees evaluated but did not implement;

(4) a discussion of trends in claims under group
coverage plans as well as other areas of interest identified by the
board of trustees;

(5) recommendations for any statutory changes the
board of trustees determines necessary to achieve its goals for the
group benefits program; and

(6) any other information the board of trustees
determines appropriate.

SECTION 11. Section 1551.355, Insurance Code, is amended by
adding Subsection (d) to read as follows:

(d) The board of trustees shall develop and implement a
process to allow an employee, participant, annuitant, or covered
dependent affected by a determination described by Section 1551.352
to participate directly in the process of appealing the
determination.

SECTION 12. Subchapter H, Chapter 1551, Insurance Code, is
amended by adding Section 1551.363 to read as follows:

Sec. 1551.363. PRECEDENT MANUAL. (a) The board of
trustees shall develop and maintain a precedent manual relating to
the enrollment and claims determinations under Section 1551.352 and
appeals of those determinations. The precedent manual:

(1) must be composed of precedent-establishing
determinations made by the board, executive director, or other
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staff, initially and on appeal, and include examples of previous

determinations that are consistent with the identified precedent; and

(2) may include other information identified by the board.

(b) The board of trustees shall make the precedent manual available to appropriate staff and to employees, participants, annuitants, and covered dependents.

(c) The board of trustees and staff involved in the claims appeal process are not bound by a decision in the manual.

SECTION 13. Notwithstanding Section 815.009(a), Government Code, as added by this Act, a member of the board of trustees of the Employees Retirement System of Texas who has not completed the training required by Section 815.009, Government Code, as added by this Act, may vote, deliberate, and be counted as a member in attendance at a meeting of the board of trustees until December 31, 2017.

SECTION 14. The board of trustees of the Employees Retirement System of Texas, and the actuary designated by the board, are not required to complete an actuarial investigation in the period prescribed by Section 815.206(c), Government Code, as amended by this Act, or adopt interest rates or mortality, service, or other tables based on that investigation in the period prescribed by Sections 815.105 and 840.005, Government Code, as amended by this Act, until the later of December 31, 2022, or the fourth anniversary of the date the board of trustees adopts actuarial assumptions and tables under those sections for the first
time after the effective date of this Act.

SECTION 15. The Employees Retirement System of Texas shall, in a contract between the retirement system and a private professional investment manager or other person under authority of Sections 815.202(f) and 815.301, Government Code, as amended by this Act, that is entered into or renewed on or after the effective date of this Act, require that the private professional investment manager or other person comply with Section 815.3016, Government Code, as added by this Act.

SECTION 16. This Act takes effect September 1, 2017.
I hereby certify that S.B. No. 301 passed the Senate on April 4, 2017, by the following vote: Yeas 31, Nays 0; May 11, 2017, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 16, 2017, House granted request of the Senate; May 28, 2017, Senate adopted Conference Committee Report by the following vote: Yeas 31, Nays 0.

I hereby certify that S.B. No. 301 passed the House, with amendments, on April 28, 2017, by the following vote: Yeas 136, Nays 0, two present not voting; May 16, 2017, House granted request of the Senate for appointment of Conference Committee; May 20, 2017, House adopted Conference Committee Report by the following vote: Yeas 135, Nays 0, two present not voting.

Approved:

Date

Governor

Secretary of State
TO: Honorable Dan Patrick, Lieutenant Governor, Senate  
Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB301 by Watson (Relating to the operations and functions of the Employees Retirement System of Texas and the sunset review date for, financial management of, and programs administered by the agency.), Conference Committee Report

No significant fiscal implication to the State is anticipated.

The bill would amend Government Code relating to the operations and functions of the Employees Retirement System and its board of trustees.

The bill would set the agency's next Sunset review for the period in which agencies abolished in 2029 are reviewed.

The bill would require the board to develop a policy encouraging the use of negotiated rulemaking and alternative dispute resolution procedures, consistent with the board's fiduciary responsibility, for use in both internal and external disputes. The policy would be required to conform to model guidelines issued by the State Office of Administrative Hearings to the extent possible. The agency would be required to provide training as needed to implement the procedures and collect data concerning their effectiveness.

The bill would require a training program for ERS board members before they may vote, deliberate or be counted as a member in attendance after December 31, 2017. The training program would be required to provide information on ERS governing laws; programs, functions, rules and budget of the system; scope of the rulemaking authority of the board; results of recent agency audits; open meeting, public information, and conflict of interest laws; and ethics policies. The agency shall create a training manual for board members, who would be required to annually sign a statement acknowledging receipt.

The bill would change the timing requirement for the actuary's experience study and the board adopting actuarial assumptions to at least once every four years instead of every five years. Specifically, Section Six of the bill would require that at least once every four years the actuary make 1) an investigation of the mortality, service, and compensation experience of the system's members and 2) a valuation of the system's assets and liabilities. Sections Four and Nine would require that at least once every four years the board adopt revised interest rates and mortality, service, and other tables considered necessary. Section Fourteen would not require these experience study and valuation requirements until the later of December 31, 2022 or the fourth anniversary of the previously adopted assumptions after the effective date of the bill.
The bill would prohibit any person to whom the board has delegated authority to invest or reinvest system assets from investing in a single alternative investment that exceeds 0.6 percent of the total market value of the trust fund established by §15.310; those investments would require a board vote of approval. The bill would allow for the board votes of approval to take place in closed meetings via telephone conference call.

The bill would require the board to develop a method to collect or calculate profit sharing in connection with alternative investments and track collected or calculated profit sharing for associated alternative investments. The board would be required to report profit sharing received by private professional investment managers in connection with alternative investments, categorized by asset class, in the annual financial report and other appropriate investment reports and presentations.

The bill would change the due date for the Group Benefits Program Annual Report from January 1 to February 1 and expand the information required in the report. The additional required information would include demographic and financial information of each plan; a summary of recent benefit changes considered by the board; claims trends; recommendations for statutory changes; and other information determined appropriate by the board.

The bill would require the board to develop and implement a process to allow direct participation by a covered individual in the determination of enrollment or payment of claims questions arising from a benefit provided in the Group Benefits Program. The bill would also require the board to develop and maintain a precedent manual relating to enrollment and claims determinations and any related appeals. The precedent manual would be required to include precedent-establishing determinations and examples consistent with the identified precedent and any other information the board deemed necessary. The manual would be made available to staff, participants, annuitants, and covered dependents, but the board would not be bound by the document in making future determinations.

The agency indicates that the bill would have no significant fiscal impact.

The bill would take effect September 1, 2017.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 327 Employees Retirement System
LBB Staff: UP, KFa, AG, NV
TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB301 by Watson (Relating to the operations and functions of the Employees Retirement System of Texas and the sunset review date for, financial management of, and programs administered by the agency.), As Passed 2nd House

No significant fiscal implication to the State is anticipated.

The bill would amend Government Code relating to the operations and functions of the Employees Retirement System and its board of trustees.

The bill would set the agency's next Sunset review for the period in which agencies abolished in 2029 are reviewed.

The bill would require the board to develop a policy encouraging the use of negotiated rulemaking and alternative dispute resolution procedures, consistent with the board's fiduciary responsibility, for use in both internal and external disputes. The policy would be required to conform to model guidelines issued by the State Office of Administrative Hearings to the extent possible. The agency would be required to provide training as needed to implement the procedures and collect data concerning their effectiveness.

The bill would require a training program for ERS board members before they may vote, deliberate or be counted as a member in attendance after December 31, 2017. The training program would be required to provide information on ERS governing laws; programs, functions, rules and budget of the system; scope of the rulemaking authority of the board; results of recent agency audits; open meeting, public information, and conflict of interest laws; and ethics policies. The agency shall create a training manual for board members, who would be required to annually sign a statement acknowledging receipt.

The bill would change the timing requirement for the actuary's experience study and the board adopting actuarial assumptions to at least once every four years instead of every five years. Specifically, Section Six of the bill would require that at least once every four years the actuary make 1) an investigation of the mortality, service, and compensation experience of the system's members and 2) a valuation of the system's assets and liabilities. Sections Four and Nine would require that at least once every four years the board adopt revised interest rates and mortality, service, and other tables considered necessary. Section Fourteen would not require these experience study and valuation requirements until the later of December 31, 2022 or the fourth anniversary of the previously adopted assumptions after the effective date of the bill.

The bill would prohibit any person to whom the board has delegated authority to invest or reinvest...
system assets from investing in a single alternative investment that exceeds one percent of the total market value of the trust fund established by 815.310; those investments would require a board vote of approval. The bill would allow for the board votes of approval to take place in closed meetings via telephone conference call.

The bill would require the board to develop a method to collect or calculate profit sharing in connection with alternative investments and track collected or calculated profit sharing for associated alternative investments. The board would be required to report profit sharing received by private professional investment managers in connection with alternative investments, categorized by asset class, in the annual financial report and other appropriate investment reports and presentations.

The bill would change the due date for the Group Benefits Program Annual Report from January 1 to February 1 and expand the information required in the report. The additional required information would include demographic and financial information of each plan; a summary of recent benefit changes considered by the board; claims trends; recommendations for statutory changes; and other information determined appropriate by the board.

The bill would require the board to develop and implement a process to allow direct participation by a covered individual in the determination of enrollment or payment of claims questions arising from a benefit provided in the Group Benefits Program. The bill would also require the board to develop and maintain a precedent manual relating to enrollment and claims determinations and any related appeals. The precedent manual would be required to include precedent-establishing determinations and examples consistent with the identified precedent and any other information the board deemed necessary. The manual would be made available to staff, participants, annuitants, and covered dependents, but the board would not be bound by the document in making future determinations.

The agency indicates that the bill would have no significant fiscal impact.

The bill would take effect September 1, 2017.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 116 Sunset Advisory Commission, 327 Employees Retirement System

**LBB Staff:** UP, KFa, AG, NV
The bill would amend Government Code relating to the operations and functions of the Employees Retirement System and its board of trustees.

The bill would set the agency's next Sunset review for the period in which agencies abolished in 2029 are reviewed.

The bill would require the board to develop a policy encouraging the use of negotiated rulemaking and alternative dispute resolution procedures, consistent with the board's fiduciary responsibility, for use in both internal and external disputes. The policy would be required to conform to model guidelines issued by the State Office of Administrative Hearings to the extent possible. The agency would be required to provide training as needed to implement the procedures and collect data concerning their effectiveness.

The bill would require a training program for ERS board members before they may vote, deliberate or be counted as a member in attendance after December 31, 2017. The training program would be required to provide information on ERS governing laws; programs, functions, rules and budget of the system; scope of the rulemaking authority of the board; results of recent agency audits; open meeting, public information, and conflict of interest laws; and ethics policies. The agency shall create a training manual for board members, who would be required to annually sign a statement acknowledging receipt.

The bill would change the timing requirement for the actuary's experience study and the board adopting actuarial assumptions to at least once every four years instead of every five years. Specifically, Section Six of the bill would require that at least once every four years the actuary make 1) an investigation of the mortality, service, and compensation experience of the system's members and 2) a valuation of the system's assets and liabilities. Sections Four and Nine would require that at least once every four years the board adopt revised interest rates and mortality, service, and other tables considered necessary. Section Fourteen would not require these experience study and valuation requirements until the later of December 31, 2022 or the fourth anniversary of the previously adopted assumptions after the effective date of the bill.

The bill would prohibit any person to whom the board has delegated authority to invest or reinvest
system assets from investing in a single alternative investment that exceeds two percent of the total market value of alternative investments; those investments would require a board vote of approval. The bill would allow for the board votes of approval to take place in closed meetings via telephone conference call.

The bill would require the board to develop a method to collect or calculate profit sharing in connection with alternative investments and track collected or calculated profit sharing for associated alternative investments. The board would be required to report profit sharing received by private professional investment managers in connection with alternative investments, categorized by asset class, in annual financial reports issued after September 1, 2018 and other appropriate investment reports and presentations.

The bill would change the due date for the Group Benefits Program Annual Report from January 1 to February 1 and expand the information required in the report. The additional required information would include demographic and financial information of each plan; a summary of recent benefit changes considered by the board; claims trends; recommendations for statutory changes; and other information determined appropriate by the board.

The bill would require the board to develop and implement a process to allow direct participation by a covered individual in the determination of enrollment or payment of claims questions arising from a benefit provided in the Group Benefits Program. The bill would also require the board to develop and maintain a precedent manual relating to enrollment and claims determinations and any related appeals. The precedent manual would be required to include precedent-establishing determinations and examples consistent with the identified precedent and any other information the board deemed necessary. The manual would be made available to staff, participants, annuitants, and covered dependents, but the board would not be bound by the document in making future determinations.

The agency indicates that the bill would have no significant fiscal impact.

The bill would take effect September 1, 2017.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 116 Sunset Advisory Commission, 327 Employees Retirement System

**LBB Staff:** UP, KFa, AG, NV
TO: Honorable Joan Huffman, Chair, Senate Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB301 by Watson (Relating to the operations and functions of the Employees Retirement System of Texas and the sunset review date for, financial management of, and programs administered by the agency.), Committee Report 1st House, Substituted

No significant fiscal implication to the State is anticipated.

The bill would amend Government Code relating to the operations and functions of the Employees Retirement System and its board of trustees.

The bill would set the agency's next Sunset review for the period in which agencies abolished in 2029 are reviewed.

The bill would require the board to develop a policy encouraging the use of negotiated rulemaking and alternative dispute resolution procedures, consistent with the board's fiduciary responsibility, for use in both internal and external disputes. The policy would be required to conform to model guidelines issued by the State Office of Administrative Hearings to the extent possible. The agency would be required to provide training as needed to implement the procedures and collect data concerning their effectiveness.

The bill would require a training program for ERS board members before they may vote, deliberate or be counted as a member in attendance after December 31, 2017. The training program would be required to provide information on ERS governing laws; programs, functions, rules and budget of the system; scope of the rulemaking authority of the board; results of recent agency audits; open meeting, public information, and conflict of interest laws; and ethics policies. The agency shall create a training manual for board members, who would be required to annually sign a statement acknowledging receipt.

The bill would change the timing requirement for the actuary's experience study and the board adopting actuarial assumptions to at least once every four years instead of every five years. Specifically, Section Six of the bill would require that at least once every four years the actuary make 1) an investigation of the mortality, service, and compensation experience of the system's members and 2) a valuation of the system's assets and liabilities. Sections Four and Nine would require that at least once every four years the board adopt revised interest rates and mortality, service, and other tables considered necessary. Section Fourteen would not require these experience study and valuation requirements until the later of December 31, 2022 or the fourth anniversary of the previously adopted assumptions after the effective date of the bill.

The bill would prohibit any person to whom the board has delegated authority to invest or reinvest
system assets from investing in a single alternative investment that exceeds $100 million; those investments would require a board vote of approval. The bill would allow for the board votes of approval to take place in closed meetings via telephone conference call.

The bill would require the board to develop a method to collect or calculate profit sharing in connection with alternative investments and track collected or calculated profit sharing for associated alternative investments. The board would be required to report profit sharing received by private professional investment managers in connection with alternative investments, categorized by asset class, in annual financial reports issued after September 1, 2018 and other appropriate investment reports and presentations.

The bill would change the due date for the Group Benefits Program Annual Report from January 1 to February 1 and expand the information required in the report. The additional required information would include demographic and financial information of each plan; a summary of recent benefit changes considered by the board; claims trends; recommendations for statutory changes; and other information determined appropriate by the board.

The bill would require the board to develop and implement a process to allow direct participation by a covered individual in the determination of enrollment or payment of claims questions arising from a benefit provided in the Group Benefits Program. The bill would also require the board to develop and maintain a precedent manual relating to enrollment and claims determinations and any related appeals. The precedent manual would be required to include precedent-establishing determinations and examples consistent with the identified precedent and any other information the board deemed necessary. The manual would be made available to staff, participants, annuitants, and covered dependents, but the board would not be bound by the document in making future determinations.

The agency indicates that the bill would have no significant fiscal impact.

The bill would take effect September 1, 2017.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 327 Employees Retirement System
LBB Staff: UP, AG, NV, KFa
TO: Honorable Joan Huffman, Chair, Senate Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB301 by Watson (Relating to the operations and functions of the Employees Retirement System of Texas and the sunset review date for, financial management of, and programs administered by the agency.), As Introduced

No significant fiscal implication to the State is anticipated.

The bill would amend Government Code relating to the operations and functions of the Employees Retirement System and its board of trustees.

The bill would set the agency's next Sunset review for the period in which agencies abolished in 2029 are reviewed.

The bill would require the board to develop a policy encouraging the use of negotiated rulemaking and alternative dispute resolution procedures, for use in both internal and external disputes. The policy would be required to conform to model guidelines issued by the State Office of Administrative Hearings to the extent possible. The agency would be required to provide training as needed to implement the procedures and collect data concerning their effectiveness.

The bill would require a training program for ERS board members before they may vote, deliberate or be counted as a member in attendance after December 1, 2017. The training program would be required to provide information on ERS governing laws; programs, functions, rules and budget of the system; scope of the rulemaking authority of the board; results of recent agency audits; open meeting, public information, and conflict of interest laws; and ethics policies. The agency shall create a training manual for board members, who would be required to annually sign a statement acknowledging receipt.

The bill would change the timing requirement for the actuary's experience study and the board adopting actuarial assumptions to at least once every four years instead of every five years. Specifically, Section Six of the bill would require that at least once every four years the actuary make 1) an investigation of the mortality, service, and compensation experience of the system's members and 2) a valuation of the system's assets and liabilities. Sections Four and Nine would require that at least once every four years the board adopt revised interest rates and mortality, service, and other tables considered necessary. Section Fourteen would not require these experience study and valuation requirements until the later of December 31, 2022 or the fourth anniversary of the previously adopted assumptions after the effective date of the bill.

The bill would prohibit any person to whom the board has delegated authority to invest or reinvest system assets from investing in a single alternative investment that exceeds $100 million; those

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investments would require a board vote of approval.

The bill would require the board to develop a method to calculate profit sharing in connection with alternative investments and track calculated profit sharing for associated alternative investments. The board would be required to report profit sharing received by private professional investment managers in connection with alternative investments, categorized by asset type, in the annual financial report and other appropriate investment reports and presentations.

The bill would change the due date for the Group Benefits Program Annual Report from January 1 to February 1 and expand the information required in the report. The additional required information would include demographic and financial information of each plan; a summary of recent benefit changes considered by the board; claims trends; recommendations for statutory changes; and other information determined appropriate by the board.

The bill would require the board to develop and implement a process to allow direct participation by a covered individual in the determination of enrollment or payment of claims questions arising from a benefit provided in the Group Benefits Program. The bill would also require the board to develop and maintain a precedent manual relating to enrollment and claims determinations and any related appeals. The precedent manual would be required to include precedent-establishing determinations and examples consistent with the identified precedent and any other information the board deemed necessary. The manual would be made available to staff, participants, annuitants, and covered dependents, but the board would not be bound by the document in making future determinations.

The agency estimates that there would be a minimal cost associated with implementing the provisions of the bill regarding board approval of certain alternative investments and profit share reporting. This analysis assumes that any work and costs associated with implementing provisions of the bill could be absorbed within existing resources.

The bill would take effect September 1, 2017.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 327 Employees Retirement System
LBB Staff: UP, AG, NV, K Fa