# Chapter 443

1	AN ACT
2	relating to the effect of certain felony convictions of public
3	elected officers.
4	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
5	SECTION 1. Chapter 810, Government Code, is amended by
6	adding Section 810.002 to read as follows:
7	Sec. 810.002. CERTAIN ELECTED OFFICIALS INELIGIBLE FOR
8	RETIREMENT ANNUITY. (a) In this section:
9	(1) "Governing body of a public retirement system" and
10	"public retirement system" have the meanings assigned by Section
11	802.001.
12	(2) "Qualifying felony" means any felony involving:
13	(A) bribery;
14	(B) the embezzlement, extortion, or other theft
15	of public money;
16	(C) perjury;
17	(D) coercion of public servant or voter;
18	(E) tampering with governmental record;
19	(F) misuse of official information;
20	(G) conspiracy or the attempt to commit any of
21	the offenses described by Paragraphs (A)-(F); or
22	(H) abuse of official capacity.
23	(b) This section applies only to a person who is:
24	(1) a member of the elected class of the Employees

- 1 Retirement System of Texas as described by Section 812.002(a)(1) or
- 2 (2); or
- 3 (2) otherwise eligible for membership in a public
- 4 retirement system wholly or partly because the person was elected
- 5 or appointed to an elected office.
- 6 (c) Except as provided by Subsection (d), a member of a
- 7 public retirement system is not eligible to receive a service
- 8 retirement annuity under the retirement system if the member is
- 9 convicted of a qualifying felony committed while in office and
- 10 arising directly from the official duties of that elected office.
- 11 (d) The retirement system, on receipt of notice of a
- 12 conviction under Subsection (e) or (k), any similar notice of a
- 13 conviction of a qualifying felony from a United States district
- 14 court or United States attorney, or any other information that the
- 15 retirement system determines by rule is sufficient to establish a
- 16 conviction of a qualifying felony, shall suspend payments of a
- 17 <u>service retirement</u> annuity to a person the system determines is
- 18 ineligible to receive the annuity under Subsection (c). A person
- 19 whose conviction is overturned on appeal or who meets the
- 20 requirements for innocence under Section 103.001(a)(2), Civil
- 21 Practice and Remedies Code:
- (1) is entitled to receive an amount equal to the
- 23 accrued total of payments and interest earned on the payments
- 24 withheld during the suspension period; and
- 25 (2) may resume receipt of annuity payments on payment
- 26 to the retirement system of an amount equal to the contributions
- 27 refunded to the person under Subsection (f).

- (e) Not later than the 30th day after the conviction of a person of a qualifying felony, the governmental entity to which the person was elected or appointed must provide written notice of the conviction to the public retirement system in which the person is enrolled. The notice must comply with the administrative rules adopted by the public retirement system under Subsection (j).
- 7 (f) A member who is ineligible to receive a service retirement annuity under Subsection (c) is entitled to a refund of 8 9 the member's service retirement annuity contributions, including 10 interest earned on those contributions. A refund under this 11 subsection is subject to an award of all or part of the member's 12 service retirement annuity contributions to a former spouse, including as a just and right division of the contributions on 13 divorce, payment of child support, or payment of spousal 14 maintenance or contractual alimony or other order of a court. 15
- 16 (g) Benefits payable to an alternate payee under Chapter 804

  17 who is recognized by a qualified domestic relations order

  18 established before the effective date of this subsection are not

  19 affected by a member's ineligibility to receive a service

  20 retirement annuity under Subsection (c).
- 21 (h) On conviction of a member for a qualifying felony:
- 22 (1) a court may, in the same manner as in a divorce or 23 annulment proceeding, make a just and right division of the 24 member's service retirement annuity by awarding to the member's 25 spouse all or part of the community property interest in the annuity 26 forfeited by the member; and
- 27 (2) a court shall, if the member's service retirement

- 1 annuity was partitioned or exchanged by written agreement of the
- 2 spouses as provided by Subchapter B, Chapter 4, Family Code, before
- 3 the member's commission of the offense, award the annuity forfeited
- 4 by the member to the member's spouse as provided in the agreement.
- 5 <u>(i) Ineligibility for a service retirement annuity under</u>
- 6 this section does not impair a person's right to any other
- 7 retirement benefit for which the person is eligible.
- 8 (j) The governing body of a public retirement system shall
- 9 adopt rules and procedures to implement this section.
- 10 (k) A court shall notify the retirement system of the terms
- 11 of a conviction of a person convicted of an offense described by
- 12 Subsection (c).
- (1) Notwithstanding any other provision of this section, if
- 14 the spouse of a member convicted of a qualifying felony is convicted
- of the felony as a party to the offense as defined by Section 7.01,
- 16 Penal Code, or of another qualifying offense arising out of the same
- 17 <u>criminal episode as defined by Section 3.01, Penal Code, the spouse</u>
- 18 forfeits the member's service retirement annuity and service
- 19 retirement contributions to the same extent as the member.
- SECTION 2. Chapter 601, Government Code, is amended by
- 21 adding Section 601.011 to read as follows:
- Sec. 601.011. VACANCY ON FINAL FELONY CONVICTION OF MEMBER
- 23 OF LEGISLATURE, GOVERNOR, OR STATE ELECTED OFFICIAL. A member of
- 24 the legislature, the governor, or a state elected official
- 25 convicted of a felony vacates the member's, governor's, or
- 26 official's office on the date the conviction becomes final.
- 27 SECTION 3. Article 42.01, Code of Criminal Procedure, is

- 1 amended by adding Section 12 to read as follows:
- Sec. 12. In addition to the information described by
- 3 Section 1, the judgment should reflect affirmative findings entered
- 4 pursuant to Article 42.0196.
- 5 SECTION 4. Chapter 42, Code of Criminal Procedure, is
- 6 amended by adding Article 42.0196 to read as follows:
- 7 Art. 42.0196. FINDING REGARDING OFFENSE RELATED TO
- 8 PERFORMANCE OF PUBLIC SERVICE. (a) In the trial of an offense
- 9 <u>described</u> by Section 810.002, Government Code, the judge shall make
- 10 an affirmative finding of fact and enter the affirmative finding in
- 11 the judgment in the case if the judge determines that the defendant
- 12 <u>is:</u>
- (1) a member of the elected class described by Section
- 14 810.002(b)(1), Government Code, while a member of the Employees
- 15 Retirement System of Texas; or
- (2) a holder of an elected office for which the
- 17 defendant wholly or partly became eligible for membership in a
- 18 public retirement system.
- (b) A judge who makes the affirmative finding described by
- 20 this article shall make the determination and provide the notice
- 21 required by Section 810.002(k), Government Code.
- SECTION 5. Section 810.002, Government Code, as added by
- 23 this Act, applies only to a member of a public retirement system who
- 24 holds or has held elected office and, on or after the effective date
- 25 of this Act, commits an offense that is a qualifying felony as
- 26 defined by that section. A person who commits a qualifying felony
- 27 before the effective date of this Act is subject to the law in

- 1 effect on the date the offense was committed, and the former law is
- 2 continued in effect for that purpose. For purposes of this section,
- 3 an offense was committed before the effective date of this Act if
- 4 any element of the offense occurred before that date.
- 5 SECTION 6. This Act takes effect immediately if it receives
- 6 a vote of two-thirds of all the members elected to each house, as
- 7 provided by Section 39, Article III, Texas Constitution. If this
- 8 Act does not receive the vote necessary for immediate effect, this
- 9 Act takes effect September 1, 2017.

President of the Senate

Speaker of the House

I hereby certify that S.B. No 500 passed the Senate on February 8, 2017, by the following vote: Yeas 30, Nays 0; and that the Senate concurred in House amendments on May 22, 2017, by the following vote: Yeas 31, Nays 0.

Secretary of the Sonate

I hereby certify that S.B. No. 500 passed the House, with amendments, on May 15, 2017, by the following vote: Yeas 141, Nays O, one present not voting.

Chief Clerk of the House

Approved:

Data

Governor

FILED IN THE OFFICE OF THE SECRETARY OF STATE
2:15 PM O'CLOCK

Secretary of State

### FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

### May 16, 2017

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB500 by Taylor, Van (Relating to the effect of certain felony convictions of public

elected officers.), As Passed 2nd House

### No significant fiscal implication to the State is anticipated.

The bill would amend the Government Code and Code of Criminal Procedure relating to the effect of certain felony convictions of public elected officers. The bill would make ineligible for retirement benefits applicable public officers convicted of a qualifying felony.

The Employees Retirement System indicates costs associated with implementing the bill could be absorbed within existing resources. The proposed changes would have no impact on the Employees Retirement System projected August 31, 2017 actuarial valuation results.

The bill would take effect immediately if it receives a two-thirds vote from each house, as provided by Section 39, Article III, Texas Constitution. Otherwise it would take effect September 1, 2017.

### **Local Government Impact**

According to the Texas County and District Retirement System (TCDRS), the bill provides that TCDRS members who are elected officials and who are convicted of a "qualifying felony" committed while in office would be ineligible for a retirement annuity from TCDRS.

This analysis assumes the bill would not have a significant fiscal impact on the Texas County and District Retirement System and any administrative costs could be absorbed within existing resources.

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 327

**Employees Retirement System** 

LBB Staff: UP, KK, KFa, AG, NV, ASa, JGA

# FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

# May 3, 2017

TO: Honorable Sarah Davis, Chair, House Committee on General Investigating & Ethics

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB500 by Taylor, Van (Relating to the effect of certain felony convictions of public

elected officers.), As Engrossed

### No significant fiscal implication to the State is anticipated.

The bill would amend the Government Code and Code of Criminal Procedure relating to the effect of certain felony convictions of public elected officers. The bill would make ineligible for retirement benefits applicable public officers convicted of a qualifying felony.

The Employees Retirement System indicates costs associated with implementing the bill could be absorbed within existing resources. The proposed changes would have no impact on the Employees Retirement System projected August 31, 2017 actuarial valuation results.

The bill would take immediately if it receives a two-thirds vote from each house, as provided by Section 39, Article III, Texas Constitution. Otherwise it would take effect September 1, 2017.

### **Local Government Impact**

According to the Texas County and District Retirement System (TCDRS), the bill provides TCDRS members who are elected officials and who are convicted of a "qualifying felony" committed while in office would be ineligible for a retirement annuity from TCDRS.

This analysis assumes the bill would not have a significant fiscal impact on the Texas County and District Retirement System and any administrative costs could be absorbed within existing resources.

**Source Agencies:** 327 Employees Retirement System

LBB Staff: UP, KK, KFa, AG, NV, ASa, JGA

# FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

### January 31, 2017

TO: Honorable Joan Huffman, Chair, Senate Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB500 by Taylor, Van (Relating to the effect of certain felony convictions of public

elected officers.), As Introduced

# No significant fiscal implication to the State is anticipated.

The bill would amend the Government Code relating to the effect of certain felony convictions of public elected officers. The bill would make ineligible for retirement benefits applicable public officers convicted of a qualifying felony.

The Employees Retirement System indicates costs associated with implementing the bill could be absorbed within existing resources. The proposed changes would have no impact on the Employees Retirement System projected August 31, 2017 actuarial valuation results.

The bill would take effect January 8, 2019.

### **Local Government Impact**

According to the Texas County and District Retirement System (TCDRS), the bill provides TCDRS members who are elected officials and who are convicted of a "qualifying felony" committed while in office would be ineligible for a retirement annuity from TCDRS.

This analysis assumes the bill would not have a significant fiscal impact on the Texas County and District Retirement System and any administrative costs could be absorbed within existing resources.

Source Agencies: 327 Employees Retirement System

LBB Staff: UP, AG, NV, KFa, ASa, JGA

### **ACTUARIAL IMPACT STATEMENT**

### 85TH LEGISLATIVE REGULAR SESSION

May 16, 2017

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB500 by Taylor, Van (Relating to the effect of certain felony convictions of public

elected officers.), As Passed 2nd House

### **ACTUARIAL EFFECTS**

The bill would add Section 810.002 to Chapter 810 of the Texas Government Code, which would make certain elected officials who are convicted of a qualified felony related to the member's performance of public service, ineligible for retirement annuity.

According to the actuarial analysis provided by the Employees Retirement System of Texas (ERS), benefits could only decrease under the proposed legislation, and the changes in the bill would decrease the cost of the plan, but have no material impact on any of the affected plans. In addition, the Texas County & District Retirement System (TCDRS) and the Texas Municipal Retirement System (TMRS) have indicated the bill would not have a material impact on their respective system.

The Pension Review Board (PRB) believes the bill could potentially impact these and other Texas public retirement systems; however, it would not have a material impact on any system.

### SYNOPSIS OF PROVISIONS

The bill would add Section 810.002 of the Texas Government Code, which would make certain elected officials who are convicted of a qualified felony related to the member's performance of public service, ineligible for retirement annuity. A qualifying felony is defined as any felony involving bribery; embezzlement, extortion, or other theft of public money; perjury; coercion of public servant or voter; tampering with governmental record; misuse of official information; conspiracy or the attempt to commit any of these crimes; or abuse of official capacity.

If an elected official is convicted of a qualified felony, the governmental entity to which the person was elected or appointed must provide written notice of the conviction to the public retirement system in which the person is enrolled.

Qualified domestic relations orders that are established prior to the effective date of the bill would not be affected by the proposed changes. A court may choose to reward a just and right division of the member's service retirement annuity that is forfeited by the member to an innocent spouse upon the conviction of a member for a qualifying felony. If the spouse of a member convicted of a qualifying felony is convicted of the felony as a party to the offense, the spouse forfeits the member's service retirement annuity and service retirement contributions to the same extent as the

member. A member who is not eligible to receive a service retirement annuity under the proposal would be entitled to a refund of the member's retirement contributions, which includes any interest on those contributions. Payments would be restored, with interest, if the conviction is overturned on appeal or the member meets the requirements for innocence under Section 103.001(a)(2) of the Civil Practice Remedies Code and the member repays all refunded contributions and interest thereon. The provisions of this bill would apply to qualified offences committed on or after the effective date of the bill.

The provisions of this bill would be effective immediately if it receives a vote of two-thirds of all the members elected to each house. If the bill does not receive the necessary votes, this act takes effect September 1, 2017.

### FINDINGS AND CONCLUSIONS

The actuarial review states that the bill would potentially impact a small number of Texas public retirement system members based on their conviction of a qualifying felony as described in the proposed legislation.

The actuarial review further states that the bill, if enacted, would not change the situation of any affected Texas public retirement system being actuarially sound or unsound. Under the current PRB guidelines for actuarial soundness, funding should be adequate to amortize the unfunded actuarial accrued liability over a period which should never exceed 40 years, with 15-25 years being a more preferable target. (ERS and TRS have 31-year amortization limits set in their statutes.)

# **METHODOLOGY AND STANDARDS**

The actuarial analysis provided by the ERS assumes no further changes are made to ERS and cautions that the combined economic impact of several proposals can exceed the effect of each proposal considered individually. The ERS analysis relies on the participant data, financial information, benefit structure and actuarial assumptions and methods used in the August 31, 2016 actuarial valuation, projected to August 31, 2017, of ERS. According to the PRB staff actuary, the actuarial assumptions, methods and procedures used in the analysis appear to be reasonable. All actuarial projections have a degree of uncertainty because they are based on the probability of occurrence of future contingent events. Accordingly, actual results will be different from the results contained in the analysis to the extent actual future experience varies from the experience implied by the assumptions.

# **SOURCES**

Actuarial Analysis by R. Ryan Falls, FSA, EA, MAAA, Gabriel Roeder Smith & Company, January 30, 2017;

Actuarial Review by Kenneth J. Herbold, ASA, EA, MAAA, Staff Actuary, Pension Review Board, January 30, 2017

### **GLOSSARY**

Actuarial Accrued Liability (AAL) - The portion of the PVFB that is attributed to past service. Actuarial Value of Assets (AVA) - The smoothed value of system's assets.

Amortization Payments - The yearly payments made to reduce the Unfunded Actuarial Accrued Liability (UAAL).

Amortization Period - The number of years required to pay off the unfunded actuarial accrued liability. The State Pension Review Board recommends that funding should be adequate to amortize the UAAL over a period which should not exceed 40 years, with 15-25 years being a more preferable target. An amortization period of 0-15 years is also a more preferable target.

Actuarial Cost Method - A method used by actuaries to divide the Present Value of Future Benefits (PVFB) into the Actuarial Accrued Liability (AAL), the Present Value of Future Normal Costs (PVFNC), and the Normal Cost (NC).

Funded Ratio (FR) - The ratio of actuarial assets to the actuarial accrued liabilities.

Market Value of Assets (MVA) - The fair market value of the system's assets.

Normal Cost (NC) - The portion of the PVFB that is attributed to the current year of service.

Present Value of Future Benefits (PVFB) - The present value of all benefits expected to be paid from the plan to current plan participants.

Present Value of Future Normal Costs (PVFNC) - The portion of the PVFB that will be attributed to future years of service.

Unfunded Actuarial Accrued Liability (UAAL) - The Actuarial Accrued Liability (AAL) less the Actuarial Value of Assets (AVA).

Source Agencies: 338 Pension Review Board

LBB Staff: UP, KFa

### **ACTUARIAL IMPACT STATEMENT**

### 85TH LEGISLATIVE REGULAR SESSION

### May 3, 2017

**TO:** Honorable Sarah Davis, Chair, House Committee on General Investigating & Ethics

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB500 by Taylor, Van (Relating to the effect of certain felony convictions of public

elected officers.), As Engrossed

### **ACTUARIAL EFFECTS**

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The bill would add Section 810.002 to Chapter 810 of the Texas Government Code, which would make certain elected officials who are convicted of a qualified felony related to the member's performance of public service, ineligible for retirement annuity.

According to the actuarial analysis provided by the Employees Retirement System of Texas (ERS), benefits could only decrease under the proposed legislation, and the changes in the bill would decrease the cost of the plan, but have no material impact on any of the affected plans. In addition, the Texas County & District Retirement System (TCDRS) and the Texas Municipal Retirement System (TMRS) have indicated the bill would not have a material impact on their respective system.

The Pension Review Board (PRB) believes the bill could potentially impact these and other Texas public retirement systems; however, it would not have a material impact on any system.

### SYNOPSIS OF PROVISIONS

The bill would add Section 810.002 of the Texas Government Code, which would make certain elected officials who are convicted of a qualified felony related to the member's performance of public service, ineligible for retirement annuity. A qualifying felony is defined as any felony involving bribery; embezzlement, extortion, or other theft of public money; perjury; coercion of public servant or voter; tampering with governmental record; misuse of official information; conspiracy or the attempt to commit any of these crimes; or abuse of official capacity. If an elected official is convicted of a qualified felony, the governmental entity to which the person was elected or appointed must provide written notice of the conviction to the public retirement system in which the person is enrolled. Domestic relations orders that are established prior to the effective date of the bill would not be affected by the proposed changes. A court may choose to reward half of the service retirement annuity that is forfeited by the member to an innocent spouse upon the conviction of a member for a qualifying felony. A member who is not eligible to receive a service retirement annuity under the proposal would be entitled to a refund of the member's retirement contributions, which includes any interest on those contributions. Payments would be restored, with interest, if the conviction is overturned on appeal or the member meets the requirements for innocence under Section 103.001(a)(2) of the Civil Practice Remedies Code and the member repays all refunded contributions and interest thereon. The provisions of this bill would apply to qualified offenses committed on or after the effective date of the bill.

The provisions of this bill would be effective immediately if it receives a vote of two-thirds of all the members elected to each house. If the bill does not receive the necessary votes, this act takes effect September 1, 2017.

### FINDINGS AND CONCLUSIONS

The actuarial review states that the bill would potentially impact a small number of Texas public retirement system members based on their conviction of a qualifying felony as described in the proposed legislation.

The actuarial review further states that the bill, if enacted, would not change the situation of any affected Texas public retirement system being actuarially sound or unsound. Under the current PRB guidelines for actuarial soundness, funding should be adequate to amortize the unfunded actuarial accrued liability over a period which should never exceed 40 years, with 15-25 years being a more preferable target. (ERS and TRS have 31-year amortization limits set in their statutes.)

#### METHODOLOGY AND STANDARDS

The actuarial analysis provided by the ERS assumes no further changes are made to ERS and cautions that the combined economic impact of several proposals can exceed the effect of each proposal considered individually. The ERS analysis relies on the participant data, financial information, benefit structure and actuarial assumptions and methods used in the August 31, 2016 actuarial valuation, projected to August 31, 2017, of ERS. According to the PRB staff actuary, the actuarial assumptions, methods and procedures used in the analysis appear to be reasonable. All actuarial projections have a degree of uncertainty because they are based on the probability of occurrence of future contingent events. Accordingly, actual results will be different from the results contained in the rom the experience implied by the assumptions.

#### **SOURCES**

Actuarial Analysis by R. Ryan Falls, FSA, EA, MAAA, Gabriel Roeder Smith & Company, January 30, 2017; Actuarial Review by Kenneth J. Herbold, ASA, EA, MAAA, Staff Actuary, Pension Review Board, January 30, 2017

#### **GLOSSARY**

Actuarial Accrued Liability (AAL) -The portion of the PVFB that is attributed to past service.

Actuarial Value of Assets (AVA)- The smoothed value of system's assets.

Amortization Payments - The yearly payments made to reduce the Unfunded Actuarial Accrued Liability (UAAL).

Amortization Period - The number of years required to pay off the unfunded actuarial accrued liability. The State Pension Review Board recommends that funding should be adequate to amortize the UAAL over a period which should not exceed 40 years, with 15-25 years being a more preferable target. An amortization period of 0-15 years is also a more preferable target.

Actuarial Cost Method - A method used by actuaries to divide the Present Value of Future Benefits (PVFB)into the Actuarial Accrued Liability (AAL), the Present Value of Future Normal Costs (PVFNC), and the Normal Cost (NC).

Funded Ratio (FR) - The ratio of actuarial assets to the actuarial accrued liabilities.

Market Value of Assets (MVA) -The fair market value of the system's assets.

Normal Cost (NC) - The portion of the PVFB that is attributed to the current year of service.

Present Value of Future Benefits (PVFB) - The present value of all benefits expected to be paid from the plan to current plan participants.

Present Value of Future Normal Costs (PVFNC) - The portion of the PVFB that will be attributed to future years of service.

Unfunded Actuarial Accrued Liability (UAAL) - The Actuarial Accrued Liability (AAL) less the Actuarial Value of Assets (AVA).

Source Agencies: 338 Pension Review Board

LBB Staff: UP, NV, KFa

#### **ACTUARIAL IMPACT STATEMENT**

#### 85TH LEGISLATIVE REGULAR SESSION

### January 31, 2017

TO: Honorable Joan Huffman, Chair, Senate Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB500 by Taylor, Van (Relating to the effect of certain felony convictions of public

elected officers.), As Introduced

#### **ACTUARIAL EFFECTS**

The bill would add Section 810.002 to Chapter 810 of the Texas Government Code, which would make certain elected officials who are convicted of a qualified felony related to the member's performance of public service, ineligible for retirement annuity.

According to the actuarial analysis provided by the Employees Retirement System of Texas (ERS), benefits could only decrease under the proposed legislation, and the changes in the bill would decrease the cost of the plan, but have no material impact on any of the affected plans. In addition, the Texas County & District Retirement System (TCDRS) and the Texas Municipal Retirement System (TMRS) have indicated the bill would not have a material impact on their respective system.

The Pension Review Board (PRB) believes the bill could potentially impact these and other Texas public retirement systems; however, it would not have a material impact on any system.

### SYNOPSIS OF PROVISIONS

The bill would add Section 810.002 of the Texas Government Code, which would make certain elected officials who are convicted of a qualified felony related to the member's performance of public service, ineligible for retirement annuity. A qualifying felony is defined as any felony involving bribery; embezzlement, extortion, or other theft of public money; perjury; coercion of public servant or voter; tampering with governmental record; misuse of official information; conspiracy or the attempt to commit any of these crimes; or abuse of official capacity. Domestic relations orders that are established prior to January 8, 2019 would not be affected by the proposed changes. A court may choose to reward half of the service retirement annuity that is forfeited by the member to an innocent spouse upon the conviction of a member for a qualifying felony. A member who is not eligible to receive a service retirement annuity under the proposal would be entitled to a refund of the member's retirement contributions, which includes any interest on those contributions. Payments would be restored, with interest, if the conviction is overturned on appeal or the member meets the requirements for innocence under Section 103.001(a)(2) of the Civil Practice Remedies Code and the member repays all refunded contributions and interest thereon. The provisions of this bill would apply to qualified offences committed on or after the effective date of the bill.

The provisions of this bill would be effective January 8, 2019.

### FINDINGS AND CONCLUSIONS

The actuarial review states that the bill would potentially impact a small number of Texas public retirement system members based on their conviction of a qualifying felony as described in the proposed legislation.

The actuarial review further states that the bill, if enacted, would not change the situation of any affected Texas public retirement system being actuarially sound or unsound. Under the current PRB guidelines for actuarial soundness, funding should be adequate to amortize the unfunded actuarial accrued liability over a period which should never exceed 40 years, with 15-25 years being a more preferable target. (ERS and TRS have 31-year amortization limits set in their statutes.)

### METHODOLOGY AND STANDARDS

The actuarial analysis provided by the ERS assumes no further changes are made to ERS and cautions that the combined economic impact of several proposals can exceed the effect of each proposal considered individually. The ERS analysis relies on the participant data, financial information, benefit structure and actuarial assumptions and methods used in the August 31, 2016 actuarial valuation, projected to August 31, 2017, of ERS. According to the PRB staff actuary, the actuarial assumptions, methods and procedures used in the analysis appear to be reasonable. All actuarial projections have a degree of uncertainty because they are based on the probability of occurrence of future contingent events. Accordingly, actual results will be different from the results contained in the analysis to the extent actual future experience varies from the experience implied by the assumptions.

#### **SOURCES**

Actuarial Analysis by R. Ryan Falls, FSA, EA, MAAA, Gabriel Roeder Smith & Company, January 30, 2017;

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### **GLOSSARY**

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Amortization Period - The number of years required to pay off the unfunded actuarial accrued liability. The State Pension Review Board recommends that funding should be adequate to amortize the UAAL over a period which should not exceed 40 years, with 15-25 years being a more preferable target. An amortization period of 0-15 years is also a more preferable target. Actuarial Cost Method - A method used by actuaries to divide the Present Value of Future Benefits (PVFB) into the Actuarial Accrued Liability (AAL), the Present Value of Future Normal Costs (PVFNC), and the Normal Cost (NC).

Funded Ratio (FR) - The ratio of actuarial assets to the actuarial accrued liabilities.

Market Value of Assets (MVA) - The fair market value of the system's assets.

Normal Cost (NC) - The portion of the PVFB that is attributed to the current year of service.

Present Value of Future Benefits (PVFB) - The present value of all benefits expected to be paid from the plan to current plan participants.

Present Value of Future Normal Costs (PVFNC) - The portion of the PVFB that will be attributed to future years of service.

Unfunded Actuarial Accrued Liability (UAAL) - The Actuarial Accrued Liability (AAL) less the Actuarial Value of Assets (AVA).

**Source Agencies:** 338 Pension Review Board

LBB Staff: UP, NV, KFa, ASa

### **CRIMINAL JUSTICE IMPACT STATEMENT**

### 85TH LEGISLATIVE REGULAR SESSION

# May 3, 2017

TO: Honorable Sarah Davis, Chair, House Committee on General Investigating & Ethics

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB500 by Taylor, Van (Relating to the effect of certain felony convictions of public

elected officers.), As Engrossed

The provisions of the bill addressed by this analysis would amend various codes as they relate to the effect of certain felony convictions of public elected officers. Under the provisions of the bill, certain elected officials convicted of certain felony offenses under certain circumstances would be ineligible to receive a service retirement annuity.

This analysis assumes the provisions of the bill would not result in a significant impact on the demand for state correctional resources.

**Source Agencies:** 

LBB Staff: UP, LM, RFL