

**Self-Evaluation Report
Pension Review Board**



Presented to the
Sunset Advisory Commission
September 2011

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I. Agency Contact Information

Pension Review Board Exhibit 1: Agency Contacts				
	Name	Address	Telephone & Fax Numbers	E-mail Address
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II. Key Functions and Performance

A. Provide an overview of your agency's mission, objectives, and key functions.

The Mission Statement of the Pension Review Board

The Pension Review Board (PRB) is mandated to oversee all Texas public retirement systems, both state and local, in regard to their actuarial soundness and compliance with state law. Our mission is to provide the state of Texas with the necessary information and recommendations to ensure that our public retirement systems, whose combined assets total in the multi-billions, are actuarially sound, benefits are equitable, the systems are properly managed, tax expenditures for employee benefits are kept to a minimum while still providing for those employees, and to expand the knowledge and education of administrators, trustees, and members of Texas public pension funds.

Historical Perspective

The PRB is established under Chapter 801 of the Government Code. The agency was originally conceived in the late 1970s, as a solution to the need for federal oversight of state and local retirement systems through ERISA-style legislation. The board was established as a "blue ribbon" board with the board members bringing their expertise in related fields to serve the public pension community in Texas. The agency was given additional authoritative powers in the 1980s and its mandate has not changed greatly since that time.

Statutory Basis/ Main Functions

The PRB was established by H.B.1506, 66th Legislature, R.S., (Vernon's Texas Civil Statutes (V.T.C.S.), Title 8, Chapter 801, Government Code), effective September 1, 1979, as an oversight agency for Texas public retirement systems. The general duties of the PRB outlined in Chapter 801 of the Government Code are to (1) conduct a continuing review of public retirement systems, compiling and comparing information about benefits, creditable service, financing and administration of systems; (2) conduct intensive studies of potential or existing problems that threaten the actuarial soundness of or inhibit an equitable distribution of benefits in one or more

public retirement systems; (3) provide information and technical assistance on pension planning to public retirement systems on request; and (4) recommend policies, practices, and legislation to public retirement systems and appropriate governmental entities. The agency is also charged with preparing and providing an actuarial impact statement for bills and resolutions that propose to change the amount or number of benefits or participation in benefits of a public retirement system or that proposes to change a fund liability of a public retirement system. Additionally, the board is authorized to conduct training sessions, schools, or other educational activities for trustees and administrators of public retirement systems. The board may also furnish other appropriate services such as actuarial studies or other requirements of systems and may establish appropriate fees for these activities and services. Though the PRB does not have the authority to level civil or criminal penalties, the PRB has been given the power to inspect records, issue subpoenas, and file appropriate pleadings for writs of mandamus to compel the plans to comply with reporting requirements.

B. Do your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed. What harm would come from no longer performing these functions?

The key functions of the PRB provide for oversight of the State's public retirement systems and help to educate and inform the public; plan members, trustees, and administrators; the Legislature and other governmental entities throughout the State. Public retirement systems are subject to state oversight as they are exempt from the disclosure, reporting, civil enforcement and fiduciary requirements of the Employee Retirement Income Security Act (ERISA), the federal law that regulates private sector retirement plans.

In conducting a continuing review of public retirement systems, the PRB is aware of issues that may impact the State's public retirement systems, which in turn helps the agency keep law-makers informed. Currently, there are 361 public retirement systems throughout the State with total net assets of nearly \$181 billion and approximately 2.4 million members; and the information on these retirement systems is extensive. The PRB serves an important function by reviewing information pertinent to the plans. By not performing this function, financial or actuarial problems may go unnoticed.

Conducting intensive studies is necessary as it provides the opportunity for in-depth analysis and reporting on major issues that impact the State's public retirement systems. Beyond providing important research on pension topics, studies can help educate and inform the public, law-makers, and plans. Some topics may impact several plans at once; and by increasing knowledge and awareness of current pension issues, the PRB can help the systems manage these issues. Furthermore, the PRB can provide an impartial opinion on pension issues which can help resolve disputes between the systems and their sponsoring governmental entities. If the PRB were to not perform this function, understanding and knowledge related to pensions would become more limited and financial or actuarial problems may go unnoticed.

In making recommendations to law-makers, conducting educational training sessions for plan administrators and trustees, and providing technical assistance, the PRB provides information

and support to the agency's constituents. Whether fielding questions from the public or bringing together trustees and administrators for educational seminars, the PRB places a high priority on education and training. By not performing this function, the State would lose an impartial resource for pension information and pension educational services.

C. What evidence can your agency provide to show your overall effectiveness and efficiency in meeting your objectives?

The PRB has exceeded the performance measure target for the number of retirement system reviews for both FY 2009 and FY 2010, and the agency expects to exceed the target again in FY 2011. The agency's seminar evaluations have demonstrated a high degree of satisfaction with the content of the PRB's annual educational seminars: the FY 2009 rating was 98%, FY 2010 rating was 94%, and the FY 2011 rating was 100%. Overall, plan administrator satisfaction with PRB educational services was 95% in FY 2009, 85% in FY 2010, and 100% in FY 2011. Furthermore, the agency has responded to 100% of the requests received for technical assistance.

D. Does your agency's enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions? Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?

Overall, the enabling statute does reflect the mission, objectives and approach to performing agency functions. The agency has not requested any changes to its enabling law in the last several legislative sessions.

E. Do any of your agency's functions overlap or duplicate those of another state or federal agency? Explain if, and why, each of your key functions is most appropriately placed within your agencies. How do you ensure against duplication with other related agencies?

On a federal level, there is no duplication or overlap of functions provided by the PRB. Currently, oversight of state and local retirement systems has been left to the states. On the State level, the Fire Fighters' Pension Commission has a small overlap in the receipt of reports for fire plans. Paid and volunteer fire fighter pension programs are required to report annually to both the PRB and the Firefighter Pension Commission (FPC).

F. In general, how do other states carry out similar functions?

The oversight of public retirement systems in other states generally falls into two categories: legislative oversight committees and pension/retirement commissions. Approximately two dozen states have commissions where the responsibilities and duties include administration, management of investments and general operations. Legislative committees in other states work on pension policy and state law governing pensions and investments. In certain cases, financial monitoring of public retirement systems is conducted by the state auditor's office. In Massachusetts, the Public Employee Retirement Administration Commission (PERAC) has approximately 50 staff members that span several departments including actuarial, legal, audit,

investment, disability and fraud. The budget of PERAC in 2009 was approximately \$7.2 million. For the state of Washington, the Office of the State Actuary (OSA) provides actuarial services for all state-funded or state-sponsored pension plans, staffs the Select Committee on Pension Policy, and provides the state with actuarial and policy analysis. The OSA consists of 13 staff members and a budget of approximately \$1.93 million.

G. What key obstacles impair your agency’s ability to achieve its objectives?

Turnover due to budget constraints is the largest obstacle for the agency in achieving its objectives. Specifically, the inability to offer competitive pay for staff positions has led to the departure of numerous staff over the last three years. Due to the technical nature of pensions, the training requirements and the small staff size of the agency, losing staff is the biggest obstacle for the agency to achieve its objectives.

H. Discuss any changes that could impact your agency’s key functions in the future (e.g., changes in federal law or outstanding court cases).

There are none at this time.

I. What are your agency’s biggest opportunities for improvement in the future?

Given the current economic climate, the biggest area for improvement for the agency would be to continue to develop appropriate policies and analytical tools to ensure that the State’s public retirement systems remain actuarially sound.

J. In the following chart, provide information regarding your agency’s key performance measures included in your appropriations bill pattern, including outcome, input, efficiency, and explanatory measures.

Pension Review Board			
Exhibit 2: Key Performance Measures C Fiscal Year 2010			
Key Performance Measures	FY 2010 Target	FY 2010 Actual Performance	FY 2010 % of Annual Target
Percent of Actuarially Sound Systems	98%	98.69%	100.7%
Percent of Plan Administrators Satisfied with PRB Education Services	98%	85%	86.7%
Number of Reviews Completed	600	689	114.83%
Number of Technical Assistance Reports Produced	150	78	52.00%

III. History and Major Events

1979	The 66 th Legislature passes HB 1506, creating the PRB as an independent agency to oversee state and local government retirement systems in Texas. The agency was mandated to conduct a continuing review of all public retirement systems, provide information and technical assistance, recommend policies, practices, and legislation, and administer the statutorily required registration and reporting requirements.
1981	The 67 th Legislature makes the PRB responsible for reviewing and commenting on the actuarial impact of all legislation that would affect a public retirement system.
1983	Legislature specified a number of administrative requirements for public retirement systems and made the board responsible for seeing that these requirements are met.
1985	The 69 th Legislature passes SB381 granting the PRB limited rulemaking authority to require clarification of information submitted by the public retirement systems to the Board.
1985	The 69 th Legislature passes SB420 streamlining and simplifying reporting requirements for public retirement systems.
1988-89	The PRB conducts an actuarial review of the SB 411 Fund, the statewide program that provides retirement, death and disability benefits for volunteer firefighters. Concerns are raised about the actuarial procedures used in the 1986 valuation of the fund. A follow-up actuarial audit reveals that the fund was in poorer financial condition than reported by consulting actuaries and that State contributions were needed to meet the shortfall.
1989	The 71 st Legislature passes SB 365, establishing a Pension Review Board fund and authorizing public retirement systems to contribute money on a voluntary basis in return for the services provided by the board.
1989	Under the auspices of SB365, the PRB conducted its first educational seminar in June.
1990	The 71 st Legislature passes HB 800, clarifying the PRB's governing statute by requiring one member of the Board to be a professional actuary. Prior to the amendment, the law required a person "who has experience in the field of actuarial science".
1991	The PRB conducts its first legislative seminar in January.
1991-1992	The PRB undergoes Sunset Review. SB323 by Green contained Sunset recommendation to continue the operation of the Board and the PRB would continue to be the primary source of information to the legislature on all retirement legislation. The PRB's impact statements would be the only actuarial document attached to pension bills.
1992	At the request of the Legislative Budget Board the PRB employed a consulting actuary to perform two in-depth examination of the benefits difference between the Employees Retirement System and the Teacher Retirement System.
1992	The PRB at the request of the City of Houston analyzed the investment process and guidelines used by the Houston Municipal Pension System during two 1990 real estate investments.
1992	The PRB conducts a review of actuarial procedures of the three City of El Paso sponsored funds: Municipal, Fire, and Police. The review identified administrative and actuarial problems for the funds to address.
1992	The Port Arthur Firemen's Relief and Retirement Fund contacts the PRB after it determines it has an inadequate funding arrangement and is prohibited by state law

	from paying for additional actuarial services. PRB actuary reviews problems and recommends revisions to the fund's benefit structure.
1993	The 73 rd Legislature passes law protecting the Pension Review Board fund from consolidation into the state's General Revenue Fund.
1993	The 73 rd Legislature passes law requiring public retirement systems to have a written investment policy and to file a copy with the PRB. PRB initiates education campaign to notify systems of the new law.
1993	The 73 rd Legislature passes S.J.R. 31, amending Article XVI, Section 67, of the Texas Constitution requiring, among other provisions, the board of trustees of local public retirement systems to administer the system for the benefit of the systems' members and beneficiaries.
1994	The PRB conducts an actuarial audit of the Dallas Police and Fire Pension System with special attention paid to actuarial methods used for the Deferred Retirement Option Plan.
1995-2007	In 1994, the El Paso Firemen and Policemen's Pension Fund adopts new actuarial assumptions due to the inaccuracies identified by the PRB review in 1992. In 1995, the PRB contacts the pension fund due to its inadequate financing arrangement. Thereafter, the Board works with the fund and its sponsoring entity, the City of El Paso, in order to resolve their funding problem. In 2007, the city and the fund, with the assistance of the Board, negotiate a solution through mediation sessions and also implement changes to the plan design.
1995	Legislature assigns PRB the responsibility of reviewing and verifying the accuracy of information released by Teacher Retirement System (TRS) on proposed legislation.
1995	The PRB Derivative Investments Report findings show that derivative investments are not a problem with Texas public pension funds.
1995	The PRB establishes website to improve public access to agency information.
1996	As a result of federal legislation passed, public retirement systems are exempted from Internal Revenue Code Section 415.
1996	The PRB implements three-step enforcement process against pension systems that fail to report in a timely manner.
1996	The PRB Task-Force on Pension and Investments established to study the PRB data collection and broader policy issues.
1996	The PRB conducts an actuarial review of 18 volunteer fire department pension plans to give the sponsoring cities an overview of the liability and annual cost associated with the plans.
1996-2004	In 1996, the Dallas Employees Retirement Fund (DERF) advises the PRB of \$21.6 million contribution shortfall. The PRB agrees to review their actuarial assumptions in an attempt to mediate the disagreements between the city and DERF. The PRB recommends changes to the assumptions. Thereafter, the PRB works with the city and the fund to resolve their funding problem until 2004.
1998	The PRB initiates Year 2000 education program for pension fund administrators and trustees.
2001	In September, the Employees Retirement System (ERS) requests the PRB conduct an actuarial analysis in order to assist the implementation of SB292, relating to the credit purchase option referred to as the "Additional Service Credit."
2002	Responding to a request from the Firemen's Pension Commissioner, the PRB conducts and completes a peer review of the August 31, 2002 actuarial valuation of the Statewide Texas Emergency Services Retirement System (TESRS). The

	findings of the review revealed inaccuracies in the actuarial valuation and the PRB's contract actuary recommended that a new actuarial valuation be conducted.
2002	The PRB launches the agency website and developed a simple set of standardize reporting forms.
2002	The Executive Director retires in August and Board appoints Interim Executive Director in September.
2002-2003	Following the recommendation of the Sunset Commission, the 78th Legislature modified the budget structure of the PRB to fully fund the agency for General Revenue and end the program of accepting voluntary contributions from public retirement systems (Fund No. 662).
2003	The Executive Director hired in January.
2003	The 78 th Legislature passes H.J.R 54, amending Article XVI by adding Section 66, to the Texas Constitution providing, among other provisions, that certain benefits under certain local retirement systems may not be reduced or impaired. The constitutional amendment passed voter approval and is added to the State Constitution.
2005	The 79 th Legislature provides funding and rider language for the PRB to develop a quarterly reporting system.
2006-2008	In 2006, the PRB contacts Fort Worth Employee's Retirement Fund regarding its unfunded status. In 2007, the PRB with the assistance of the Office of the Attorney General conducts an in-depth study of the fund. Thereafter, the PRB works with the fund and the city to resolve the funding shortfall issue and the fund implements changes to address the same in 2008.
2007	The 80 th Legislature approves an increase in the staff of the PRB from 8 FTEs to 13 FTEs; provides additional funding for new staff.
2007	The 80 th Legislature amends Chapter 802, Government Code, to require the governmental entity of any public retirement system with a total asset book value greater than \$100 million prepare an audit of actuarial valuations, studies and reports, to be conducted every five years.
2007	The Executive Director retires in December.
2007-2008	The PRB begins its new regional seminar training program. The PRB held 4 regional training seminars in San Angelo, Houston, Dallas and El Paso.
2008	The Executive Director hired in January.
2008	The hiring of new staff and re-organizing from 8 to 13 employees.
2008	The Executive Director resigns in September and Board appoints Interim Executive Director.
2009	The Executive Director hired in October.
2009	In December 2009, the PRB's new website is launched.
2009-2010	The 81 st Legislature approves funding for new PRB database during the FY 2010-2011 biennium.
2010	The PRB begins review of "Policy for Regulation of Non-Compliant Retirement Systems", including survey of retirement systems and review of statutory requirements.
2010	The PRB adopts Bylaws to serve as governing document for Board and begins development of Ethics Policy for the Board members.
2010-2011	The PRB Actuarial Committee begins process of reviewing PRB "Guidelines for Actuarial Soundness". Several committee meetings are held, comments solicited from plan actuaries and retirement systems. The Committee adopts recommendations to "Guidelines" at May 2011 meeting. The Board adoption of

	recommendations expected at September 28, 2011 meeting.
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IV. Policymaking Structure

A. Complete the following chart providing information on your policymaking body members.

Pension Review Board Exhibit 3: Policymaking Body			
Member Name	Term/ Appt Dates /Appt By	Qualification	City
Richard E. McElreath, Chair	2013/April 28, 2004/Governor	Securities Investments	Amarillo
Paul A. Braden, Vice Chair	2015/April 19, 2009/Governor	Pension Law	Dallas
Andrew Winston Cable	2013/February 12, 2009/Governor	Active Member	Wimberley
Leslie Greco-Pool	2015/April 26, 2011/Governor	Securities Investments	Trophy Club
J. Robert Massengale	2017/June 19, 2008/Governor	Retired Member	Lubbock
Norman W. Parrish	2013/April 19, 2004/Governor	Actuary	Houston
Wayne R. Roberts	2015/May 6, 2009/Governor	Governmental Finance	Austin
Vicki Truitt	2011/September 26, 2008 /Speaker of the House	Representative	Southlake
John H. Whitmire	2005/July 16, 1996/Lt. Governor	Senator	Houston

B. Describe the primary role and responsibilities of your policymaking body.

The policymaking body’s primary responsibilities are to establish policy for the agency, including the PRB’s “Guidelines for Actuarial Soundness” and “Policy for Regulation of Non-Compliant Retirement Systems”, to authorize special studies and reports, to approve the agency’s operating budget, to direct staff on educational issues and matters such as annual or regional seminars, and to make recommendations to public retirement systems and appropriate governmental entities.

C. How is the chair selected?

The chair is appointed by the Governor.

D. List any special circumstances or unique features about your policymaking body or its responsibilities.

The Board serves as the sole oversight body for public retirement systems in the State. The Board is composed of nine members. The governor appoints seven of these: three persons who have experience in the fields of securities investment, pension administration, or pension law and are not members or retirees of public retirement systems; one active public retirement system member; one retired public retirement system member; one person who has experience in the field of governmental finance; and an actuary. The lieutenant governor appoints a state senator and the speaker of the house appoints a state representative.

E. In general, how often does your policymaking body meet? How many times did it meet in FY 2010? In FY 2011?

The Board shall meet no less than three times each year (Government Code Section 801.109). The Board may have as many other regular meetings as the Board may determine necessary for the proper performance of its duties. The Board met 4 times in FY 2010 and 3 times in FY 2011.

F. What type of training do members of your agency's policymaking body receive?

Gubernatorial appointees receive Texas open government law training which includes Open Meetings Act and Public Information Act from the Attorney General's website and attend the Governor's Seminar for New Board Members. The Executive Director also provides a training session on the agency to new appointees.

A person appointed to the board is provided a copy of the following information:

1. Programs operated by the board
2. Roles and functions of the board
3. Policies and Rules of the board
4. Current budget and latest audit of the Board
5. Board by-laws
6. Minutes of the last 3 Board meetings
7. Agency's Biennial Report and Strategic Plan
8. Government Code Title 8 Subtitle A – Provision Generally Applicable to Public Retirement Systems
9. Guide to Public Retirement Systems in Texas
10. Open meeting law, Chapter 551
11. Public information law, Chapter 552
12. Administrative procedure law, Chapter 2001
13. Texas Ethics Commissions' A Guide to Ethics Laws for State Officers and Employees

G. Does your agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, describe these policies.

Yes. Government Code Section 801.111 (c) provides that the Board “shall develop and implement policies that clearly separate the policy-making responsibilities of the Board and the management responsibilities of the executive director and the staff of the Board.” As such, the agency’s Board has adopted Bylaws as the governing document of the Board.

The Board sets policies and the day-to-day operations of the agency are delegated to the staff to be implemented in accordance with the policies that the Board adopts. The Board’s Bylaws sets out the responsibilities of the executive director regarding the Board operations and certain responsibilities regarding agency operations as follows:

Section 4.1 of the Bylaws states that the Board shall employ an executive director to be the executive head of the Board and perform its administrative duties and such other duties as may be required by law. The executive director, being the chief executive officer and chief administrative employee of the Board, shall perform such other duties as may be established by the Board in its policies, resolutions, and other actions.

For the Board, the executive director shall:

- make preparations, including member travel arrangements, for all meetings of the Board and its committees ;
- under the direction of the chair of the Board or of a relevant committee, prepare and distribute the agendas and appropriate documentation for all meetings of the Board and its committees;
- under the direction of the chair of the Board or of a relevant committee, post notices of all meetings and the subject matter thereof as may be required by law;
- cause the staff secretary to the Board to record, prepare, and index the official minutes of the Board and its committees;
- index, cross-index to statute, and make available for public inspection all adopted rules, and final orders, decisions, and opinions, and other matters, as required by Government Code Chapter 2001 Section 2001.004 of the Administrative Procedure Act (Vernon 2008), or a successor statute.
- file and preserve all official documents, correspondence, and proceedings of the Board and its committees in compliance with records retention laws;
- maintain, index, cross-index to statute, and make available for inspection the official copy of these Bylaws and Board’s Policy Manual, as required by the Government Code Chapter 2001 Section 2001.004 of the Administrative Procedure Act (Vernon 2008), or a successor statute;
- as directed by the Board, establish routine reporting mechanisms and procedures to the Board and prepare special reports for the Board;
- carry out other policies adopted by the Board;

- assist in new Board member training;
- administer all Programs established by the Board; and
- act pursuant to the Texas Administrative Code, Title 40, Part 17, Chapter 603 Section 603.1 as the Board's designated personnel upon whom service of process under judicial procedures may be served against the Board at the Board's official place of business.

The Bylaws state that the executive director is the chief executive officer of PRB and is responsible to the Board for the general administration of the agency in accordance with relevant state laws and with Board policies. In the aforementioned capacity the executive director shall:

- manage the daily operations of the Board as its executive head;
- assume managerial responsibility and leadership for the planning, operation, supervision, and evaluation of the programs and services;
- coordinate and interface with the Board and its committees regarding Board employee assigned projects and other pertinent matters including Board publications and budget;
- assume authority and responsibility for the selection, job description, assignment of duties, performance evaluation, promotion, and discipline, including dismissal of Board employees unless otherwise provided by the Bylaws;
- assume authority and responsibility to set staff salaries within the limits of state law, including the General Appropriations Act, and in consultation with the Board;
- prepare and submit an annual operating budget for consideration by the Board;
- prepare and report the current budget status to the Board during every regular Board meeting;
- prepare recommendations for policies and rules to be considered by the Board and oversee the implementation of adopted policies and rules;
- make recommendations to the Board regarding the selection of the actuarial consultants when required under the Government Code; and
- provide administrative assistance to the Board in conducting its duties, and in carrying out its missions and goals.

A copy of the Board Bylaws is attached to this report as Attachment 1.

<p>H. What information is regularly presented to your policymaking body to keep them informed of your agency's performance?</p>
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The Board is provided with meeting packets at each meeting. Included in each meeting packet is the most current financial and actuarial information on the State's actuarially-funded defined benefit plans, including the amortization period and unfunded actuarial accrued liability (UAAL) of each plan; a listing of all current active and closed paying benefit public retirement systems; information on the number of non-compliant systems and issues related to certain non-compliant plans; copies of staff reports and special studies; and the current year budget. Additionally, the Board receives draft and final copies of items such as the Legislative Appropriations Request, Strategic Plan, Biennial Report, and Customer Service Survey at the appropriate meetings.

I. How does your policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of your agency?

The Board can recognize members of the public and hear comments in open meeting. Each meeting includes a call from the Chair for public comment. Additionally, staff has conducted surveys at the direction of the Board or its committees on policy issues and reported those findings at public meetings. Finally, individuals can submit comments through the agency website or in writing.

J. If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart.

The Board Bylaws provide for standing and special committees to assist the Board. The current standing committees are: Actuarial Committee, Legislative Committee, Research Committee and Administrative Committee. The Board can also appoint special committees, which may be created by a Board Resolution that sets forth the purpose and responsibilities of the committee and the terms for which it shall exist. An example of a special committee would be a Nominating Committee, which can be established by the Board for the search and appointment of the executive director when required. The standing committees can typically meet as necessary at the call of its chair and can convene in joint session with any other committee.

Pension Review Board			
Exhibit 4: Subcommittees and Advisory Committees As of August 2011			
Name of Subcommittee or Advisory Committee	Size/Composition/How are members appointed?	Purpose/Duties	Legal Basis for Committee
Actuarial Committee	3/ Board members Parrish (chair), Massengale, and Cable/Members are appointed by the Board Chair with the consent of the Board.	The purpose of the committee is to handle initial interviewing of prospective actuarial consultants and make recommendations to the full Board, review actuarial studies performed by consultants and the staff actuary, review the PRB's Guidelines to Actuarial Soundness on a continual basis, recommend interim studies and be generally involved in actuarial matters	Bylaws of the Pension Review Board, §3.1.1

		before the Board.	
Administrative Committee	3/ Board members McElreath (chair), Braden, and Roberts/ Members are appointed by the Board Chair with the consent of the Board.	The purpose of the committee is to receive and review reports provided by the executive director on administrative matters of the Board, other than the reports provided to the Actuarial, Legislative and Research committees of the Board. Administrative matters shall include, but not be limited to the following: the responsibilities delegated to the executive director under the Bylaws, certain policies adopted by the Board under the Bylaws clearly separating the policy-making responsibilities of the Board and the management responsibilities of the executive director and the staff of the Board, executive director's performance evaluation, and personnel matters which require Board's involvement.	Bylaws of the Pension Review Board, §3.1.4
Legislative Committee	3/ Board members Roberts (chair), Parrish, Truitt, and Whitmire/ Members are appointed by the Board Chair with the consent of the Board.	The purpose of the committee is to receive and review the budget status report from the Board staff at each regular Board meeting, review and recommend proposed rules, oversee Board publications on matters pertaining to public policy or public	Bylaws of the Pension Review Board, §3.1.2

		business as assigned by the Board and undertaken by the staff prior to their distribution, coordinate with the executive director to plan for the Board's seminars, and act as the Board's liaison with legislative and executive agencies.	
Research Committee	2/ Board members Braden (chair), and McElreath/ Members are appointed by the Board Chair with the consent of the Board.	The purpose of the committee is to identify issues which require investigating, help turn research into policy recommendations, coordinate with the staff to prepare database projects and studies on investment practices as required, monitor and stay informed of investment practices of public pension funds and provide guidance to the staff and the Board to develop investment policy guidelines.	Bylaws of the Pension Review Board, §3.1.3

V. Funding

A. Provide a brief description of your agency's funding.

The PRB's budget is primarily derived from General Revenue (GR) funding. The PRB is allowed to charge and collect fees for the purposes of educational training sessions. The annual education seminar is such an event. The FY 2012-2013 budget estimates fee collection at \$10,000 annually. After the PRB ceased collecting voluntary contributions to the PRB Fund No. 662, the existing balance of that fund was used to offset GR funding for the agency. The FY 2008-2009 GAA appropriated the remaining balance in that fund. Since the balance of the PRB Fund No. 662 is now \$0, the PRB has received 100% GR funding.

B. List all riders that significantly impact your agency's budget.

The FY 2010-2011 GAA provided \$60,000 in a capital appropriation rider for the development of a new PRB database. The FY 2012-2013 GAA does not include any riders.

C. Show your agency's expenditures by strategy.

Pension Review Board Exhibit 5: Expenditures by Strategy C Fiscal Year 2010 (Actual)		
Goal/Strategy	Total Amount	Contract Expenditures Included in Total Amount
Goal A 1.1 /Retirement System Reviews	395,680.08	
Goal A 2.1/Technical Assistance and Education	300,924.06	
GRAND TOTAL:	696,604.14	

D. Show your agency's objects of expense for each category of expense listed for your agency in the General Appropriations Act FY 2010-2011.

Pension Review Board Exhibit 6: Objects of Expense by Program or Function C Fiscal Year 2010			
Object-of-Expense	Retirement System Review	Technical Assistance	Acquisition of IRT-New Database
Salaries and Wages	299,915.13	241,581.48	
Other Personnel Cost	20,939.25	812.00	
Professional Fees and Services	8,008.82	4,522.40	37,062.50
Consumable Supplies	1,248.38	3,054.05	
Utilities	464.90		
Travel	1,282.92	11,097.31	
Rent - Building	56.96	601.85	
Rent - Machine and Other	14,080.40	4,072.50	
Other Operating Expense	12,620.82	35,182.47	
Total	358,617.58	300,924.06	37,062.50

E. Show your agency's sources of revenue. Include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines.

Pension Review Board Exhibit 7: Sources of Revenue C Fiscal Year 2010 (Actual)	
Source	Amount
General Revenue Fund	681,654.14
Appropriated Receipts	14,950.00
TOTAL	696,604.14

F. If you receive funds from multiple federal programs, show the types of federal funding sources.

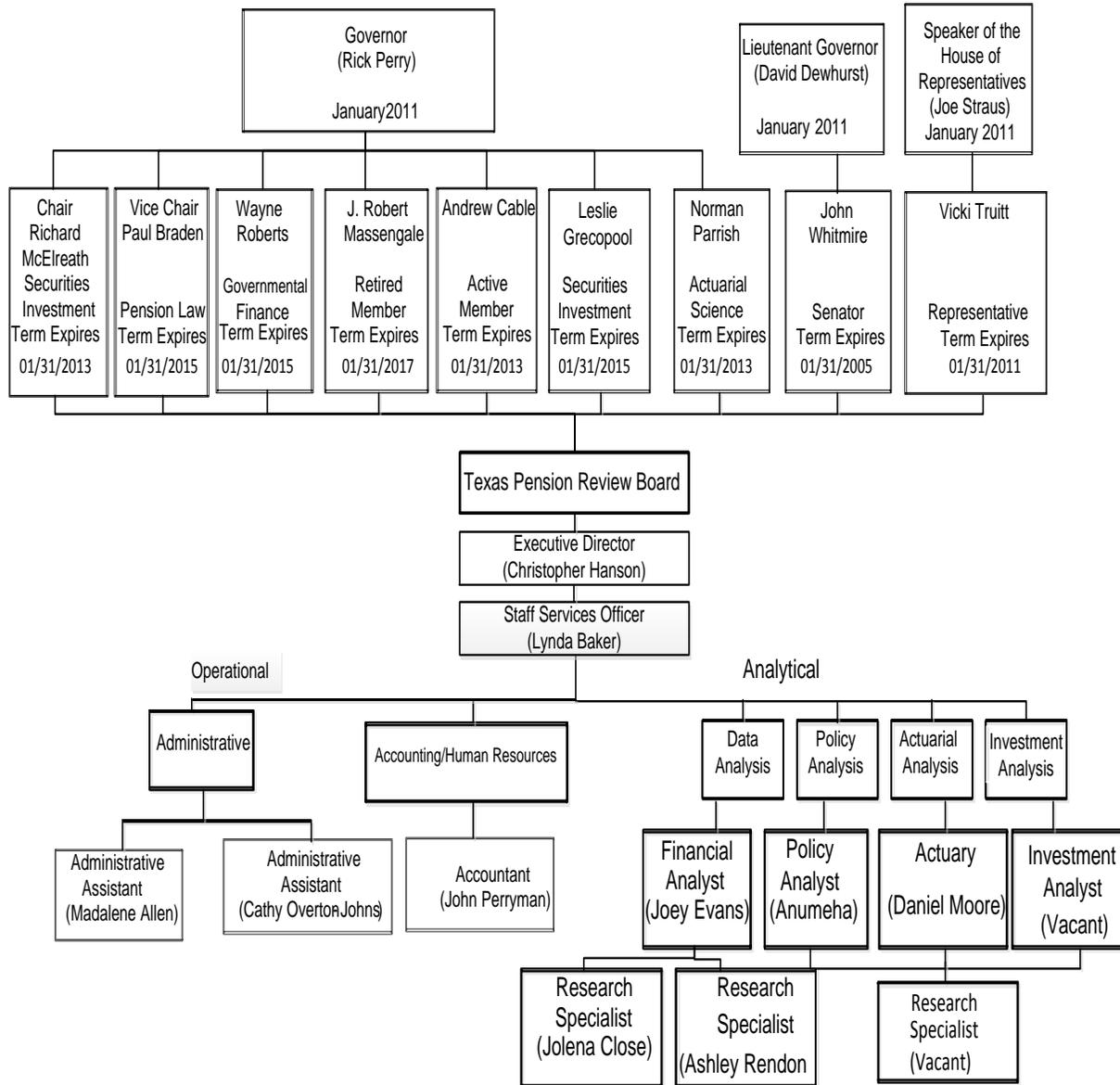
(Agency Name) Exhibit 8: Federal Funds C Fiscal Year 2010 (Actual)				
Type of Fund	State/Federal Match Ratio	State Share	Federal Share	Total Funding
TOTAL				

G. If applicable, provide detailed information on fees collected by your agency.

Pension Review Board Exhibit 9: Fee Revenue C Fiscal Year 2010				
Fee Description/ Program/ Statutory Citation	Current Fee/ Statutory maximum	Number of persons or entities paying fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
Annual Seminar Fees	150.00/200.00/300.00/400.00	86	14,950.00	General Revenue Fund

VI. Organization

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.



The agency is allowed to have up to 13 FTEs. The agency is in the process of filling the two vacant positions. Due to budget constraints the 13th position is currently remaining vacant and is not shown.

B. If applicable, fill in the chart below listing field or regional offices.

(Agency Name) Exhibit 10: FTEs by Location C Fiscal Year 2010			
Headquarters, Region, or Field Office	Location	Number of Budgeted FTEs, FY 2010	Number of Actual FTEs as of August 31, 2010
TOTAL			

C. What are your agency's FTE caps for fiscal years 2010-2013?

The FTE cap for FY 2010-2011 was 13 FTEs and for FY 2012-2013 is 13 FTEs.

D. How many temporary or contract employees did your agency have as of August 31, 2010?

The agency has zero temporary or contract employees.

E. List each of your agency's key programs or functions, along with expenditures and FTEs by program.

Pension Review Board Exhibit 11: List of Program FTEs and Expenditures C Fiscal Year 2010		
Program	FTEs as of August 31, 2010	Actual Expenditures
Retirement System Review	6.0	\$395,680.08
Technical Assistance and Education	6.0	\$300,924.06
TOTAL	12.0	\$696,604.14

VII. Guide to Agency Programs

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Retirement System Reviews
Location/Division	Austin, TX
Contact Name	Christopher Hanson
Actual Expenditures, FY 2010	\$395,680.08
Number of FTEs as of August 31, 2010	6.0 FTEs

B. What is the objective of this program or function? Describe the major activities performed under this program.

Chapter 801 of the Government Code outlines the general duties of the PRB. One such duty is to conduct a continuing review of Texas public retirement systems; another is to identify and study potential problems affecting the systems. The agency gathers and analyzes a substantial amount of financial and actuarial data on all public retirement systems in the State. These efforts contribute directly to the statewide goal to support effective and efficient state government operations.

The PRB staff review all plan documents and information received from the State's public retirement systems. Plan information is submitted in accordance with the times prescribed under Chapter 802 of the Government Code. For FY 2010, the total number of reviews completed by staff was 689. The information is entered into the financial and actuarial database, which contains the actuarial, benefit, financial, and membership data for each plan. Additionally, plans submit quarterly information through the agency's "Quarterly Reporting System" which is reviewed each quarter.

The retirement system information is entered by staff in accordance with the PRB's database policies and procedures. Plan compliance with state reporting requirements is monitored through the database. As plan information is received, reviewed and entered into the database, the plan's compliance information is updated. Each plan receives notification when information is due, when that information has been received, and when the plan has not yet submitted required information.

PRB database procedures include a quality control check to ensure accurate data entry of plan information. Staff indicates which analyst conducts the initial review and a separate staff member of the data analysis team conducts a quality control check of all information entered into the database.

Beyond the cursory review and data entry of all plan information, senior staff is tasked with conducting more in-depth analysis of plan information, including cash-flow and solvency analysis. Special studies related to current issues (such as the Madoff scandal) are conducted on an ad-hoc basis.

The PRB's "Guidelines for Actuarial Soundness" and "Policy for Determination of System Actuarial Review" have been recently reviewed, updated and adopted by the PRB Actuarial committee. The new policies will be presented to the full Board at the September 28, 2011 meeting. These proposed policies would direct senior staff and the Board's actuary to evaluate a plan's compliance with the "Guidelines for Actuarial Soundness" and to perform actuarial reviews of plans that fail to meet the "Guidelines for Actuarial Soundness". These plans will be contacted by PRB staff to inform them of the review process, whereby a plan may be asked to appear before the Actuarial committee or the full Board; as well for the plan to keep the PRB informed on changes to the plan that will impact the plan's actuarial soundness.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The PRB reviews all plan documents submitted to the agency. The agency has met or exceeded its target amount of reviews the last two years and expects to exceed the target again in FY 2011. In FY 2009, the PRB conducted 670 reviews and in FY 2010, the PRB conducted 689 reviews. Beyond conducting reviews, the agency utilizes the plan data in two important agency publications. The PRB publishes its "Guide to Public Retirement Systems" prior to each legislative session, which details key data points of all plans governed by state statute. The agency's "Biennial Report" includes a plan directory as well as background on the key actuarial assumptions of plans throughout the State. Additionally, the PRB's "Guidelines for Actuarial Soundness" are utilized by public plan actuaries throughout the State.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The significant change for retirement system reviews occurred in 2005 when the Legislature included funding for development of a quarterly reporting system. The information submitted through the quarterly reporting system was added to the retirement system review process. At this point, the retirement system reviews changed from conducting an annual plan review to reviewing all plan information as it is submitted.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

There are currently 361 public retirement systems registered with the PRB and the membership of these systems is approximately 2.4 million active and retired members.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Public retirement systems are required by Government Code Section 802.105 to register with the PRB. Registration must include:

- (1) the name, mailing address, and telephone number of the system;
- (2) names and occupations of the chairman and other members of its governing body;
- (3) a citation of the state or local law under which the system was created;
- (4) the beginning and ending dates of its fiscal year;
- (5) name, mailing address, and telephone number of the system administrator.

Each public retirement system is required to file annual membership and annual financial reports within 210 days of the end of the system's fiscal year. Firemen's Pension Plans operating under V.T.C.S., Article 6243e (Texas Local Fire Fighters Retirement Act) with total assets under \$50,000 are allowed to submit a copy of the annual report required by the Firemen's Pension Commissioner as their annual membership and financial reports. Systems must also file a copy of summarized plan information as provided to members and file a copy of the written investment policy with the PRB not later than the 90th day after the date the policy is adopted or changed. An actuarial valuation of each system is required at least every three years. Copies of each valuation and any actuarial report must be submitted to the PRB.

Plan fiscal year dates are entered into the PRB database and become the basis of notifying plans that their reports are due. The PRB sends reminder notices to systems approximately 60 days before their reports are due and then again 15 days before reports are due. Enforcement notices are sent to systems that are over 60 days late in submitting their annual reports to the PRB. As plan reports are received, the staff enters the information into the database in accordance with database protocols and procedures. The reviewing analyst completes the data entry and then a second analyst completes the quality control check of the data entry. Upon completion of the data entry process, the plan's compliance information is updated to reflect reports received.

The Board is currently in the process of reviewing its "Policy for Regulation of Non-Compliant Retirement Systems". Due to the advent of electronic reporting, the Board is considering shortening the time frame for first notice of non-compliance from 60 days to 15 days. A second notice of non-compliance would be sent at 60 days. Furthermore, systems with outstanding issues of non-compliance would be asked to appear before the Board to discuss the matter of the system's continued non-compliance with state reporting requirements. The Board will designate a specific time frame that the plans have to respond and the PRB staff will then contact the noncompliant plan's staff. If the notified plan does not comply within the time specified, the plan will be placed on the agenda for the next meeting of the board. At the next PRB meeting, the Chair will recommend what further compliance steps are required, if necessary.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The funding source for this program is GR. The amounts expended in FY 2010 were \$395,680.08.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Paid and volunteer fire fighter pension programs are required to report annually to the both the PRB and the Firefighter Pension Commission (FPC).

Paid and volunteer fire fighter pension programs are required to file a detailed and itemized annual report of all receipts and disbursements with the Fire Fighter Pension Commission. The Texas Local Fire Fighters' Retirement Act (TLFFRA), V.T.C.S., Article 6243e, Section 18(g), is the statutory authority for this function. FPC requires that paid and volunteer fire systems report using a standardized form by February 28 of each year.

All public retirement systems, including paid and volunteer fire fighter pension programs, are required to report to the PRB. PRB reporting requirements are defined by Government Code Section 802. The PRB does allow Firemen's Pension Plans operating under TLFFRA with total assets under \$50,000 to submit a copy of the FPC annual report.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

PRB reporting requirements are statutory and are not subject to the discretion of the PRB. FPC reporting requirements are discretionary.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

All public retirement systems in the State are required to register and report to the PRB. Though local, county and district governments sponsor their retirement systems; it is the systems themselves and the board of trustees of these systems that fall under the jurisdiction of the agency.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2010;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The agency does not contract for services related to retirement system reviews.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

There are none at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Not applicable.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Not applicable

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Pension Review Board Retirement System Reviews Exhibit 12: Information on Complaints Against Regulated Entities Fiscal Years 2009 and 2010		
	FY 2009	FY 2010
Total number of regulated persons	N/A	N/A
Total number of regulated entities	377	367
Total number of entities inspected	N/A	N/A
Total number of complaints received from the public	9	0

against the public retirement systems		
Total number of complaints initiated by agency	N/A	N/A
Number of complaints pending from prior years	0	1
Number of complaints found to be non-jurisdictional	0	1
Number of jurisdictional complaints found to be without merit	1	0
Number of complaints resolved	8	0
Average number of days for complaint resolution	65	0
Complaints resulting in disciplinary action:	N/A	N/A
Administrative penalty	N/A	N/A
Reprimand	N/A	N/A
Probation	N/A	N/A
Suspension	N/A	N/A
Revocation	N/A	N/A
Other	N/A	N/A

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Technical Assistance and Education
Location/Division	Austin, TX
Contact Name	Christopher Hanson
Actual Expenditures, FY 2010	\$300,924.06
Number of FTEs as of August 31, 2010	6.0 FTEs

B. What is the objective of this program or function? Describe the major activities performed under this program.

The program provides education and information on pensions. The PRB is a clearinghouse for public pension information in Texas and a primary resource for the legislature in determining the actuarial impact of proposed legislation. The PRB sponsors educational seminars for pension fund trustees and administrators. The PRB receives requests for information from public retirement systems, their members, the public and members of state and local governments. Furthermore, the agency has revamped its website to improve its efficiency and ability to help users. The agency utilizes the website to post information, special studies, and other useful links.

During each legislative session, the PRB analyzes all bills that propose to change the benefits,

funding, or participation in benefit provisions for any public retirement system. While measuring new legislation's current fiscal impact is important, changes to pension systems often create financial commitments that extend far into the future. By addressing the actuarial impact of proposed changes, the PRB can provide the Legislature with the information needed to manage pension costs.

Whenever a bill with a cost effect on a retirement system is going to be scheduled for committee hearing, the PRB obtains an actuarial analysis of the legislation. The initial analysis is commonly prepared by an actuary who represents the retirement system targeted by the bill. The analysis is submitted to the agency's staff actuary for review, thereby providing a "second opinion" on any costs associated with the bill. The Board actuary also reviews the actuarial assumptions on which the initial analysis is based. These two actuarial documents are summarized and analyzed in an Actuarial Impact Statement prepared by PRB staff and reviewed and approved by the Board actuary, then submitted to the Legislative Budget Board. The Impact Statement is attached to the bill in committee and stays with the bill during its passage through the Legislature. If a bill is subsequently amended or substituted so that its actuarial effect is changed, another analysis and review must be obtained and another Impact Statement prepared.

The agency successfully conducted its annual seminars in June 2009 and June 2010; and hosted another successful annual seminar in June 2011. Topics addressed in the seminars are fiduciary duty, governance, global finance, ethics, plan administration, investments, and pension reform. Due to budgetary issues, the agency did not host regional seminars in 2010. The agency hosted a regional seminar in Austin prior to the 82nd Legislative Session.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Though the agency has no control over the volume of request, the PRB responds to 100% of the requests for pension information. The agency's seminar evaluations have demonstrated a high degree of satisfaction with the content of the PRB's annual educational seminars: the FY 2009 rating was 98%, FY 2010 rating was 94%, and the FY 2011 rating was 100%. Overall, plan administrator satisfaction with PRB educational services was 95% in FY 2009, 85% in FY 2010, and 100% in FY 2011.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

A significant change occurred in 1995 when the House and Senate adopted rules that made the Legislative Budget Board responsible for releasing Actuarial Impact Statements to legislative committees. As a result, the PRB was no longer able to independently provide the legislature with an opinion of the actuarial impact of legislation.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

There are currently 361 public retirement systems registered with the PRB and the membership of these systems in approximately 2.4 million active and retired members. The PRB assists anyone with a pension-related question or problem.

The actuarial impact statement process directly serves the Legislature and the Governor, and indirectly serves the trustees, administrators, and members of the local statutory and statewide statutory pension systems.

PRB educational seminars are targeted at pension fund administrators and trustees. The average number of attendees is 100.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Technical Assistance:

The PRB continually receives requests for pension information. Some requests can be handled over the phone without additional research, while others can take some time to collect the requested information. Like other performance measures, these requests are tallied quarterly and the results entered into the LBB ABEST system.

Actuarial Impact Process:

PRB staff identifies legislation that may have an impact on a public retirement system. Summary information on the bill is entered into the PRB Pension Legislation System database. Whenever a bill with a cost effect on a retirement system is going to be scheduled for committee hearing, the PRB sends a request to the affected system for an actuarial analysis. An actuary representing the retirement system affected by the bill usually prepares this initial analysis.

The PRB staff conducts an initial review of the actuarial analysis upon receipt from the affected system. This analysis is submitted to the agency's staff actuary for review, thereby providing a "second opinion" on any costs associated with the bill. The Board actuary also reviews the actuarial assumptions on which the initial analysis is based.

The actuarial analysis and the actuarial review are summarized and analyzed in an Actuarial Impact Statement prepared by the PRB staff in consultation with the actuary member of the PRB. This information is then transmitted to the Legislative Budget Board. Copies of the actuarial analysis and actuarial review are also sent to the LBB. The LBB staff reviews the submitted PRB Impact Statement and supporting documents, and revises as needed. The Impact Statement

is then released to Committee.

The Impact Statement is attached to the bill in committee and stays with the bill during its passage through the Legislature. If a bill is subsequently amended or substituted so that its actuarial effect is changed, another analysis and review must be obtained and another Impact Statement prepared. This process permits the Legislature to have full information on the long-term costs of retirement bills.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The funding source for this program is GR. The amounts expended in FY 2010 were \$300,934.06, of which \$14,950 came from appropriated receipts.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

There are many educational seminars for pension fund trustees and administrators available today. Several pension organizations such as the National Conference on Public Employee Retirement Systems (NCPERS) or the Texas Association of Public Employee Retirement Systems (TEXPERS) hold conferences throughout the year. The Firefighters Pension Commission also conducts an annual seminar for paid fire fighter pension programs.

Like PRB seminars, many offer topics on finance, ethics, governance, plan design, asset allocation, or investment diversification.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The PRB reviews comments from prior seminars in selecting upcoming seminar agendas and speakers; however, the PRB seminar budget is limited compared to other pension seminars and duplication of speakers or topics may occur due to budgetary constraints.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2010;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The PRB contracts for its annual educational seminar with a hotel in the Austin area. The amount of expenditures for FY 2010 was \$17,002 through 3 contracts (one contract for food/beverage, one contract for hotel rooms, and one contract for A/V). The contracts include a meeting room for the seminar, food and beverage for the seminar; overnight room blocks for seminar attendees, and the audio/visual components necessary for the seminar. Seminar comment forms provide background to the agency on issues that may arise with the hotel or the provided arrangements. Additionally, agency staff works with hotel staff throughout the actual seminar event. Upon completion of the seminar, staff review and analyze costs associated with the event.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

There are none at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Not applicable.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Not applicable

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Pension Review Board Technical Assistance and Education Exhibit 12: Information on Complaints Against Regulated Entities Fiscal Years 2009 and 2010		
	FY 2009	FY 2010
Total number of regulated persons	N/A	N/A
Total number of regulated entities	N/A	N/A
Total number of entities inspected	N/A	N/A
Total number of complaints received from the public against the public retirement systems	N/A	N/A
Total number of complaints initiated by agency	N/A	N/A
Number of complaints pending from prior years	N/A	N/A
Number of complaints found to be non-jurisdictional	N/A	N/A
Number of jurisdictional complaints found to be without merit	N/A	N/A
Number of complaints resolved	N/A	N/A
Average number of days for complaint resolution	N/A	N/A
Complaints resulting in disciplinary action:	N/A	N/A
Administrative penalty	N/A	N/A
Reprimand	N/A	N/A
Probation	N/A	N/A
Suspension	N/A	N/A
Revocation	N/A	N/A
Other	N/A	N/A

VIII. Statutory Authority and Recent Legislation

A. Fill in the following chart, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact your agency. Do not include general state statutes that apply to all agencies, such as the Public Information Act, the Open Meetings Act, or the Administrative Procedure Act. Provide information on Attorney General opinions from FY 2007 – 2011, or earlier significant Attorney General opinions, that affect your agency’s operations.

Pension Review Board Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title ¹	Authority/Impact on Agency
<i>STATE LAWS</i>	
Chapter 801, Tex. Gov’t Code	Enabling Law – Establishes the PRB, mandates the agency to oversee all state and local public retirement systems in regard to their actuarial soundness and compliance with state law; and provide training and education to trustees, plan administrators and members. Establishes PRB’s general duties for monitoring public retirement systems: conduct continuing reviews of the systems; conduct intensive studies of potential or existing problems; provide information and technical assistance on pension planning on request; and recommend policies, practices and legislation to public retirement systems and appropriate governmental entities.
Chapter 802, Tex. Gov’t Code	Relates to administrative requirements for Texas public retirement systems. Mainly provides for actuarial valuations to be conducted by the systems, audits of actuarial valuations, and all statutorily required reports and studies to be submitted to the PRB. It also mandates the public retirement systems to register with the PRB and submit information to membership and the PRB.

¹ Listing is for Statutes as they exist at the time of submission of the Self-Evaluation Report.

	The statute further enumerates provisions relating to administration of assets by public retirement systems and requires the PRB to conduct actuarial reviews of legislation proposing to change the amount of benefits or participation in benefits of a public retirement system or proposes to change a fund liability of a public retirement system.
TEX. CONST. Art. XVI, Section 66-67	Section 66 establishes protection of accrued benefits under certain local public retirement systems. Section 67 establishes state and local programs of retirement for public employees and officers; requires financing of the benefits under the systems to be based on sound actuarial principles and retirement plan assets to be held in trust for the benefit of participants. Also requires the statewide systems to have board of trustees to administer and invest the funds of the system, thus triggering fiduciary responsibilities.
<i>FEDERAL LAWS</i>	
Employee Retirement Income Security Act of 1974 (ERISA) 29 U.S.C. §§ 1001-1461	Establishes plan design, rules for reporting and disclosure, participation, funding, fiduciary conduct and other administrative requirements for retirement plans in order to protect participants. Governmental Plans are exempt from Titles I and IV of ERISA relating to fiduciary, reporting, disclosure, and insurance of defined benefit pension plans. However, regulatory and court rulings under ERISA often address issues of interest for governmental plans, even when those rulings are not binding on such plans.
Internal Revenue Code of 1986 (IRS), related sections and associated regulations	Various sections of the IRC provide for standards that must be met by public and private pension plans in order to qualify for favorable tax treatment, and includes sections like 401(a) and 414(d) that provide plan qualification requirements for governmental and private retirement plans and defines a governmental plan, respectively. Also, the PRB does not have oversight authority over certain types of governmental plans as described under IRC, like 403(b) and 457(b) type plans. Hence, the agency tracks the public retirement system's plan type

	under the IRC.
Attorney General Opinions	
Attorney General Opinion No.	Impact on Agency Operations
Tex. Att’y Gen.No. JM 137 (1984)	Determined that a hospital authority is a “political subdivision” within the meaning of section 12.001of title 110B, V.T.C.S., the PRB’s governing code in 1984, defining a “public retirement system.” Since then, the said provision has been renumbered and codified in its current form in the Tex. Govt. Code, Ch. 802, Sec.802.001 (3) and the definition of a “public retirement system” still includes the political subdivision language. Hence, the legal basis used in the AG’s opinion can still be applied, if a question of similar nature is presented to the Board.
Tex. Att’y Gen.No. GA-0615 (2008)	Determines that Article XVI, Section 66(d) of the Constitution prohibits a change in the method of determining the compensation base of vested employees if such action reduces or impairs retirement benefits that the employee would have been eligible to receive before the effective date of the change. The agency refers to the legal basis of this opinion in replying to related inquiries it receives from the public retirement systems or its members.

B. Provide a summary of recent legislation regarding your agency by filling in the chart below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass, briefly explain the key provisions and issues that resulted in failure of the bill to pass (e.g., opposition to a new fee, or high cost of implementation).

Pension Review Board Exhibit 14: 82nd Legislative Session Chart		
Legislation Enacted in 82nd Legislative Session		
Bill Number	Author	Summary of Key Provisions
SB 1179	Sen. Nelson	Amends various general laws to eliminate certain required reports prepared by state agencies, including the annual report filed by the PRB pursuant to Chapter 801, section 801.203(b) of the Tex. Gov't. Code.
HB 1	Rep. Pitts	Relates to General Appropriations Act. Agency Funding: Appropriates \$1.4 million from General Revenue Fund for the Fiscal Years 2012-2013. Retained the agency's FTE cap level at 13 from the last biennium.
HB 4	Reps. Pitts/ Aycock/ Darby/ Zerwas/ Otto	Relates to making supplemental appropriations and giving direction and adjustment authority regarding appropriations. Reductions in the agency funding: The appropriations to the agency from the General Revenue Fund for the Fiscal Year ending August 31, 2011, made by the Act of 81st Legislature, was reduced in the amount of \$42,189.
Legislation Not Passed in 82nd Legislative Session		
Bill Number	Author	Summary of Key Provisions/Reason the Bill Did Not Pass
HB 2731	Rep. Truitt	The bill, among other provisions, proposed the following changes: <ul style="list-style-type: none"> • Section 1 of the bill required the PRB to adopt rules and procedures for receiving and investigating a complaint against a person who

		<p>provides management or investment services to a public retirement system that alleges the person violated certain disclosure and filing requirements relating to potential conflict of interest or was involved in criminal conduct relating to services provided by the person to the system. The bill authorized the Board to refer such a complaint to the Attorney General for investigation. If a complaint is filed, the PRB could require a public retirement system to provide the Board with a statement on procurement of such investment managers.</p> <ul style="list-style-type: none"> • Section 3 of the bill required the governing body of a public retirement system, an investment manager who has entered into a contract with the public retirement system or any other person providing services to the public retirement system relating to the management and investment of the system's assets to disclose to the system any potential conflict of interest and a failure to do so is a ground for removal. If the PRB determines that the ground for removal exists for the aforementioned persons, the Board could notify the appropriate appointing officer. The section also required the Board adopt rules relating to the types of relationship that must be disclosed. • Section 4 of the bill authorized the PRB to select five public retirement systems each calendar year with total assets of at least \$10 million and not more than \$50 million to have an independent audit conducted and if the system is unable to conduct the audit the Board may provide the service for a fee. • Section 5 of the bill authorized the PRB to require a public retirement system with total assets exceeding \$50 million to conduct and submit to the PRB an actuarial experience study a maximum of once every five years. <p>The bill was heard in the Pensions, Investments and Financial Services Committee and a report was sent to the Calendars Committee, but was never considered.</p>
HB 3659	Rep. Otto	Required the governing board of a public retirement system to make an annual contribution of 50 cents for each

		active member and annuitant to the PRB. The bill was referred to the House Appropriations Committee, but was not heard.
HB 3790	Rep. Pitts	Required the governing board of a public retirement system to make an annual contribution of 50 cents for each active member and annuitant to the PRB. The provision was dropped in the committee substitute version of the bill.
SB 1811	Sen. Duncan	Required the governing board of a public retirement system to make an annual contribution of 50 cents for each active member and annuitant to the PRB. The provision was dropped in the committee substitute version of the bill.
SB 1612	Sen. Ogden	<p>The bill related to the monitoring, oversight and funding of certain public retirement systems and imposed new reporting requirements on the PRB relating to certain public retirement systems. The bill, among other provisions, proposed the following changes:</p> <ul style="list-style-type: none"> • Required the PRB to prepare an annual report on the investment performance of public retirement systems that administered defined benefit plan and had \$100 million in total assets. • Authorized the PRB to require a public retirement system with at least \$100 million in assets to conduct an actuarial experience study, a maximum of once every five years, and provide that study to the PRB. The bill authorized the Board to adopt rules to implement the bill's provisions relating to actuarial experience study. • Removed a prohibition against PRB enforcement of a rule on certain reporting requirements for a PRB review if compliance with that rule would cause a public retirement system to incur a major expense. • Repealed Local Government Code, Ch. 107, thereby revoking a municipality's authority to issue obligation bonds to fund any or all of a pension fund's unfunded liability. <p>The bill passed the Senate, but subsequently dies in the House.</p>

IX. Policy Issues

Plan Exemptions

A. Brief Description of Issue

Certain types of plans are exempt from the definition of a “public retirement system” in Chapter 801 and 802 of the Government Code. At issue is the question of the original intent for exempting certain plan types and whether the Legislature needs to clarify or re-examine the type of plan exemptions granted. The exemption would essentially remove the plan from state reporting requirements and oversight.

B. Discussion

Over the last few years, PRB staff has worked to improve plan compliance with state reporting requirements. Through this process, several defined contribution plans have indicated to the agency that their plans were not required to report to the PRB. Some defined contribution plans are exempt from state reporting requirements. In an effort to address the question of whether the plans are exempt, PRB staff researched and prepared a report on plan exemption based on current law. During the research period, some information indicated that defined contribution plans had been told by the PRB years ago that they did not need to report as the Legislature was solely interested in defined benefit plans. Beyond this, certain reporting requirements such as the requirement to conduct an actuarial valuation appear to be extended to all public retirement systems; however, a defined contribution plan would not need an actuarial valuation conducted as it has no liabilities.

C. Possible Solutions and Impact

Clearly define which plans are and are not exempt; update all reporting requirement sections to reflect this policy. The impact would be to make explicitly clear which plans are required to report to the PRB. This would improve the PRB’s ability to bring the appropriate plans into compliance with state reporting requirements.

Audits

A. Brief Description of Issue

The governing body of a public retirement system is required to have the accounts of the system audited at least annually by a certified public accountant (CPA) in accordance with generally accepted auditing standards (GAAS). Is it acceptable for a retirement system to use the audit of their sponsoring entity if that audit includes the pension trust fund? Additionally, paid and volunteer fire plans with total assets of less than \$50,000 can submit the FPC report as their

annual membership and financial reports; thus those plans do not need to meet the audit requirements. Is \$50,000 in total assets an appropriate threshold as that exemption is more than a decade old?

B. Discussion

During the last decade as the economy has lagged, many plans have looked at ways to save money. One solution plans have begun to utilize is to meet the requirements for the system's finances to be audited annually by using the GAAS audit conducted for their sponsoring entity and including the pension trust fund in that audit. The statute in question is 802.102 of the Government Code, which states that the governing body of the system will have the accounts of the system audited at least annually by a CPA in accordance with GAAS. Another audit issue involves small paid and volunteer fire plans with total assets less than \$50,000 who are exempt from the audit requirements.

C. Possible Solutions and Impact

Provide an exemption for system's with total assets under a certain threshold or state in the statute that the audits of the sponsoring entity are acceptable if the pension trust is included in the scope of the audit and the audit is done by a CPA and in accordance with GAAS.

Enforcement

A. Brief Description of Issue

The agency has limited power to enforce state reporting requirements and as such, retirement systems can refuse to send in required information in a timely manner.

B. Discussion

During the 82nd session, HB 2731 introduced a few concepts that would provide the PRB with some enforcement power relative to non-compliant retirement systems. Provisions included fining board members of the non-compliant system, fining the CEO of the system, and providing a list of non-compliant systems to local media. The vast majority of systems are compliant with state reporting requirements; however, the plans that are not compliant might respond more favorably if there was some enforcement power for the PRB.

C. Possible Solutions and Impact

If the statute is amended to clearly identify which plans are and are not exempt from state reporting requirements, this should help enforcement of state reporting requirements. However,

if Sunset and the Legislature believe the PRB could use additional enforcement mechanisms, this could also help the PRB improve compliance with state reporting requirements.

X. Other Contacts

A. Fill in the following chart with updated information on people with an interest in your agency, and be sure to include the most recent e-mail address.

Pension Review Board Exhibit 15: Contacts			
INTEREST GROUPS (groups affected by agency actions or that represent others served by or affected by agency actions)			
Group or Association Name/ Contact Person	Address	Telephone	E-mail Address
Association of Texas Professional Educators	305 E. Huntland Drive, Suite 300 Austin, TX 78752-3792	(512)467-0071	atpec@atpe.org
Texas Association of Public Employee Retirement Systems Executive Director Max Patterson	1225 N. Loop West, Suite 909 Houston, TX 77008	(713)622-7022	max@texpers.org
Texas Public Employees Association Executive Director Gary Anderson	512 East 11 th Street, Suite 100 Austin, TX 78701	(512) 476-2691	ganderson@tpea.org or mail@tpea.org
Texas Retired Teachers Association Executive Director Tim Lee	313 E. 12 th Street, Suite 200 Austin, TX 78701-1957	(512)476-1622	tim@trta.org
Texas State Firemen's and Fire Marshalls' Association Executive Director Chris Barron	4450 Frontier Trail Austin, TX 78745	(512)454-3473	cbarron@sffma.org
INTERAGENCY, STATE, OR NATIONAL ASSOCIATIONS (that serve as an information clearinghouse or regularly interact with your agency)			
Group or Association Name/ Contact Person	Address	Telephone	E-mail Address
National Conference on Public Employee Retirement Systems Executive Director Hank H. Kim	444 N. Capitol Street, NW Suite 630 Washington, D.C. 20001	(877)202-5706	hank@NCPERS.org

Governor's Budget & Planning Office Budget Analyst Casey Haney	P.O. Box 12428 Austin, TX 78711	(512)463-1778	casey.haney@governor.state.tx.us
Legislative Budget Board Budget Analyst Demetrio Hernandez Pension Legislation Analyst Wade McDonald	1501 N. Congress Ave. 5 th Floor - REJ Building Austin, TX 78701	(512)463-1200 (512)463-1200	Demetrio.Hernandez@lbb.state.tx.us Wade.McDonald@lbb.state.tx.us
Texas House of Representative Pensions, Investments and Financial Services Committee Clerk – Merita Zoga	State Capitol Extension Room E2.164 Austin, TX 78701	(512)463-2054	Merita.Zoga_HC@house.state.tx.us

XI. Additional Information

A. Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate. The chart headings may be changed if needed to better reflect your agency's practices.

Pension Review Board		
Exhibit 16: Complaints Against the Agency C Fiscal Years 2009 and 2010		
	FY 2009	FY 2010
Number of complaints received	None	None
Number of complaints resolved	N/A	N/A
Number of complaints dropped/found to be without merit	N/A	N/A
Number of complaints pending from prior years	N/A	N/A
Average time period for resolution of a complaint	N/A	N/A

B. Fill in the following chart detailing your agency's Historically Underutilized Business (HUB) purchases.

Pension Review Board				
Exhibit 17: Purchases from HUBs				
FISCAL YEAR 2008				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	0.00	0.00		11.9%
Building Construction	0.00	0.00		26.1%
Special Trade	0.00	0.00		57.2%
Professional Services	3,443.61	0.00	0.00%	20.0%
Other Services	43,357.86	32,125.50	74.09%	33.0%
Commodities	41,655.37	4,255.16	10.22%	12.6%
TOTAL	88,456.84	36,380.66	41.13%	
FISCAL YEAR 2009				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	0.00	0.00		11.9%
Building Construction	0.00	0.00		26.1%
Special Trade	0.00	0.00		57.2%
Professional Services	0.00	0.00		20.0%
Other Services	21,422.35	8,709.00	40.65%	33.0%
Commodities	51,484.38	7,948.50	15.44%	12.6%
TOTAL	72,906.73	16,657.50	22.85%	
FISCAL YEAR 2010				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	0.00	0.00		11.9%
Building Construction	0.00	0.00		26.1%
Special Trade	0.00	0.00		57.2%
Professional Services	0.00	0.00		20.0%
Other Services	61,447.25	38,449.98	62.58%	33.0%
TOTAL	103,768.10	42,311.07	40.77%	

C. Does your agency have a HUB policy? How does your agency address performance shortfalls related to the policy? (Texas Government Code, Sec. 2161.003; TAC Title 34, Part 1, rule 20.15b)

Yes. Pursuant to Texas Government Code §2161.003, the agency’s Board has adopted Rule §604.1 under TAC Title 40, Part 17 establishing the agency’s Historically Underutilized Business (HUB) Policy. The policy adopts by reference the HUB rules promulgated by the Comptroller of Public Accounts under TAC Part 1, Chapter 20, Subchapter B. The PRB makes a good faith effort to utilize HUBs in the procurement process of all goods and services whenever applicable for any dollar amount.

D. For agencies with contracts valued at \$100,000 or more: Does your agency follow a HUB subcontracting plan to solicit bids, proposals, offers, or other applicable expressions of interest for subcontracting opportunities available for contracts of \$100,000 or more? (Texas Government Code, Sec. 2161.252; TAC Title 34, Part 1, rule 20.14)

Not Applicable

E. For agencies with biennial appropriations exceeding \$10 million, answer the following HUB questions.

	Response / Agency Contact
1. Do you have a HUB coordinator? (Texas Government Code, Sec. 2161.062; TAC Title 34, Part 1, rule 20.26)	John Perryman
2. Has your agency designed a program of HUB forums in which businesses are invited to deliver presentations that demonstrate their capability to do business with your agency? (Texas Government Code, Sec. 2161.066; TAC Title 34, Part 1, rule 20.27)	N/A
3. Has your agency developed a mentor-protégé program to foster long-term relationships between prime contractors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract? (Texas Government Code, Sec. 2161.065; TAC Title 34, Part 1, rule 20.28)	N/A

F. Fill in the chart below detailing your agency's Equal Employment Opportunity (EEO) statistics.²

Pension Review Board Exhibit 18: Equal Employment Opportunity Statistics							
FISCAL YEAR 2008							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	3	33.3%	6.6%	0	14.2%	66.6%	37.3%
Professional	7	14.2%	8.3%	14.2%	13.4%	28.5%	53.2%
Technical	0	0	12.4%	0	20.2%	0	53.8%
Administrative Support	2	0	11.2%	0	24.1%	100%	64.7%
Service Maintenance	3	0	13.8%	33.3%	40.7%	66.6%	39.0%
Skilled Craft	0	0	6.0%	0	37.5%	0	4.8%

FISCAL YEAR 2009							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	1	0	9.0%	0	23.7%	0	38.8%
Professional	3	0	11.7%	0	19.9%	33.3%	54.5%
Technical	0	0	17.0%	0	27.0%	0	55.6%
Administrative Support	3	0	13.2%	0	31.9%	100%	66.2%
Service/Maintenance	5	20%	12.8%	20%	44.8%	60%	39.7%

² The Service/Maintenance category includes three distinct occupational categories: Service/Maintenance, Para-Professionals, and Protective Services. Protective Service Workers and Para-Professionals are no longer reported as separate groups.

FISCAL YEAR 2010							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	2	0	7.5.0%	0	21.17%	50%	37.5%
Professional	5	0	9.7%	20%	18.8%	40%	53.3%
Technical	0	0	13.9%	0	27.1%	0	53.9%
Administrative Support	2	50%	12.7%	0	31.9%	100%	67.1%
Service/Maintenance	3	33.3%	14.4%	33.3%	49.9%	66.6%	39.1%
Skilled Craft	0	0	6.6%	0	46.3%	0	6.0%

G. Does your agency have an equal employment opportunity policy? How does your agency address performance shortfalls related to the policy?

Yes. PRB addresses prevention of unlawful discrimination and performance shortfalls in the Equal Employment Opportunity Policy (EEO) and in the agency's Affirmative Action Plan.

The EEO Policy asserts that PRB is an equal employment opportunity employer and does not discriminate on any basis prohibited or protected by federal or state law including race, color, disability, sex, religion, age, or national origin in the recruitment, evaluation, selection, appointment/hiring, training, promotion of personnel, or any other personnel decisions. It further states that PRB strives to recruit qualified applicants in protected classes and complies with all applicable laws in the selection of applicants for employment. The EEO Policy also details the process to be used when reporting possible discriminatory practices, prohibits retaliation against an employee who complains of discrimination, and states that violation of this policy by a PRB employee is grounds for corrective action, including termination without warning.

The agency's Affirmative Action Plan was developed to promote strategies and processes that ensure positive steps are taken to provide equal employment opportunity. The steps include:

- Analyzing the PRB workforce at least once during each fiscal year to determine the number of African Americans, Hispanic Americans, and females employed by PRB in each job category.
- Comparing the number of African Americans, Hispanic Americans, and females in each EEO job category to the number available in the statewide civilian workforce as calculated and published by the Civil Rights Division of the Texas Workforce Commission to determine the percentage, if any, underutilization within each EEO job category.

- Implementing special recruitment efforts to attract diverse, representative applicant pools to be considered for PRB employment opportunities.
- Selecting applicants or making personnel decisions on the basis of job-related standards of education, training, experience, skills, knowledge, abilities.
- Assessing PRB's progress in achieving a workforce that is representative of the availability of African Americans, Hispanic Americans, and females in the civilian labor force.
- Initiating new strategies, as needed, to heighten employee awareness of the value of developing a diverse workforce.

The Affirmative Action Plan also requires the EEO Coordinator to report annually on PRB's progress in achieving program objectives. The annual Program report summarizes actions taken during the year to strengthen workforce diversity at PRB and identifies future strategies for supporting the program. Other workforce reports may be created as needed to effectively monitor the program.

XII. Agency Comments

There are no additional comments at this time.

SUNSET SELF-EVALUATION ATTACHMENTS FOR PENSION REVIEW BOARD

Attachment 1	Copy of agency's enabling statute
Attachment 2	Not Applicable – Copy of Annual report published by the agency from FY2006-2010
Attachment 3	Not Applicable – Internal or external newsletter published by the agency from FY2009-2010
Attachment 4	<i>List of publications and brochures describing the agency</i>
Attachment 5	List of studies that the agency is required to do by legislation or riders
Attachment 6	List of Legislative or interagency studies relating to the agency that are being performed during the current interim
Attachment 7	List of studies from other states, the federal government, or national groups/associations that relate to or affect the agency or agencies with similar duties or function
Attachment 8	Biographical information of all policymaking body members
Attachment 9	Copy of Agency's Rules
Attachment 10	Copy of Legislative Appropriations Request for FY2012-2013
Attachment 11	Copy of Annual Financial Reports from FY2008-2010
Attachment 12	Copy of Operating budget from FY2009-2011
Attachment 13	Not Applicable – Map to illustrate the regional boundaries, headquarters location, and field or regional office locations
Attachment 14	Copy of Quarterly Performance Reports FY2008-2010
Attachment 15	Copy of Survey of Organizational Excellence 2010
Attachment 16	Not Applicable – Copy of agency's current internal audit plan
Attachment 17	Copy of Strategic Plan
Attachment 18	Not Applicable – List of internal audit reports from FY2007-2011 completed by or in progress at the agency
Attachment 19	<i>List of State Auditor Reports FY2007-2011</i>
Attachment 20	Copy of Customer Service Survey FY2010