



National Association of State Retirement Administrators

Responses to survey regarding state retirement system budget, personnel, compensation, and procurement authority

Forty-one systems in 34 different states responded to this survey; a listing of responding systems is at the end of these results. Responses revealed a surprising variety and complexity in system authority; the accompanying comments are an important part of these responses.

Question: Who has final authority to approve the system's operating budget?

The system board: 20

The legislature: 21

Comments:

- From a system whose board has final authority: “In theory, the Office of State Finance can approve or disapprove the Board's budget, but has never questioned it.”
- From a system whose legislature has final authority: “In conjunction with the governor.”
 - Note: I think it's safe to assume that budgets subject to legislative approval also are subject to some degree of oversight, including approval, by the governor. kb

Question: Please describe your budget authority, i.e., is your authority a block grant, permitting the system to make transfers freely among departments or functions, or is the authority limited in some way?

- Not limited
- Our agency is lump sum appropriated by the legislature. The appropriation comes from the trust fund and can be spent however the agency sees fit.
- There is no limitation to our Continuous Appropriation. However, our Support (Annual) Appropriation must be legislatively approved.
- unlimited
- Not specifically delineated in statute or policy. Our practice is to not make transfers among line items.
- Our authority is a block grant, permitting the system to make transfers freely among departments or functions
- The General Assembly grants spending authority.
- Not limited
- A total appropriation from the trust fund is approved by the legislature. The system has leeway to budget across system departments.
- Our budget is structured in three areas 1) Personnel, 2) Operating, & 3) Capital outlay. We can move money down but not up (i.e. Personnel funds can be used for operating but operating cannot be used for personnel).
- Block grant
- Block grant, with thresholds for transfers over certain amounts requiring approval.
- The retirement fund has complete authority from the board to spend the budget within the annually approved amounts in any department or function.
- There is an appropriation limitation placed on the System's administrative expenditures. There is no limitation on benefit expenditures or investment management expenses (external management fees).

- The legislature appropriates spending authority for funds taken from the pension trust. There is only one appropriation unit, and funds can be transferred between personnel, operating and capital by retirement systems staff. The board of trustees and executive staff are responsible for ensuring all expenditures remain within budget. Additional funds must be requested from and approved by the legislature. The board approves all budget requests prior to submission to the legislature for final approval.
- Excluding a few specific budget areas (i.e., health care subsidies, State operated data center, etc.) management has the discretion to use the funds as needed to effectively manage the System to achieve its mission.
- The Board approves the budget and we can allocated across departments.
- Admin. costs are paid for out of pension trust assets as authorized by Minnesota statute. No General Fund monies are used.
- We arrange our budget in three broad categories. Staff has authority to spend the total amount allotted in each category, without necessarily staying tied to each line item budgeted figure within the category. If we need to transfer approved budget amounts from one category to another to capture savings in one and cover shortages in another, we need to get Board approval.
- Statutory authority
- budget authority is not limited
- It's limited based on the categories within our budget. If we need to move money between categories, we get the Board's approval.
- Line item budget authority, e.g., Personal Services; Travel; Commodities; Contractual Services; Equipment
- The system can make transfers freely.
- The budget specifies different categories, for example staff salaries, staff health insurance, legal services, IT, etc.
- The legislature appropriates the budget approved by the board. as such, if we have to adjust spending between line items in the budget, it requires fiscal committee (a joint legislative body) approval.
- We are authorized blocks of money to spend within major budget categories that we can allocate to appropriate detail lines in the operating budget.
- Transfers are permitted among departments or functions with disclosure.
- Budget operations are totally internally managed
- Budget is controlled by Personnel Costs, Operating Costs, and Capital Costs. We transfer costs between depts by category
- Not a block grant. Provide a budget, somewhat detailed to the Board for approval.(Legis reviews)
- Our budget is not really that strict. However, state law and the Office of State Finance regulations limit an agency's ability (a little) to switch budget categories. Again our Office of State Finance has routinely granted requests for budget changes but we don't generally have to ask for these.
- Budget amounts are allocated across broad categories. Any significant shifting among those categories is reviewed by budget analysts for the state's executive and legislative branches. Generally, alterations from the legislatively approved budget have to support strategic initiatives as developed through the budget cycle.
- We are subject to the same direct limitations that General Fund Agencies have (even though we are not a general fund agency), e.g. limits in moving funds between major objects, determination of the amount of the budget etc. We are also subject to indirect limits by our lack of complement authority, impositions of hiring freezes, blocking of incentive payments and travel bans (the latter three enforced through central control of the payroll/re-imbursement systems, the former through control of the State's personnel systems).
- By statute, the Board of Trustees may expend up to three percent of annual contributions with the approval of the legislature.
- Since we are part of a state agency, requests for improvements follow state guidelines.
- We have authority to transfer up to ten percent within budget categories, except for personnel.

- A specific budget is approved with individual line items and departmental expenditures. Transfers can be made between departments and expenses categories and the Board makes a final budget approval at the end of the year.
- Our spending authority is essentially a block grant, but the upper limit on our authority is set by the General Assembly pursuant to the Appropriations Act.
- Our funding for pension administration is appropriated for a two year budget cycle as one amount in the operating budget bill. Amounts to implement certain projects may also be itemized ("provisoed") in the budget bill (e.g., \$150,000 of our \$48M appropriation may only be spent to implement a piece of legislation passed that session).
- Legislative appropriations. Expenditure authority is limited to the amounts listed in the appropriation schedule. Generally, the system can move funds within categories as long as the total is not exceeded.

Question: Please describe your system's authority to procure professional services, such as investment managers and others. Is your system required to follow state rules, or is the system permitted to set its own procurement rules and standards, separate and apart from those maintained by the state?

- We follow state rules.
- With regard to procuring services for investment managers and other associated services, we have been granted a delegation of authority. However, this does not equate to being permitted to set its own procurement rules and standards, separate and apart from those maintained by the state.
- We are not subject to state procurement rules for investment managers. Our legal office reviews all contracts before execution. We are not subject to external oversight for other purchases. However, the state procurement office reviews our authority before payment is made.
- Our system is an instrumentality of the State not an agency. Hence, no State policies apply.
- We can set our own procurement rules and standards.
- the system is permitted to set its own procurement rules and standards, separate and apart from those maintained by the state
- Allowed to follow our own procurement rules for professional services.
- Our system does not need to abide by state procurement rules since we are self-funded. However, we follow the majority of procurement services relating to normal operational expenses such as supplies and equipment through the State's contract of certain vendors. For specialized services for our agency, we do our own procurement with the Board's approval.
- Consulting services, investment managers are hired pursuant to open competitive bid process governed by administrative rules. Final hiring decision is solely within the Board's discretion or Director's discretion.
- Our system is permitted to set its own procurement rules and standards, separate and apart from those maintained by the state
- Must follow an RFP process for investment managers.(state requirement)
- We follow our own procurement procedures which are modeled after the state's.
- The system is permitted to set its own procurement rules and has done so. However, where appropriate the board has adopted some, but not all, of the state procurement rules.
- The System must follow state rules established in statute.
- The system has its own procurement code which is separate from, but closely parallels, the state system. Professional services are awarded from a competitive process such as a request for proposals or a request for information. Competitive negotiations follow the RFP/RFI prior to issuing a contract.
- Procurements related to investment activities are exempt from State procurement regulations, all other procurements must follow State procurement regulations.

- Generally, we follow state guidelines. We do have some special provisions for hiring money managers, such as requiring bids every five years, etc.
- We generally use state goods and services contracts when applicable. We also follow state procurement policies with professional/technical contracts.
- We must follow state procurement rules and standards, but we don't do our own investments. Our investing is done by a separate investment agency.
- We have our own procurement rules for all purchases covering all goods and services.
- We follow our own governance policies
- We have the ability to set our own rules; however, we attempt to comply with the State's procedures when feasible.
- Procurement of professional services for investment managers is outside the purview of state purchasing and procurement rules and regulations. The Board has oversight for procurement of investment managers and investment consultants based on rules and standards established by PERS. Professional services for actuarial firms are excluded from state procurement review also.
- Pension fund investments are made by a separate entity. We do abide by the state's procurement rules if we go through that process for professional services, which we have to date.
- We have the authority to procure most professional services, although some major decisions like choosing an actuarial firm would require Board approval. In the case of professional services, we can mostly set our own procurement rules apart from those maintained by the state. We have a significant amount of flexibility in choosing investment managers.
- Trustees and the Independent Investment committee are empowered to procure services
- All procurement is governed by the state purchasing rules except for a statutory exemption for the procurement of professional investment services.
- Voluntarily follow state rules.
- Fully autonomy, managed as a Fund operating unit.
- System has own rules and standards approved by the Board.
- Our system, and other state retirement systems, have statutory authority to select investment managers, investment consultants, custodian banks, and actuaries without going through another state agency. They do have to be selected after an RFP process. Our system has a lot of leeway to adopt its own procurement procedures for these types of services. For computers, copiers, general consulting, and just about everything else, we must acquire goods and services through the State Department of Central Services under its rules, unless the goods or services fall below certain thresholds. Even where they do, we must still follow the DCS' rules.
- Follow state rules.
- For all procurements except investment managers/contracts, we are required to follow the State's competitive bidding process. This includes mandatory use of the Department of General Services as our leasing agent for all facilities and thus compliance with its determination of what is an appropriate office size, rent etc.
- System has promulgated regulations
- The investment manager selection is outside the procurement rules but most other procurement activities are handled based on statewide standards
- Most services such as actuarial, death match, etc. are determined through the Request for Proposal (RFP) route. The investment managers/consultants follow state rules for a "Competitive Alternate Process". In other words, we state the process such as interviews, etc. to be used for selection of these unique services.
- Set our own rules and standards.
- We can set up our own rules, but we find it easier to follow state procurement procedures.
- On general matters of procurement we must follow the state procurement act, but we can set our own policies and procedures for following the act. We are not subject to the policies and procedures prescribed by the state procurement agency. We also have a

special exemption from the state procurement act for investment management services, actuarial services, and disability determination services. For those services we are subject to the "prudent person rule".

- We are required to follow state laws/rules for purchasing and/or contracting.
- System Board has procurement authority for some purchases. Other procurements are subject to state laws and rules

Question: Please share other relevant features of your system's authority to procure professional services.

- We issue RFPs and bid out contracts based on state purchasing rules.
- We do not have to issue an RFP, if that is not desirable.
- As a state agency, system is required to purchase certain services from the state (payroll, printing, phone, etc). Some are competitive bidding through state system. Find that buying supplies, licenses, hardware off State's contract is most cost effective.
- Full unfettered authority to procure other professional services. One exception (must rebid the Investment Consultant contract every five years - state requirement).
- There are 3 general means of procurement: 1) RFP for anything over \$100,000; 2) Special Procurement, an expedited process for emergency purchases or those where there is only one vendor who could provide the good or service; and, 3) small purchases.
- State procurement for non-investment services are broken into 3 categories: small procurements less than \$25,000, procurements greater than \$25,000 and less than \$200,000, and procurements greater than \$200,000.
- The Board has the authority to procure what they want, but must follow state law and guidelines.
- The Board is allowed to select its actuarial and other consultants without needing the take the lowest bid. The concept of "best value" is used and strength of proposal in meeting the association's needs can also be considered. Cost is typically only 30 percent of the scoring of a RFP proposal.
- Investment Management fees are paid outside the budgetary process and netted against investment assets. Additionally, custodial bank and cash management bank fees are netted against the accounts and are outside the budgetary process. The investment consultant and other professional services are paid with budgetary funds.
- None
- Generally must competitively bid for goods and services. Attorneys appointed by Attorney General and Custodian by State Treasurer.
- We do not have to competitively bid professional services for attorney, CPA's and other statutorily designated professionals. Certain statutory limitation exist for some. For instance, attorney contracts must be filed with the State A.G. and he/she can disapprove them for certain reasons.
- For investment managers and other investment contracts, (e.g. limited partnership agreements), the Board has authority to determine its own process for selection.
- Actuarial and audit services must may handled within the standard rules.
- Do not receive state funding, so basically on our own.
- As a practical matter, even though we enjoy an exemption from the procurement act for actuarial and disability determination services, we procure those services competitively using RFP's.
- Once we complete contracts (e.g., to purchase recordkeeping services), we must file them with another state agency for review/approval. It effectively establishes a 10-day waiting period before work under the contract can start.

Question: Is your system required to follow state personnel rules with regard to hiring and firing employees, or is the system exempt from state personnel rules? Please describe.

State personnel rules: 22

Exempt: 18

Both: 1 (half of staff is exempt and half are under career service)

Selected comments:

- We are not required to fall underneath the state rules, but we follow them.
- We are state employees.
- We are exempt and have our own personnel policies
- Under statute the board has exclusive responsibility to establish personnel programs and policies, and to fix the compensation of persons appointed or employed by the board. However, years ago the system worked with the state and the auditor to provide employee payroll services and compensation. Accordingly, the state attempts to (and often successfully) apply state personnel rules to system employees.
- The system is exempt from state personnel regulations and operates under its own rules. All positions are advertised publicly and candidates selected from a competitive process.
- Yes, most system employees are unionized and considered state employees.
- We're subject to state personnel rules and collective bargaining agreements, but we are not typically held to hiring freezes because we do not receive state general fund appropriations for our operating budget. We are encouraged to follow any hiring limitation or freeze directives, but not mandated.
- We are exempt from state personnel rules. We are not a state agency.
- We are under the state personnel rules as it relates to hiring and firing employees, with the exception of the Executive Director who works at the will and pleasure of the Board and Deputy positions who work at the will and pleasure of the Executive Director.
- We are subject to state personnel rules for all staff except 4 exempt positions (Director, 2 Deputy Directors, Policy Director).
- We follow state personnel rules as a matter of course (and terms of the Collective Bargaining Agreement) since our staff are members of the same union as state employees. We have an open project to write our own rules.
- We are subject to state personnel rules for all of our classified employees. For our policy making positions, we are subject to approval from the Governor's Office prior to hiring someone.
- Voluntary participation in state civil service
- About 2/3 of our workforce is in the "Classified" Service that is called the "Merit System." It is a highly regulated civil service system with rules adopted by the Office of Personnel Management. By statute, certain other positions are exempt from the Merit System, and they are all "at-will" employees. My General Counsel, all of my CPA's and most of my senior managers, are exempt and are therefore at will.
- State rules. The work force is comprised of employees represented by a union (SEIU), management employees subject to some state law restrictions, and executives who are at-will employees.
- Approximately half of the staff is exempt and half are handled under career service rules.
- Our system is part of the Treasury Dept which is part of the legislative branch. Technically, we "serve to the pleasure of the Treasurer" and are not civil service employees. We typically follow most of the rules of the executive branch. Hiring is easier through our agency in that we are not required to hire from "state registers".
- We do not follow state personnel rules. Many of our policies are the same, but we have authority to establish our own pay grades and ranges.

Question: Is the system required to follow state rules for setting staff compensation, or is the system exempt from state pay schedules? Please explain.

Selected comments:

- We follow state rules but we have some positions outside the state merit system.
- As of October 1, 2009, we are exempt from state classification and compensation systems.
- We follow state rules with the exception of certain management and investment positions. For these positions the Board establishes the compensation plan.

- We're exempt from the state rules, but we follow the state guidance to prevent the discrimination within the state. If the state does not provide increases to employees, neither do we.
- As state employees, we must follow state rules.
- The board has the authority to set compensation. While the compensation structure is different than the state pay schedules, the board generally has kept the scale very similar to the state levels.
- The System must follow state rules on compensation for classified employees, but is exempt for unclassified employees. Unclassified employees are upper level management and investment staff.
- We are not required to follow state compensation rules. The system has a performance management system that directly ties the amount of the annual salary increment to the performance evaluation. Top performers are given larger increments than those who only meet, or partially meet, standards.
- Salary and benefits are set by negotiated bargaining unit agreements.
- Collective bargaining and state personnel policies direct compensation for staff.
- Exempt. The pay structure is approved by our Board.
- Many of the staff belong to a union. Compensation is negotiated with the union; above and beyond what the unions negotiate with the Governor for statutory increases. The Board has a non-union pay plan policy for executive and supervisory staff. We use the McLagan survey for determining executive staff market pay.
- Statute provides that the board has the power to hire and set pay.
- Exempt from state pay schedule (separately negotiated contract). Follow position grade structure. Management positions are exempt.
- Exempt from state pay schedules, Board establishes percentage for pay increases based on performance.
- Employees in the Merit System must be put within certain "job families" and levels within these families and can only be paid within certain designate "pay bands." State law permits some performance-based pay, skill-based pay, etc. under certain circumstances. For our unclassified employees, the System has wide latitude to set salaries.
- With the exception of investment professionals, we are subject to the state's compensation rules/schedules. Even with the investment professionals, the State has the means to block payments it deems unacceptable.
- There is some flexibility for the exempt compensation but the career service staff follow the state pay schedules.
- We have a little more leeway than other state agencies concerning pay, but basically follow the rules. One exception is the investment staff. There is specific authority in law and appropriation for investment staff salaries and bonuses.
- With no state funding, separate from state.
- We are exempt from state compensation rules and pay schedules. However, we try not to deviate too far from salary increases provided to general state employees.
- Salaries for approximately 90% of our staff are set in the state's compensation system. (Classified positions are linked to specific pay ranges.) We have a little more flexibility for specific management positions, representing around eight percent of our staff, as the agency can determine where the job's duties fit within much larger salary bands. The remaining two percent are exempt from state pay schedules but they still may be limited by an external salary setting commission.
- System is required to follow state rules in setting staff compensation

Question: Please share any other observations about your system's budget, procurement, and hiring and compensation authority.

- We will continue to utilize the general structure of the state personnel rules and classification/compensation schedules and will make adjustments as necessary. At this time, no major changes are planned.
- Set by the board.
- Very independent.
- All six of our board members are appointed by the governor. As such, the governor's influence on these issues is heavy, particularly in the areas of hiring and compensation.
- The state agency that invests our assets did receive authority to create its own compensation schedule and process.
- Although our system is not considered an executive branch agency in statute, we follow most of the same policies and procedures of an executive branch agency.
- Working through the state process in all these areas is very cumbersome and time consuming. It is also not appropriate for the state to have the final say in our operation when it can conflict with the board's fiduciary responsibility to oversee the system.
- We generally do not have independent authority in any of these areas.
- Although our budget is on a two-year cycle, we always have mid-biennium (supplemental budget) adjustments in the even numbered years.
- System is limited in staff levels. State budget process determines FTE level.

Responding systems:

- Retirement Systems of Alabama
- Arizona State Retirement System
- California State Teachers' Retirement System
- Colorado PERA
- Fire & Police Pension Association of Colorado
- District of Columbia Retirement Board
- Delaware Public Employees Retirement System
- ERS of Georgia
- Iowa Public Employees Retirement System
- Public Employees Retirement System of Idaho
- Illinois Municipal Retirement Fund
- Teachers' Retirement System of Illinois
- Indiana Public Employees' Retirement System
- Kansas Public Employees Retirement System
- Kentucky Retirement Systems
- Maryland State Retirement and Pension System
- Minnesota State Retirement System
- Minnesota Teachers Retirement Association
- PERA of Minnesota
- Missouri State Employees Retirement System
- MO LAGERS
- PSRS/PEERS of Missouri
- Mississippi Public Employees' Retirement System
- Montana Public Employee Retirement Administration
- North Carolina Retirement Systems
- NH Retirement System
- New Mexico PERA
- NYS Teachers' Retirement System
- Ohio Police and Fire Pension Fund
- School Employees Retirement System of Ohio
- Oklahoma Public Employees Retirement System
- Oregon PERS
- PA Public School Employees' Retirement System
- Employees' Retirement System of Rhode Island
- South Dakota Retirement System
- TN Consolidated Retirement System
- Texas Municipal Retirement System
- Utah Retirement Systems
- Virginia Retirement System
- Washington State Department of Retirement Systems
- Wisconsin Retirement System - Employee Trust Funds