

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 9, 2003

TO: Honorable Allan Ritter, Chair, House Committee on Pensions & Investments

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB377 by Dutton (Relating to service retirement and death benefits for certain peace officers under the Teacher Retirement System of Texas.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB377, As Introduced: a negative impact of (\$9,200,000) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$4,480,000)
2005	(\$4,720,000)
2006	(\$4,955,000)
2007	(\$5,200,000)
2008	(\$5,500,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1	Probable Savings/(Cost) from ESTIMATED OTHER EDUCATIONAL & GENERAL INCOME 770
2004	(\$4,480,000)	(\$180,000)
2005	(\$4,720,000)	(\$189,000)
2006	(\$4,955,000)	(\$200,000)
2007	(\$5,200,000)	(\$209,000)
2008	(\$5,500,000)	(\$220,000)

Fiscal Analysis

House Bill 377 allows a supplemented annuity that is based on a multiplier that is 0.5% higher (i.e., 2.8% total) for peace officers who have 25 years of TRS service credit as a peace officer; who are full-time peace officers employed by institutions of higher education or public technical institutes, and, whose employer elects to fund the 0.5% additional multiplier. Employers may elect, but are not required, to fund an annuity supplement.

Methodology

State law requires that a new monetary benefit payable by the Teacher Retirement System may not be established if the result is a period to amortize the unfunded liability of the retirement system by more

than 31 years. According to a Teacher Retirement System actuarial analysis, the state contribution rate required to achieve a 30-year funding period would increase from 7.15 percent of payroll, as determined by the August 31, 2002 actuarial valuation, to 7.17 percent of payroll as a result of passage of this legislation. The current TRS state contribution rate is 6 percent.

The biennial General Revenue cost (excluding General Revenue-Dedicated) to increase the state contribution rate from 6 percent to 7.17 percent is estimated to be \$538 million; the cost to all funds is estimated to be \$560 million. The portion of the biennial General Revenue cost attributable to the benefit that would be provided by the bill, associated with a contribution rate increase from 7.15 percent to 7.17 percent, is estimated to be \$9.2 million (as reflected in the Fiscal Impact table).

Please note that the actuarial impact of the benefit increase required under the bill could change as a result of the retirement system's February, 2003, updated actuarial valuation.

Costs to participating institutions of higher education will vary depending on the extent that such institutions elect to fund the supplemental benefit.

**Local Government Impact**

As indicated above, the cost to institutions of higher education would vary depending on the extent to which they elect to fund the supplemental annuity.

**Source Agencies:** 323 Teacher Retirement System

**LBB Staff:** JK, JO, RR, UP, RN