

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**April 13, 2003**

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

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB985** by Thompson (Relating to a temporary service retirement option for certain members of the Employees Retirement System of Texas who are employed by the legislature.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB985, As Introduced: a negative impact of (\$36,294,750) 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2004	(\$155,361)
2005	(\$36,139,389)
2006	(\$67,943,770)
2007	(\$96,233,955)
2008	(\$121,410,336)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from GENERAL REVENUE FUND 1</b>
2004	(\$155,361)
2005	(\$36,139,389)
2006	(\$67,943,770)
2007	(\$96,233,955)
2008	(\$121,410,336)

**Fiscal Analysis**

This bill provides a temporary service retirement option for certain employee class members employed by the legislature or an agency in the legislative branch who have at least five years of service credit and who are eligible to retire on or before August 31, 2005 using up to 60 months of additional service credit to meet eligibility requirements for service retirement (age plus service equals at least 80).

**Methodology**

State law (Section 811.006 of the Texas Government Code) provides that benefit changes may not be implemented if the result is a period to amortize the unfunded liability of the retirement system by more than 31 years. Based on an Employee Retirement System (ERS) actuarial analysis, the state

contribution rate required to achieve a 30-year funding period would increase from 7.02 percent of payroll, as determined by the February 28, 2003 actuarial valuation, to 7.69 percent of payroll as a result of passage of this bill.

The current ERS state contribution rate is 6 percent. The biennial General Revenue cost to increase the state contribution rate from 6 percent to 7.69 percent is estimated to be \$144.1 million. The portion of the biennial General Revenue cost attributable to the bill, and associated with a contribution rate increase from 7.02 percent to 7.69 percent of payroll, is estimated to be \$36.5 million (as reflected in the Fiscal Impact table).

### **Technology**

None.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 327 Employees Retirement System

**LBB Staff:** JK, JO, RR, MS, ZS