

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 21, 2003

TO: Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1822 by Kuempel (Relating to participation and credit in, contributions to, and benefits and administration of the Texas Municipal Retirement System.), **As Passed 2nd House**

No fiscal implication to the State is anticipated.

Local Government Impact

The bill would increase the death benefit for participating municipalities in Texas Municipal Retirement System (TMRS) from \$5,000 to \$7,500. Contribution rates are not expected to increase for this provision.

The bill would allow TMRS to invest in a much greater variety of corporate stocks; the system is currently limited to investing in stocks which have paid dividends for the prior 10 years. Standard investment theory would suggest that the long-term rate of return should increase with a greater universe of investments available to the fund, though volatility will also increase. To the extent that investment returns increase, participating municipalities would see positive fiscal impacts from lowered contribution requirements.

Source Agencies:

LBB Staff: JK, SD, RR, WM