

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 23, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2037 by Lewis (Relating to retirement eligibility and benefits for law enforcement or custodial officers under the Employees Retirement System of Texas.), **As Introduced**

No significant fiscal implication to the State is anticipated.

This bill would allow law enforcement and custodial officers (LECO) members with at least 20 years of LECO service and at least 25 years of Employees Retirement System (ERS) service credit to retire under the ERS and the LECO Supplemental Retirement Fund. The definition of the normal retirement age (NRA) would change to be the earliest of age 50; the age at which the sum of age and service credit equals 80; or, the age at which the member attains 25 years of ERS service credit.

As a result, the ERS actuary is assuming higher retirement rates for LECO members with at least 20 years of LECO service and 25 years of ERS service credit, up from one percent for each age under 45 and two percent for each age from 45 through 49 to 20 percent for all ages under age 50, to reflect the availability of unreduced service benefits at younger retirement ages.

Passage of this bill could result in an increase in the normal cost of the ERS pension plan and the LECO Supplemental Retirement Fund, causing the actuarial surpluses of both funds to decrease. In addition, this bill could accelerate the end of the funding holiday for the LECO Supplemental Retirement Fund. The current state contribution rate for the LECO Supplemental Retirement Fund is zero percent.

It is important to note that the actuarial impact of the benefit increase required by this bill could change as a result of the retirement system's February 2003 updated actuarial valuations.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 327 Employees Retirement System, 405 Department of Public Safety

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