

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: HB2215 by Thompson (Relating to a temporary service retirement option for certain members of the Employees Retirement System of Texas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2215, As Introduced: a negative impact of (\$25,776,211) 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	(\$2,547,503)
2005	(\$23,228,708)
2006	(\$40,690,026)
2007	(\$56,911,702)
2008	(\$71,352,584)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/ (Cost) from <i>GR DEDICATED ACCOUNTS 994</i>	Probable Revenue Gain/(Loss) from <i>FEDERAL FUNDS 555</i>	Probable Savings/ (Cost) from <i>STATE HIGHWAY FUND 6</i>
2004	(\$2,547,503)	(\$267,310)	(\$913,296)	(\$697,165)
2005	(\$23,228,708)	(\$2,437,390)	(\$8,327,638)	(\$6,356,905)
2006	(\$40,690,026)	(\$4,269,608)	(\$14,587,630)	(\$11,135,473)
2007	(\$56,911,702)	(\$5,971,749)	(\$20,403,203)	(\$15,574,793)
2008	(\$71,352,584)	(\$7,487,032)	(\$25,580,349)	(\$19,526,770)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>OTHER SPECIAL STATE FUNDS 998</i>
2004	(\$28,410)
2005	(\$259,045)
2006	(\$453,773)
2007	(\$634,677)
2008	(\$795,721)

Fiscal Analysis

This bill provides a temporary service retirement option for employee class members 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). A member who qualifies for the temporary service retirement option under this bill may retire on or after September 1, 2003 and before September 1, 2005 using the additional service credit only to meet the service retirement eligibility requirements. The annuity of a member who retires under this option is not determined using any additional service credit under this bill. This annuity is reduced by 1% for each 12 months or fraction thereof of the additional eligibility service credit received under this bill.

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 7.77 percent of payroll as a result of passage of this bill.

The current ERS state contribution rate is six percent. The biennial General Revenue cost to increase the state contribution rate from 6 percent to 7.77 percent is estimated to be \$87.4 million; the cost to all funds is estimated to be \$152.8 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 7.77 percent of payroll, is estimated to be \$25.8 million (as reflected in the Fiscal Impact table).

The passage of this bill is expected to have no material fiscal impact on the Law Enforcement Custodial Officers Supplemental Retirement Fund (LECOSRF) because most members potentially meeting the service retirement eligibility requirements under this bill are already eligible for service retirement.

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

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