

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 30, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2631 by Pena (Relating to contributions for persons eligible to participate in the Teacher Retirement System of Texas.), **As Introduced**

No significant fiscal implication to the State is anticipated.

Currently, payments received by an employee in a school year (for teaching a driver education or traffic safety course that is conducted outside of regular classroom hours) that exceed \$5,000 are excluded from the definition of salary and wages for the purpose of determining a member's final average salary and for determining contributions payable to TRS. The bill would eliminate this exclusion.

The analysis assumes that 1,000 members will be affected by this bill, and that on average these employees are currently earning approximately \$8,000 per school year by teaching driver education and traffic safety courses. Therefore, the bill will increase their compensation for contribution purposes by approximately \$3,000 on average, or \$3,000,000 overall. This would result in an annual increase in state retirement and retiree group insurance contributions to the Teacher Retirement System, at a combined 6.5 percent contribution rate, of approximately \$195,000.

An actuarial analysis by the Teacher Retirement System indicates that the bill would increase the TRS unfunded liability by \$9 million. The state contribution rate necessary to produce a 30-year funding period would remain at 8.94 percent, based on the February 28, 2002 updated valuation.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System

LBB Staff: JK, RR, UP, RN