

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION
Revision 1

April 25, 2003

TO: Honorable Bill Ratliff, Chair, Senate Committee on State Affairs

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1482 by Ogden (Relating to the retirement benefits of certain law enforcement officers in the Employees Retirement System of Texas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1482, As Introduced: an impact of \$0 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	\$0
2005	\$0
2006	(\$15,748,105)
2007	(\$530,835)
2008	(\$530,835)

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 Savings/(Cost) from <i>STATE HIGHWAY FUND 6</i>
2004	\$0	\$0	\$0
2005	\$0	\$0	\$0
2006	(\$15,748,105)	(\$725,549)	(\$1,326,345)
2007	(\$530,835)	(\$24,457)	(\$44,708)
2008	(\$530,835)	(\$24,457)	(\$44,708)

Fiscal Analysis

This bill, if adopted, would increase the benefit formula for law enforcement officers who retire with at least 30 years of law enforcement officer service credit, and at least three years of that service occurs after August 31, 2003. The benefit factor for law enforcement and custodial officer service would increase from 2.8 percent (the 2.3 percent benefit factor for all Employees Retirement System members plus 0.5 percent) to 3.05 percent (the 2.3 percent benefit factor plus 0.75 percent) if the law enforcement member retires with at least 30 years of law enforcement officer service credit, and at least three years of that service occurs after August 31, 2003. The increased factor will apply to all years of law enforcement officer service.

This bill provides an incentive for law enforcement and custodial officers to delay their retirement until they accrue 30 years of service. In addition, the three-year delay in the effective date of the benefit improvement provides a strong incentive for those law enforcement and custodial officers who currently have more than 27 years of service to delay retirement until the higher benefit formula takes effect.

Methodology

This bill, if adopted, is not expected to require an increase in the current 6.0 percent state contribution rate, or the normal cost of the Employees Retirement System (ERS).

The current funding holiday for the Law Enforcement and Custodial Officers Supplemental Retirement Fund (LECOSRF) would continue during the 2004-05 biennium, but end in fiscal year 2006. According to the ERS actuary, a state contribution would be required sometime during fiscal year 2006, when the actuarial accrued liability of the fund is expected to exceed the actuarial value of assets. The state contribution rate required to keep the fund actuarially sound is estimated to be 1.83 percent, and the cost to General Revenue of the state contribution is estimated to be \$23.7 million in fiscal year 2006, and similar amounts in subsequent fiscal years.

According to ERS, \$15.7 million of the estimated cost to General Revenue in fiscal year 2006 is due to the benefit changes proposed by this legislation. (See the Fiscal Impact table.) The proposed benefit changes are anticipated to require an increase in the state contribution rate of 0.065 percent per year, and an estimated \$531,000 per year in costs to General Revenue in fiscal year 2007 and thereafter. (See the Fiscal Impact table.)

Technology

None.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

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