LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 23, 2005

TO: Honorable Craig Eiland, Chair, House Committee on Pensions & Investments

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **HB633** by Kuempel (Relating to participation and credit in, contributions to, and benefits and administration of the Texas County and District Retirement System.), **As Introduced**

No fiscal implication to the State is anticipated.

Local Government Impact

No significant fiscal implication to units of local government is anticipated; however, certain provisions of the bill could have a significant impact, depending on the decisions of the Texas County and District Retirement System (TCDRS) board, decisions by plan sponsors, and future experience. Note that the TCDRS is a multi-employer plan, with each plan sponsor having its own decisions regarding benefits, and having its own account balance.

One provision would allow the board under certain circumstances, or even just at its discretion, to terminate the participation of a given plan within TCDRS. This would typically be done for a plan that no longer had active employees, though the bill changes the provisions relating to this situation. If there were liabilities for a specific plan in excess of its account balance, the board would be able to determine a payment plan for the plan to make up the excess, or else any remaining benefits would be reduced. A payment plan could have a potential fiscal impact on a plan sponsor- it might require a different timing of expenditures than had been planned. However, it is not anticipated that larger plans or plan sponsors would terminate participation.

Another provision would allow a plan to choose an option of a 100 percent of consumer price index (CPI) cost-of-living adjustment (COLA) for its retirees; currently the maximum allowable is 80 percent of CPI. Because a COLA option is more highly leveraged than other plan designs, any plan sponsors who systematically provide annual COLAs significantly increase their risk of being underfunded, as benefits will increase by an indeterminate amount each year after a person retires, and after no more contributions are anticipated.

The bill would take effect January 1, 2006, except that the change in law made by this Act to Section 844.704(a), Government Code, would take effect December 31, 2006.

Source Agencies:

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