

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 28, 2005

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

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

IN RE: HB829 by Flynn (Relating to benefits from the Employees Retirement System of Texas for law enforcement officers commissioned by the attorney general.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB829, As Introduced: a negative impact of (\$1,233,372) through the biennium ending August 31, 2007.

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
2006	\$0
2007	(\$1,233,372)
2008	\$0
2009	\$0
2010	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>STATE HIGHWAY FUND 6</i>	Probable Revenue Gain/(Loss) from <i>FEDERAL FUNDS 555</i>	Probable Revenue Gain/(Loss) from <i>GR DEDICATED ACCOUNTS 994</i>
2006	\$0	\$0	\$0	\$0
2007	(\$1,233,372)	(\$8,970)	(\$211,338)	(\$28,169)
2008	\$0	\$0	\$0	\$0
2009	\$0	\$0	\$0	\$0
2010	\$0	\$0	\$0	\$0

Fiscal Analysis

The bill would add law enforcement personnel who work for the Attorney General's Office to the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOSRF). The actuarial analysis submitted by the Employees Retirement System states that in Fiscal Year (FY) 2007, LECOSRF will require a contribution of 1.282% of payroll in order to be actuarially sound. Adding this group to LECOSRF would reduce the net asset balance by \$1.4 million. In order to keep the fund actuarially sound, the contribution rate would increase by 0.111% to a rate of 1.393%. This results in a fiscal impact to the state of \$1,481,850 in FY 2007. The contribution rate for future years is not increased by the passage of the proposal, so no additional fiscal impact is shown.

Section 811.006 of Texas Government Code states a proposal that affects a retirement system whose funding period exceeds 30 years by one or more years may not be adopted if it would increase the amortization period of the plan. In order for the LECOSRF to be actuarially sound, an additional contribution of \$17,114,700 would need to be made in FY 2007. This amount is not shown as part of the fiscal impact of this proposal.

A December 10, 2004 letter from the Employees Retirement System states that “based on the August 31, 2004 actuarial results, this fund (LECOSRF) is actuarially sound through the 2006-07 biennium.” For the purposes of analyzing legislation, the actuary has estimated the impact of earning an 8 percent rate of return on the market value of assets, which is lower than the actuarial value of assets. This is a reasonable assumption, but has the result of decreasing expected future fund balances, and requiring a contribution to be made in FY 2007 to keep the fund sound.

Methodology

The increase in contribution rate for FY 2007 was applied to the LECOSRF payroll. A method of finance specific to LECOSRF was applied to the resulting increase in contributions.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 327 Employees Retirement System

LBB Staff: JOB, SR, WP, WM