

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 11, 2005

TO: Honorable Robert Duncan, Chair, Senate Committee on State Affairs

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

IN RE: HB1579 by Kolkhorst (Relating to contributions and eligibility for benefits of and reports concerning certain retired members of the Teacher Retirement System of Texas; imposing a penalty.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1579, As Engrossed: an impact of \$0 through the biennium ending August 31, 2007.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$0
2007	\$0
2008	\$0
2009	\$0
2010	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>TRS TRUST ACCOUNT FUND</i> 960	Probable Revenue Gain/(Loss) from <i>RETIRED SCHOOL EMP GROUP</i> <i>INSURANCE</i> 989
2006	\$1,900,000	\$1,000,000
2007	\$2,100,000	\$1,100,000
2008	\$2,300,000	\$1,200,000
2009	\$2,600,000	\$1,300,000
2010	\$2,800,000	\$1,400,000

Fiscal Analysis

The bill would tighten up eligibility for receiving full retirement benefits for retirees of the Teacher Retirement System (TRS) who have returned to work for a public school. Additionally, for TRS retirees who were not reported as employees in January 2005, a public school employer would be required to make contributions to TRS in the amount that the state and member would have made had the retiree been an active member. Also, the employer would be required to make a contribution to the TRS insurance trust fund equal to the difference in retiree premiums for the retiree and their dependents, and their full cost of participating in TRS-Care. The public school employer would be able to enter a contract which required a member to contribute part of the amounts to be paid to TRS. One provision of the bill exempts retirees reported as working in January 2005 from the provision in Government Code requiring the TRS-Care payment and retirement fund payment; this is shown in the fiscal note as taking precedence over the provision in the Insurance Code, which would require the payment for all retirees.

Long-term savings to these funds will likely reduce General Revenue costs to fund TRS retirement benefits, and the TRS-Care insurance program.

Methodology

Estimates of additional contributions by school districts are based on reducing the number of new full-time return-to-work employees by 50 percent in the fiscal year 2006 school year, and increasing by 10 percent thereafter. For the TRS-Care Insurance Fund revenue gain, it is assumed that 50 percent of return-to-work retirees are covered by TRS-Care, which costs \$5,000 more than retiree premiums. For the TRS Retirement Fund revenue gain, it is assumed that the average return-to-work teacher salary is \$41,000 per year, and that the current state plus member contribution is 12.4 percent of pay.

To the extent that some active employees delay retirement because of a reduced ability to return-to-work, there may be additional savings to the TRS Retirement Fund and TRS-Care Fund, though these would not show up as revenue.

Local Government Impact

The bill would increase the cost for school districts to employ retired TRS members after September 1, 2005, in amounts equal to those reflected in the above tables. School district costs could be reduced if they choose to enter contracts that stipulate return-to-work employees pay part of the contributions to TRS.

Source Agencies: 323 Teacher Retirement System

LBB Staff: JOB, SR, WP, WM