

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 13, 2005

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

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

IN RE: HB1960 by McReynolds (Relating to retirement benefits for law enforcement officers employed and commissioned by certain institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1960, As Introduced: a negative impact of (\$6,230,276) 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	(\$3,034,800)
2007	(\$3,195,476)
2008	(\$3,364,659)
2009	(\$3,542,800)
2010	(\$3,730,372)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1	Probable (Cost) from GR DEDICATED ACCOUNTS 994	Probable (Cost) from EST OTH EDUC & GEN INCO 770	Probable (Cost) from FEDERAL FUNDS 555
2006	(\$3,034,800)	(\$74,727)	(\$102,720)	(\$259,755)
2007	(\$3,195,476)	(\$81,287)	(\$107,855)	(\$273,493)
2008	(\$3,364,659)	(\$88,422)	(\$113,248)	(\$287,958)
2009	(\$3,542,800)	(\$96,184)	(\$118,911)	(\$303,188)
2010	(\$3,730,372)	(\$104,627)	(\$124,856)	(\$319,223)

Fiscal Year	Probable (Cost) from STATE HIGHWAY FUND 6	Probable (Cost) from OTHER SPECIAL STATE FUNDS 998
2006	(\$235,715)	(\$9,634)
2007	(\$257,011)	(\$10,496)
2008	(\$280,230)	(\$11,435)
2009	(\$305,548)	(\$12,457)
2010	(\$333,152)	(\$13,571)

Fiscal Analysis

The bill would move law enforcement officers employed by institutions of higher education from the Teacher Retirement System (TRS) to the Employees Retirement System (ERS) and provide them with the additional benefits available in the Law Enforcement and Custodial Officers Supplemental Retirement System (LECOS). TRS would transfer funds to ERS to cover current participants' prior service. Effectively the proposal lets these employees retire earlier and gives them a benefit multiplier of 2.8 instead of 2.3.

Government Code 811.006 states that if the amortization period of the system is over 30 years, a proposal to make a type of service creditable in ERS may not be adopted if it would increase the amortization period. The ERS actuary estimates that unless the state contribution is raised to 7.073 percent in 2006 and 7.098 percent in 2007, passage of this bill would violate that provision.

Methodology

TRS estimated an actuarial cost of \$22.0 million, which translates to an additional 0.01 percent increase in an actuarially sound contribution rate. No additional contributions to LECOS would be required in the near future. ERS estimated an increase in an actuarially sound contribution rate of 0.29 percent; in 2006 that would increase the rate from from 7.029 percent to 7.073 percent. The 0.029 percent increase would apply to future years as well. The increases in contribution rates were applied to the payroll bases for the systems, and an appropriate method of finance applied.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System, 327 Employees Retirement System, 515 Board of Pharmacy, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 783 University of Houston System Administration

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