

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 20, 2005

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

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

IN RE: HB2366 by Deshotel (Relating to the establishment of credit in the Employees Retirement System of Texas for military service.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2366, As Introduced: a negative impact of (\$646,126) 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	(\$323,063)
2007	(\$323,063)
2008	(\$323,063)
2009	(\$323,063)
2010	(\$323,063)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>GR DEDICATED</i> <i>ACCOUNTS</i> 994	Probable (Cost) from <i>FEDERAL FUNDS</i> 555	Probable (Cost) from <i>OTHER SPECIAL</i> <i>STATE FUNDS</i> 998
2006	(\$323,063)	(\$30,028)	(\$101,033)	(\$3,871)
2007	(\$323,063)	(\$30,028)	(\$101,033)	(\$3,871)
2008	(\$323,063)	(\$30,028)	(\$101,033)	(\$3,871)
2009	(\$323,063)	(\$30,028)	(\$101,033)	(\$3,871)
2010	(\$323,063)	(\$30,028)	(\$101,033)	(\$3,871)

Fiscal Year	Probable (Cost) from <i>STATE HIGHWAY</i> <i>FUND</i> 6
2006	(\$94,950)
2007	(\$94,950)
2008	(\$94,950)
2009	(\$94,950)
2010	(\$94,950)

Fiscal Analysis

The bill would amend Section 813.301, Section 813.302, and Section 813.505 of the Government Code to allow Employees Retirement System (ERS) members, who have received an honorable discharge, to purchase military service credit for service in the Texas National Guard or the United States Armed Forces Reserve at the rate of one month for every three months of reserve service.

Methodology

The ERS actuary assumed the purchase of National Guard and reserve service would result in an increase in the purchases of military service credit of 10 percent. Currently the purchase of military service credit results in annual actuarial losses of \$4 million, so the proposal would increase losses by 10 percent, or \$400,000 per year. While this would be a loss to the fund, unless there were unanticipated actuarial gains it would result in additional required state contributions.

In addition, the state would be required to match service purchases made in accordance with this bill. Using the above assumptions, state-matching requirements would increase by 10 percent of the current match for military service purchases, or \$153,000 per year.

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 to ERS is raised to 7.044 percent (at a cost of \$49.6 million) in 2006 and 7.071 percent (at a cost of \$52.9 million) in 2007, passage of this bill would violate that provision.

The Texas constitution provides that a person may not receive benefits from more than one retirement system for the same service. The bill would allow an ERS member who was a member of the National Guard for a period of their state employment to receive additional military credit for that same service since the constitutional provision would not apply.

Technology

No impact to technology resources is anticipated from implementation of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JOB, SR, MS, WM, JW