

**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: HB2670** by Dutton (Relating to service retirement benefits for certain peace officers.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds for HB2670, As Introduced:** a negative impact of (\$40,055,011) 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	(\$19,996,678)
2007	(\$20,058,333)
2008	(\$20,459,500)
2009	(\$20,868,690)
2010	(\$21,286,064)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable (Cost) from <i>GR DEDICATED</i> <i>ACCOUNTS</i> <b>994</b>	Probable (Cost) from <i>FEDERAL FUNDS</i> <b>555</b>	Probable (Cost) from <i>OTHER SPECIAL</i> <i>STATE FUNDS</i> <b>998</b>
2006	(\$19,996,678)	(\$447,893)	(\$142,631)	(\$3,360,274)
2007	(\$20,058,333)	(\$449,274)	(\$143,071)	(\$3,370,634)
2008	(\$20,459,500)	(\$458,259)	(\$145,932)	(\$3,438,047)
2009	(\$20,868,690)	(\$467,425)	(\$148,851)	(\$3,506,808)
2010	(\$21,286,064)	(\$476,773)	(\$151,828)	(\$3,576,944)

**Fiscal Analysis**

The bill would allow Employee Retirement System (ERS) employees who were members of the Law Enforcement and Custodial Officers Supplemental Retirement Fund (LECOS) to retire with 25 years of service credit, regardless of age, without reduction. Currently they must be age 50 with 20 years of service or their age plus years of service must equal 80, or their benefits are reduced. The bill would increase the normal cost and unfunded actuarial accrued liability of LECOS; for a technical reason it would also somewhat reduce the costs of ERS (though this is really just a transfer of costs to LECOS).

## **Methodology**

The required contribution to LECOS for an actuarially sound contribution rate in 2006 would be 1.946 percent in 2006 and 1.952 percent of payroll in 2007; currently the state does not need to make a contribution in 2006 or 2007 and the system will be considered actuarially sound. These rates are applied to the anticipated LECOS payroll, and an appropriate method of finance applied. There is a small reduction in costs in an actuarially sound contribution to ERS, though the state cannot realize it since the current contribution is at the Constitutional minimum of 6 percent.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 327 Employees Retirement System

**LBB Staff:** JOB, SR, WP, WM