

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**February 28, 2005**

**TO:** Honorable Florence Shapiro, Chair, Senate Committee on Education

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

**IN RE: SB482** by Shapiro (Relating to the retirement benefits payable to retirees of the Teacher Retirement System of Texas who are employed as teacher mentors.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB482, As Introduced: an impact of \$0 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:**

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

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

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from TRS TRUST ACCOUNT FUND 960</b>
2006	(\$6,000,000)
2007	(\$6,000,000)
2008	(\$6,000,000)
2009	(\$6,000,000)
2010	(\$6,000,000)

**Fiscal Analysis**

The bill would expand the conditions under which a Teacher Retirement System (TRS) retiree can be employed by a public school district without being subject to a cessation of monthly annuity payments to include retirees certified under Subchapter B, Chapter 21, Education Code with at least five years teaching experience in a public school who become employed as a mentor to other teachers.

**Methodology**

The TRS actuary, Gabriel, Roeder, Smith, and Company, summarizes the actuarial impact of this bill as follows:

1. The normal cost of TRS would be increased by 0.03% of pay, from 11.72% of pay to 11.75% of

pay.

2. The unfunded actuarial accrued liability (UAAL) would be increased by \$244 million, from a UAAL of \$7,953 million to \$8,197 million.
3. Since the current funding period is infinite and since the UAAL would increase under the proposal, the funding period would remain at infinite.
4. The state contribution rate to maintain 30 year funding would increase from the current 7.31% of pay as determined by the August 31, 2004 actuarial valuation to 7.41% of pay and that would cost the state \$17 million.

Based on the above information, since the funding period of TRS already exceeds 30 years by one or more years, passage of this bill without additional funding would violate TRS funding statutes.

This analysis is exclusive of any other potential legislative changes which may have an actuarial impact.

The analysis and calculations of the TRS actuary are based on the member data of TRS as of August 31, 2004, the actuarial value of assets as of August 31, 2004, and the actuarial assumptions (except as noted below) and methods in use as of August 31, 2004 for valuing the actuarial condition of TRS. Finally, this analysis is based on all other provisions of TRS in effect as of August 31, 2004.

In valuing the actuarial and fiscal impact of the bill, the TRS actuary made the following assumptions concerning its applicability to TRS members. It is assumed that approximately 30 percent of the retiring members of TRS are certified teachers. It is assumed that approximately 40 percent of the eligible teachers would take advantage of the mentoring program by electing to retire at their first eligibility for unreduced retirement. Therefore, retirement rates have been increased for members in their first year of eligibility for unreduced retirement.

In addition to the long-term actuarial cost, there is a fiscal impact due to the current 6-month exception. Current law allows retirees to work full-time up to 6 months after which TRS retains their annuity. Based on the assumption that 40 percent of eligible teachers would take advantage of the mentoring provision of the bill by electing to retire at the first eligibility, TRS estimates a loss to the TRS fund of \$6,000,000 annually associated with increased monthly annuity payments.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 323 Teacher Retirement System

**LBB Staff:** JOB, CT, UP, JSc