

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

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

**May 1, 2005**

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

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

**IN RE: SB1691** by Duncan (Relating to certain retired school employees and the powers and duties of the Teacher Retirement System of Texas.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1691, 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:**

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	\$21,400,000	\$10,500,000
2007	\$23,500,000	\$11,500,000
2008	\$25,800,000	\$12,700,000
2009	\$31,300,000	\$15,400,000
2010	\$34,400,000	\$16,900,000

**Fiscal Analysis**

The bill would make numerous clarifying amendments to statutes related to the Teacher Retirement System (TRS).

The bill would require that after September 1, 2005, for each TRS retiree employed by a TRS participating entity, the employer would be required to make a contribution to TRS equivalent to the state and member contribution that would be made for active employees, totaling 12.4 percent of salary. In addition, employers of retirees would be required to contribute to the retired public education employee group insurance program, TRS-Care, an amount equal to the difference between the retiree's premium and the total cost of coverage for a retiree participating in TRS-Care.

The bill would require members to pay the full actuarial cost for purchase of out-of-state service credit and would allow out-of-state service to count towards TRS-Care eligibility.

The bill would make several changes to TRS statutes to grant similar or greater independence as statutes related to the Employees Retirement System (ERS). Among these changes is a provision that would grant exclusive control of all assets held in trust and all operations funded by trust assets to the TRS board of trustees. Since the 2000-01 biennium, all TRS administrative functions have been funded with trust assets that have been appropriated through the General Appropriations Act.

The bill would exempt TRS from several provisions governing state agencies' requirements regarding the use of services or functions of the State Office of Risk Management, the Texas Building and Procurement Commission, the Department of Information Resources, and the State Office of Administrative Hearings, as well as other requirements related to contracting. The bill would allow the agency to self-insure as a fiduciary and as regards liability.

### **Methodology**

For purposes of this estimate, it is assumed that under the provisions of the bill, the number of full-time return-to-work retirees will decrease by 50 percent in fiscal year 2006, that the number of full-time return-to-work retirees will grow by 10 percent annually beginning in fiscal year 2007, and that 50 percent of return-to-work retirees are covered by TRS-Care. Based on an average annual teacher salary of \$41,000, increased contributions to the TRS Trust Fund are estimated at \$21.4 million in fiscal year 2006, increasing to \$34.4 million by fiscal year 2010.

Based on the average difference between retiree cost and the full cost of coverage for TRS-Care of \$5,000 annually, increased contributions to TRS-Care are estimated at \$10.5 million in fiscal year 2006, increasing to \$16.9 million by fiscal year 2010.

The additional school district contributions to the TRS retirement fund would generally be expected to reduce long-term state costs by similar amounts, though the TRS actuary does not estimate the impact to be significant. Likewise, the additional school district contributions to TRS-Care would generally reduce costs for the state and retirees by similar amounts.

### **Local Government Impact**

The bill would increase the cost for school districts to employ TRS retirees after September 1, 2005.

**Source Agencies:** 323 Teacher Retirement System

**LBB Staff:** JOB, SR, UP, WM, JSc