

BILL ANALYSIS

Senate Research Center

S.B. 1847
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State Affairs
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Employee Retirement System of Texas (ERS) was established in 1947 to provide retirement benefits to state employees. Although the payment of benefits in the short term has never been in jeopardy, the system has had an infinite funding period since 2003 according to the ERS consulting actuary. This refers to the necessary amortization period for assets to fund liabilities. As a result, retirees have been precluded from receiving any benefit enhancements until the fund can amortize liabilities within a period of 31 years.

The state is directed by the Texas Constitution to contribute between six percent and 10 percent of payroll to the pension fund. The 79th Legislature increased the state contribution from six percent to 6.4 percent. State employees also contribute to the fund. Currently, active members contribute six percent of their salary to the fund, an amount which has been unchanged since 1972. As of February 28, 2007, the ERS pension fund needs a combined contribution of 12.94 percent to bring the fund into actuary solvency.

As proposed, S.B. 1847 increases the active member contributions to ERS from six percent to 6.4 percent.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter E, Chapter 815, Government Code, to require each department or agency of this state, each payroll period, to cause to be deducted from each Employee Retirement System member's compensation a contribution of six and four-tenths, rather than six, percent of the compensation if the member is not a member of the legislature or eight percent of the compensation if the member is a member of the legislature.

SECTION 2. Effective date: September 1, 2007.