

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 11, 2007

TO: Honorable Vicki Truitt, Chair, House Committee on Pensions & Investments

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

IN RE: HB2289 by West, George "Buddy" (Relating to retirement and health insurance benefits of school district peace officers under the Teacher Retirement System of Texas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2289, As Introduced: a negative impact of (\$9,364,140) through the biennium ending August 31, 2009.

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
2008	(\$3,639,863)
2009	(\$5,724,277)
2010	(\$6,107,911)
2011	(\$6,520,227)
2012	(\$6,963,609)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/ (Cost) from <i>EST OTH EDUC & GEN INCO 770</i>	Probable Savings/ (Cost) from <i>TRS TRUST ACCOUNT FUND 960</i>	Probable Revenue Gain/(Loss) from <i>TRS TRUST ACCOUNT FUND 960</i>
2008	(\$3,639,863)	(\$123,313)	(\$2,549)	\$2,608,496
2009	(\$5,724,277)	(\$129,479)	(\$2,676)	\$2,741,342
2010	(\$6,107,911)	(\$135,953)	(\$2,810)	\$2,880,829
2011	(\$6,520,227)	(\$142,750)	(\$2,951)	\$3,027,291
2012	(\$6,963,609)	(\$149,888)	(\$3,098)	\$3,181,076

Fiscal Year	Probable Revenue Gain/(Loss) from <i>New Other</i>
2008	\$1,157,229
2009	\$1,215,090
2010	\$1,275,845
2011	\$1,339,637
2012	\$1,406,619

Fiscal Analysis

The bill would allow commissioned peace officers employed by school districts to be eligible to retire from the Teacher Retirement System (TRS) at age 55 with ten years of service as a commissioned peace officer in a school district, at age 50 with 20 years of service as a commissioned peace officer, or when the sum of age and years of service equals 80.

The bill would enhance the formula by which standard service annuities for commissioned peace officers employed by school districts with 20 years of service or more as a peace officer are calculated by adding 0.5 percent to the multiplier and by calculating final average salary based on the highest 36 months of compensation. The benefit associated with the 0.5 percent enhancement to the multiplier would be paid from the Peace Officer Supplemental Retirement Fund.

Peace officers employed by school districts with 20 years of service or more would be eligible to retire with an actuarially reduced annuity.

The bill would require peace officers to contribute to TRS at a rate of 7 percent of payroll annually.

The bill would establish the Peace Officer Supplemental Retirement Fund and would require the state to contribute 2.13 percent of the aggregate payroll of commissioned peace officers employed by school districts to the Peace Officer Supplemental Retirement Fund.

The bill would entitle retired peace officers to health benefits comparable to those provided to retirees of the Employees Retirement System of Texas (ERS) beginning in fiscal year 2009.

Methodology

Analysis related to the Retirement Trust Fund assumes the current active member contribution rate remains at 6.4 other than as stipulated by the provisions of the bill and is based on the February 28, 2007 update to the August 31, 2006 actuarial valuation of the Retirement Trust Fund.

The TRS actuary estimates that the provisions of the bill would increase the state contribution rate required to amortize the unfunded liability within 30 years by 0.01 percentage points. Since TRS funding statutes prohibit the implementation of benefit enhancements that would result in a funding period that exceeds 30 years, the provisions of the bill could not be implemented unless the state contribution rate were established at 6.61 percent. The cost of the increase in the state contribution rate required for a 30-year funding period from 6.6 percent to 6.61 percent is estimated at \$2.6 million in All Funds in fiscal year 2008 and \$2.7 million in All Funds in fiscal year 2009. Costs would increase at a similar rate in subsequent years.

TRS estimates increased costs to the TRS-Care, Retired Public School Employee Health Insurance Program, associated with the requirement to provide comparable coverage to that offered to retirees by ERS at \$1.9 million in General Revenue in fiscal year 2009, increasing by 10 percent in each subsequent year.

The cost of the 2.13 percent state contribution to the Peace Officer Supplemental Retirement Fund is estimated at \$1.15 million in fiscal year 2008 and \$1.22 million in fiscal year 2009.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System

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