

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 21, 2007

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

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

IN RE: HB2427 by Truitt (Relating to the continuation and functions of the Teacher Retirement System of Texas; providing penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2427, As Introduced: a positive impact of \$95,171 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	\$145,004
2009	(\$49,833)
2010	\$148,864
2011	(\$49,833)
2012	\$148,864

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/ (Cost) from <i>TRS TRUST ACCOUNT FUND 960</i>	Probable Savings/ (Cost) from <i>OTHER FUNDS 997</i>	Change in Number of State Employees from FY 2007
2008	\$145,004	(\$129,433)	\$276,864	10.5
2009	(\$49,833)	\$126,567	(\$80,136)	10.5
2010	\$148,864	\$126,567	(\$80,136)	10.5
2011	(\$49,833)	\$126,567	(\$80,136)	10.5
2012	\$148,864	\$126,567	\$530,864	10.5

Fiscal Analysis

Effective for members who take a disability retirement after September 1, 2007, the bill would direct the Teacher Retirement System (TRS) Board of Trustees to adopt rules limiting disability retirement annuity benefits for TRS members for disability retirees based on earned income. The bill would require disability retirees who participate in TRS-Care, the retired public school employee group insurance program, to pay an additional premium not to exceed the cost of coverage of the retiree and any covered dependents.

The bill would establish 2019 as the date of the date of the next Sunset Advisory Commission review of the agency.

The bill would require TRS to provide individual retirement counseling for members in geographic regions outside of Austin.

Effective for products offered on or after January 1, 2008, the bill would require that 403(b) investment products marketed to employees of educational institutions be registered with TRS in order to be eligible for salary reduction agreements. TRS would be required to offer not more than two registration periods per year and is authorized to charge a registration fee every five years not to exceed \$5,000. TRS would be permitted to seek a penalty not to exceed \$1,000 if a company violates laws or rules pertaining to 403(b) certification, and TRS would be authorized to deny, suspend, or revoke certification or recertification of a company or registration or reregistration of a product for the same violations. TRS would be required to provide a list of qualified registered products on the Internet.

The bill would repeal the requirement that TRS conduct a study of comparability of school district health insurance programs, but would require that TRS report to the legislature in each even-numbered year on the status of each district's health care coverage based on information districts must report to TRS under current law.

Methodology

TRS estimates that 5 FTEs would be required to implement the provisions related to limiting disability retirement annuities based on earned income. Associated costs, estimated at \$475,348 in FY2008 and \$225,348 in subsequent years, would be paid from the TRS Retirement Trust Fund. Assuming that disability retirement annuity payments for disability retirees who retire after September 1, 2007 were reduced by 5 percent, the provisions of the bill would yield an annual savings to the Retirement Trust Fund of about \$500,000. Savings to General Revenue associated with increased contributions by disability retirees to TRS-Care are not expected to be significant.

TRS estimates that 3 FTEs would be required to implement the provisions related to providing individual retirement counseling outside of Austin at a cost of \$154,085 in FY2008 and \$148,085 in subsequent years paid from the TRS Retirement Trust Fund.

TRS estimates that implementing provisions of the bill related to 403(b) certification would require 2 FTEs. These FTEs would be supported with revenues generated from certification fees paid by companies registering products. Costs are estimated at \$363,136 in FY2008 and \$109,136 in subsequent years. Fee revenues are projected at \$640,000 in FY2008 and every fifth year beyond that and \$29,000 in every other year.

The Office of the Attorney General estimates that contested cases related to certification of companies and registration of investment products and provisions related to administrative penalties authorized by the bill would result in about four additional cases per year, requiring about 0.5 FTEs at a cost of about \$54,000 in General Revenue in FY2008 and about \$50,000 annually in General Revenue in each subsequent year.

The bill would eliminate the statutory requirement for the school district insurance comparability study for a savings of \$250,000 in each biennium. However the agency would be required to report related information reported by school districts to the legislature every other year. Assuming personnel formerly tasked with the insurance comparability study could be retasked for this purpose, the net savings of eliminating the statutory requirement would be about \$200,000 in each biennium.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 302 Office of the Attorney General, 323 Teacher Retirement System

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