

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 26, 2007

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

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

IN RE: **HB2888** by Rodriguez (Relating to retirement benefits for law enforcement officers employed and commissioned by certain institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2888, As Introduced: a negative impact of (\$6,306,297) 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	(\$3,085,255)
2009	(\$3,221,042)
2010	(\$3,363,099)
2011	(\$3,511,938)
2012	(\$3,667,893)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from GENERAL REVENUE FUND 1	Probable Savings/ (Cost) from EST OTH EDUC & GEN INCO 770	Probable Savings/ (Cost) from TRS TRUST ACCOUNT FUND 960	Probable (Cost) from GR DEDICATED ACCOUNTS 994
2008	(\$3,085,255)	(\$123,313)	(\$2,549)	(\$56,768)
2009	(\$3,221,042)	(\$129,479)	(\$2,676)	(\$57,638)
2010	(\$3,363,099)	(\$135,953)	(\$2,810)	(\$58,502)
2011	(\$3,511,938)	(\$142,750)	(\$2,951)	(\$59,380)
2012	(\$3,667,893)	(\$149,888)	(\$3,098)	(\$60,271)

Fiscal Year	Probable (Cost) from FEDERAL FUNDS 555	Probable (Cost) from OTHER SPECIAL STATE FUNDS 998	Probable (Cost) from STATE HIGHWAY FUND 6
2008	(\$203,252)	(\$7,345)	(\$179,328)
2009	(\$206,367)	(\$7,458)	(\$182,076)
2010	(\$209,462)	(\$7,570)	(\$184,807)
2011	(\$212,604)	(\$7,683)	(\$187,579)
2012	(\$215,793)	(\$7,798)	(\$190,392)

Fiscal Analysis

The bill would transfer commissioned law enforcement officers employed by public institutions of higher education from the Teacher Retirement System (TRS) to the Employees Retirement System (ERS) effective September 1, 2007. TRS service credit for affected employees would be transferred to ERS. At the time of retirement or upon death, TRS and ERS shall make a computation and transfer the money in the manner provided Section 805.008, Government Code.

Persons newly employed on or after September 1, 2007 will automatically become members of the Employees Retirement System.

Methodology

Based on the analysis by the Employees Retirement System, costs identified in the table assume an 0.02 percent state contribution rate increase to the ERS Retirement Trust Fund, and TRS includes an 0.01 percent incremental cost to increase the state contribution rate.

Amounts estimated for ERS include \$1.0 million in fiscal year 2008 and \$1.1 million in fiscal year 2009 in All Funds to amortized over a 31-year period. According to TRS, commissioned law enforcement officers transferred to ERS under the provisions of the bill would be eligible for a higher multiplier in the calculation of their retirement annuities than they would have been entitled to had they retired from TRS. The incremental cost for TRS of increasing the state contribution rate by 0.01 percentage points is estimated at \$2.6 million in 2008 and \$2.7 million in 2009 in All Funds. This increase in unfunded liabilities would be one-time increase to fully amortize over a 30-year period and would no longer be necessary after that period.

Amounts not included in the estimated costs in the table:

ERS assumes an increase of 0.05 percent to satisfy a 31-year funding requirement for the Law Enforcement and Custodial Officers Supplemental (LECOS) fund. However, this amount is not included in the costs because both the House and Senate versions of the 2008-09 appropriation bill include a 1.7 percent LECOS contribution, which would be sufficient to cover the cost of the LECOS increase.

ERS assumes that the state would fund the contribution rate required to achieve a 31-year funding period, estimated at \$18.8 million in General Revenue in 2008 and \$19.5 million in General Revenue in 2009.

TRS estimates that the provisions of the bill would increase the unfunded actuarial accrued liability by \$20 million and would increase the contribution rate required to achieve a 30-year funding period for the TRS Retirement Trust fund based on the value of assets as of the February 28, 2007 update to the August 31, 2006 actuarial valuation.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System, 327 Employees Retirement System

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