LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 21, 2007

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

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

IN RE: **SB681** by Williams (Relating to contributions to, benefits from, and the administration of the Texas Municipal Retirement System.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend the Government Code to make changes in contributions to, benefits from, and the administration of the Texas Municipal Retirement System. Changes would include authorizing the retirement system to make distributions to pay the qualified health insurance premiums of a public safety officer in accordance with certain provisions in the Pension Protection Act of 2006. That change in statute would take effect January 1, 2008.

The bill would establish circumstances under which a person who has retired from a participating municipality with a service retirement annuity could resume membership in the retirement system without suspension of the person's annuity. The board of trustees would be authorized by rule to limit the increase in a member's average updated service compensation from year to year. In addition, the board of trustees, after consulting with the actuary, would be authorized by rule to authorize a participating municipality to make lump-sum or periodic employer contributions to the retirement system to be deposited in the municipality's account in the municipality accumulation fund. These proposed changes in statute would take effect January 1, 2008.

Effective January 1, 2009, there would be changes made to the computation of service credits and of contribution rates.

Local Government Impact

According to the Texas Municipal Retirement System (TMRS), the funding requirements and cost impact are the responsibility of the member cities of TMRS, and therefore the proposed changes in statute are not expected to have a fiscal impact on TMRS as a system.

Regarding the "return to work" provisions of the bill, TMRS anticipates no material change in the current funding required by member cities as a result of the changes outlined in the bill. Although the bill would allow earlier retirement for certain plan participants, the annuity purchase characteristics of TMRS would mitigate increases in plan liability and the number of participants who actually utilize the benefit. The cost of new matching ratios as proposed in the bill would be borne by the member cities; TMRS states that it would provide each city an actuarial study prior to the city adopting any changes. Regarding additional employer contributions, it is assumed a member city would fully understand the cost of additional contributions before choosing to make an increase. TMRS indicates that other aspects of the bill would have minimal or no fiscal impact on member cities.

Source Agencies:

LBB Staff: JOB, KJG, DB