

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 18, 2007

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

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

IN RE: SB1846 by Duncan (Relating to funding for, and benefits provided under, the Teacher Retirement System of Texas.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1846, Committee Report 2nd House, Substituted: a negative impact of (\$295,325,619) 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	(\$143,992,800)
2009	(\$151,332,819)
2010	(\$153,946,719)
2011	(\$161,780,594)
2012	(\$170,006,164)

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 Revenue Gain/(Loss) from TRS TRUST ACCOUNT FUND 960
2008	(\$143,992,800)	(\$7,152,155)	(\$147,840)	\$151,292,795
2009	(\$151,332,819)	(\$7,509,763)	(\$155,232)	\$158,997,814
2010	(\$153,946,719)	(\$7,885,251)	(\$162,994)	\$161,994,964
2011	(\$161,780,594)	(\$8,279,514)	(\$171,144)	\$170,231,252
2012	(\$170,006,164)	(\$8,693,489)	(\$179,701)	\$178,879,354

Fiscal Analysis

The bill would increase the rate of contributions to the Teacher Retirement System (TRS) retirement trust fund by active members to 6.58 percent. The bill would stipulate that the state contribution rate may not be lower than the active member contribution rate.

The bill would exempt school districts from return-to-work retiree employer surcharge payments for retirees who retired before September 1, 2005.

The bill would direct TRS to make a one-time supplemental benefit payment to eligible annuitants in September 2007 equal the lesser of \$2,400 or the amount of the regular annuity payment to which annuitants are entitled for August 2007.

Methodology

The bill would increase the rate of contribution to TRS for active members at 6.58 percent and would stipulate that the state contribution rate may not be less than the active member contribution rate. In the current biennium, the state contribution rate is set at 6.0 percent. The estimated cost of increasing the state contribution rate from 6.0 to 6.58 percent would be \$151 million in All Funds in fiscal year 2008 and \$159 million in All Funds in fiscal year 2009, increasing at a similar rate in subsequent years. Note that the decisions to date of the Conference Committee on House Bill 1, 80th Legislature, Regular Session, 2007 contain appropriations sufficient to fund a 6.58 percent state contribution rate for the 2008-09 biennium.

This bill would provide for a supplemental payment that would provide eligible annuitants an amount equal to their monthly benefit, but not in excess of \$2,400, to be paid no later than September of 2007. The bill would increase the member contribution rate from the current 6.40 percent to 6.58 percent and would require the State contribution rate to be not less than the member contribution rate, resulting in a minimum state contribution rate of 6.58 percent. The provisions of the bill would increase the unfunded liability by \$359 million based on the actuarial value of assets on February 28, 2007, but the additional active member and state contributions provided under the bill would produce a funding period which would not exceed 30 years by one or more years. Therefore, passage of this bill with the funding outlined above, would not violate statutory funding requirements.

Local Government Impact

The bill would expand the number of TRS retirees for which hiring school districts would be exempt from return-to-work-related surcharges for pension and insurance.

Source Agencies: 323 Teacher Retirement System

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