

SENATE AMENDMENTS

2nd Printing

By: Talton

H.B. No. 3609

A BILL TO BE ENTITLED

AN ACT

relating to membership and service credit in the Employees Retirement System of Texas for certain retired employees.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 812.201, Government Code, is amended by amending Subsection (a) and adding Subsection (d) to read as follows:

(a) Except as provided by Subsection (c) or (d), a retiree may not rejoin the retirement system as a member of the class from which the person retired.

(d) A person who retired from the employee class of membership with more than 14 years of service credit and who, after retirement, resumed employment with a house of the legislature, not as an employee of an individual member, is entitled, on request to the retirement system, to resume membership in that class and receive service credit for the period served in that position after retirement. To receive the credit, the person is required to pay employee contributions, without interest, for the period of service after retirement. The contributions may be deducted from the person's annuity as recalculated under this subsection. This subsection does not apply to a person whose post-retirement service extends after January 1, 2007.

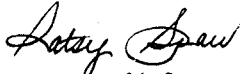
SECTION 2. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as

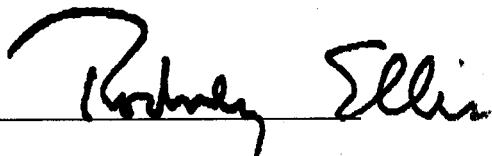
H.B. No. 3609

1 provided by Section 39, Article III, Texas Constitution. If this
2 Act does not receive the vote necessary for immediate effect, this
3 Act takes effect September 1, 2007.

ADOPTED

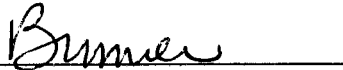
MAY 23 2007


Secretary of the Senate

By 

H.B. No. 3609

Substitute the following for H.B. No. 3609:

By 

C.S.H.B. No. 3609

A BILL TO BE ENTITLED

AN ACT

1
2 relating to membership and service credit in the Employees
3 Retirement System of Texas for certain employees.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 812.201, Government Code, is amended by
6 amending Subsection (a) and adding Subsection (d) to read as
7 follows:

8 (a) Except as provided by Subsection (c) or (d), a retiree
9 may not rejoin the retirement system as a member of the class from
10 which the person retired.

11 (d) A person who retired from the employee class of
12 membership with more than 14 years of service credit and who,
13 after retirement, resumed employment with a house of the
14 legislature, not as an employee of an individual member, is
15 entitled, on request to the retirement system, to resume
16 membership in that class and receive service credit for the
17 period served in that position after retirement. To receive the
18 credit, the person is required to pay employee contributions,
19 without interest, for the period of service after retirement.
20 The contributions may be deducted from the person's annuity as
21 recalculated under this subsection. This subsection does not

1 apply to a person whose post-retirement service extends after
2 January 1, 2007.

3 SECTION 2. (a) A member of the Employees Retirement System
4 of Texas who is an appointed or elected officer of the 80th
5 Senate of the State of Texas, as determined by the Senate
6 Journal, who has at least 20 years of service credit in the
7 retirement system, may transfer the person's service credit to
8 the elected class. A person who makes a transfer under this
9 provision may continue to transfer the credit between classes
10 before or after retirement.

11 SECTION 3. This Act takes effect immediately if it receives
12 a vote of two-thirds of all the members elected to each house, as
13 provided by Section 39, Article III, Texas Constitution. If this
14 Act does not receive the vote necessary for immediate effect,
15 this Act takes effect September 1, 2007.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 18, 2007

TO: Honorable Kim Brimer, Chair, Senate Committee on Administration

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

IN RE: HB3609 by Talton (Relating to membership and service credit in the Employees Retirement System of Texas for certain employees.), **Committee Report 2nd House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill provides that a person who retired from the employee class of the Employees Retirement System (ERS) with more than 14 years of service credit, and who resumed employment with a house of the legislature, not as an employee of an individual member, is entitled to apply for and receive an additional employee class retirement annuity for the period served in that position after retirement.

The bill would also provide elected class credit to a member of ERS who is an appointed or elected officer of the 80th Senate who has at least 20 years of service credit.

Based on the analysis by the Employees Retirement System, no additional state contributions are required to meet the provisions of this bill; however, enactment of this bill without sufficient funding to achieve the 31-year funding period would violate statutory funding requirements. The cost for the state to fund the contribution rate required to achieve the 31-year funding period is estimated at \$15.4 million in General Revenue in fiscal year 2008 and \$15.7 million in General Revenue in fiscal year 2009.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JOB, WM, CT, KJG, JW

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 16, 2007

TO: Honorable Kim Brimer, Chair, Senate Committee on Administration

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

IN RE: **HB3609** by Talton (Relating to membership and service credit in the Employees Retirement System of Texas for certain retired employees.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill provides that a person who retired from the employee class with more than 14 years of service credit, and who resumed employment with a house of the legislature, not as an employee of an individual member, is entitled to apply for and receive an additional employee class retirement annuity for the period served in that position after retirement.

Based on the analysis by the Employees Retirement System, no additional state contributions are required to meet the provisions of this bill; however, enactment of this bill without sufficient funding to achieve the 31-year funding period would violate statutory funding requirements. Assuming the state would fund the contribution rate required to achieve the 31-year funding period, the cost is estimated at \$26.3 million in General Revenue in fiscal year 2008 and \$27.3 million in General Revenue in fiscal year 2009.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JOB, CT, KJG, JW

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 25, 2007

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

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

IN RE: HB3609 by Talton (Relating to membership and service credit in the Employees Retirement System of Texas for certain retired employees.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill provides that a person who retired from the employee class with more than 14 years of service credit, and who resumed employment with a house of the legislature, not as an employee of an individual member, is entitled to apply for and receive an additional employee class retirement annuity for the period served in that position after retirement.

Based on the analysis by the Employees Retirement System, no additional state contributions are required to meet the provisions of this bill; however, enactment of this bill without sufficient funding to achieve the 31-year funding period would violate statutory funding requirements. Assuming the state would fund the contribution rate required to achieve the 31-year funding period, the cost is estimated at \$26.3 million in General Revenue in fiscal year 2008 and \$27.3 million in General Revenue in fiscal year 2009.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JOB, KJG, JW

LEGISLATIVE BUDGET BOARD

Austin, Texas

ACTUARIAL IMPACT STATEMENT

80TH LEGISLATIVE REGULAR SESSION

May 19, 2007

TO: Honorable Kim Brimer, Chair, Senate Committee on Administration

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

IN RE: **HB3609** by Talton (Relating to membership and service credit in the Employees Retirement System of Texas for certain employees.), **Committee Report 2nd House, Substituted**

Projected for Fiscal Year 2008

EMPLOYEES' RETIREMENT SYSTEM	Current	Proposed	Difference
State Contribution	6.45 %	6.45 %	0.0%
Employee Contribution	6.00 %	6.00 %	0.0%
Total Contribution*	12.45 %	12.45 %	0.0%
Normal Cost (% of payroll)	11.98 %	11.98 %	0.00%
Unfunded Actuarial Accrued Liability(millions)	\$1,031.2	\$1,031.7	\$0.5
Funded Ratio	95.7%	95.7%	0.0%
Amortization Period (years)	Infinite	Infinite	0.0

**Under current law, a total contribution rate of 12.94% of payroll is needed for fiscal year 2008 to achieve a 31-year funding for ERS under the requirements of Section 811.006 of Texas Government Code. Under the proposal, the total contribution rate needed to achieve a 31-year funding for fiscal year 2008 does not change.*

ACTUARIAL EFFECTS:

HB 3609 as substituted would not change the projected normal cost rate of ERS for fiscal year 2008. The fiscal year 2008 estimated ERS unfunded accrued actuarial liability (UAAL) would increase approximately \$500,000. The proposal also would not change the 31-year contribution requirement for ERS. These estimates do not include the cost to the system for providing the elected class service to appointed or elected officers of the Senate.

SYNOPSIS OF PROVISIONS:

HB 3609 as substituted, to be effective immediately if receiving the required votes and if not, September 1, 2007, would provide the following:

- Allow a person who retired from the employee class with more than 14 years of service credit, and who resumed employment with a house of the legislature, not as an employee of an individual member, to apply for and receive an additional employee class retirement annuity on account of the period served in that position after retirement. To receive the additional annuity, the person must pay employee contributions, without interest, for the period of service after retirement, and the post-retirement service with the legislature must not extend beyond January 1, 2007.
- Allow a member of ERS who is an appointed or elected officer of the 80th Texas Senate with at least 20 years of service, to transfer their service to the elected class.

FINDINGS AND CONCLUSIONS:

HB 3609 as substituted would allow a person who retired from the employee class with more than 14 years of service credit, and who resumed employment with a house of the legislature, not as an employee of an individual member, to apply for and receive an additional employee class retirement annuity on account of the period served in that position after retirement. To receive the additional annuity, the person must pay employee contributions, without interest, for the period of service after retirement, and the post-retirement service with the legislature must not extend beyond January 1, 2007.

According to the analysis, one annuitant is known to be eligible for the additional benefits in the proposed bill. The analysis further states that it is possible that other, yet unidentified, annuitants may be eligible for the benefits proposed under the bill. The ERS actuary thus estimated the costs of providing benefits to ten additional annuitants. Thus, the results of the analysis are based on the estimated data for the one known affected member and the ten hypothetical affected members. The ERS actuary states that the proposed bill improves benefits and increases the actuarial costs of ERS; therefore, to comply with the funding requirements of Texas Government Code Section 811.006, total contributions

needed for ERS would need to be 12.94% of payroll for fiscal year 2008. While no increase in the actuarially sound contribution rate is shown in the analysis, presumably there is an increase that does not show up due to rounding.

The analysis does not include any estimates for the provision of elected class service for members of ERS who are appointed or elected officers of the Texas Senate with at least 20 years of service. The impact of this provision is not estimated to be significant at the plan level, but will likely be significant at the individual level.

METHODOLOGY AND STANDARDS:

The analysis assumes no further changes are made to ERS and cautions that the combined economic impact of several proposals can exceed the effect of each proposal considered individually. The analysis relies on the participant data, financial information, benefit structure and actuarial assumptions and methods used in the February 28, 2007 update to the August 31, 2006 actuarial valuation of ERS. Note- there has been no review of the actuarial standards by the PRB actuary.

SOURCES:

Actuarial Analysis by Kim M. Nichol, Actuary, Buck Consultants, April 24, 2007

GLOSSARY OF ACTUARIAL TERMS:

Normal Cost-- the current annual cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Net Asset / Net Liability--This is the difference between the Actuarial Value of Assets and the Actuarial Accrued Liability. A Net Asset (also called the "Overfunded Actuarial Liability) exists only when the Actuarial Value of Assets exceeds the Actuarial Accrued Liability, and is the amount of this excess. This only occurs when a plan is overfunded. A Net Liability (also called the Unfunded Actuarial Liability) exists only when the Actuarial Accrued Liability exceeds the Actuarial Value of Assets. This only occurs when a plan is underfunded.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

Source Agencies:

LBB Staff: JOB, WM

LEGISLATIVE BUDGET BOARD
Austin, Texas

ACTUARIAL IMPACT STATEMENT

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: **HB3609** by Talton (Relating to membership and service credit in the Employees Retirement System of Texas for certain retired employees.), **As Introduced**

Projected for Fiscal Year 2008

EMPLOYEES' RETIREMENT SYSTEM	Current	Proposed	Difference
State Contribution	6.45 %	6.45 %	0.0%
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Normal Cost (% of payroll)	11.98 %	11.98 %	0.00%
Unfunded Actuarial Accrued Liability(millions)	\$1,031.2	\$1,031.7	\$0.5
Funded Ratio	95.7%	95.7%	0.0%
Amortization Period (years)	Infinite	Infinite	0.0

**Under current law, a total contribution rate of 12.94% of payroll is needed for fiscal year 2008 to achieve a 31-year funding for ERS under the requirements of Section 811.006 of Texas Government Code. Under the proposal, the total contribution rate needed to achieve a 31-year funding for fiscal year 2008 does not change.*

ACTUARIAL EFFECTS:

HB 3609 would not change the projected normal cost rate of ERS for fiscal year 2008. The fiscal year 2008 estimated ERS unfunded accrued actuarial liability (UAAL) would increase approximately \$500,000. The proposal also would not change the 31-year contribution requirement for ERS.

SYNOPSIS OF PROVISIONS:

HB 3609, to be effective immediately if receiving the required votes and if not, September 1, 2007, would provide the following:

- Allow a person who retired from the employee class with more than 14 years of service credit, and who resumed employment with a house of the legislature, not as an employee of an individual member, to apply for and receive an additional employee class retirement annuity on account of the period served in that position after retirement. To receive the additional annuity, the person must pay employee contributions, without interest, for the period of service after retirement, and the post-retirement service with the legislature must not extend beyond January 1, 2007.

FINDINGS AND CONCLUSIONS:

HB 3609 would allow a person who retired from the employee class with more than 14 years of service credit, and who resumed employment with a house of the legislature, not as an employee of an individual member, to apply for and receive an additional employee class retirement annuity on account of the period served in that position after retirement. To receive the additional annuity, the person must pay employee contributions, without interest, for the period of service after retirement, and the post-retirement service with the legislature must not extend beyond January 1, 2007.

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Source Agencies:

LBB Staff: JOB, WM