

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 18, 2011

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

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

IN RE: SB642 by Seliger (Relating to optional annuity increases for certain retirees and beneficiaries of the Texas Municipal Retirement System.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend the Government Code to allow a municipality participating in the Texas Municipal Retirement System (TMRS) to adopt a non-retroactive flat rate cost of living adjustment (COLA). To comply with federal law applicable to qualified plans, any increased payment to an annuitant resulting from such a COLA adopted by a city would be limited to the cumulative increase the annuitant would have been entitled to receive if the 70 percent of the consumer price index limit under TMRS' existing law had been applied to the annuitant's annuity. The bill also would require that if a city adopts an ordinance to either discontinue an annually repeating COLA or to change an annually repeating COLA, then the city must give written notice to members and annuitants at least 60 days prior to the effective date of the change adopted in the ordinance.

Local Government Impact

According to TMRS, there would not be an automatic cost incurred by each municipality because the adoption of a COLA would be at the discretion of each participating municipality and the fiscal impact of the bill would depend on which municipalities chose to adopt the alternate COLA option. However, the cost of a COLA could affect the actuarial funding status of a municipality if it chooses to adopt and provide a COLA using the new non-retroactive flat rate option. In addition, there would be costs associated with reprogramming both internal computer systems and actuarial systems used by the outside actuary, but the amounts would not be significant based on fiscal impact criteria.

Source Agencies:

LBB Staff: JOB, KJG, TP, DH