

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 18, 2011

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

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

IN RE: SB1671 by Duncan (Relating to the Teacher Retirement System of Texas.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1671, Committee Report 2nd House, Substituted: a positive impact of \$133,675,492 through the biennium ending August 31, 2013.

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
2012	\$0
2013	\$133,675,492
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>RETIRED SCHOOL EMP GROUP</i> <i>INSURANCE</i> 989
2012	\$0	\$0
2013	\$133,675,492	(\$133,675,492)
2014	\$0	\$0
2015	\$0	\$0
2016	\$0	\$0

Fiscal Analysis

The bill would change the effective date from September 1, 2006 to September 1, 2007 with regard to eligibility requirements.

The bill would amend provisions related to retirement eligibility and establish a uniform school year for benefit purposes for the Teacher Retirement System (TRS) from September 1 through August 31, beginning with the 2012-13 school year.

The bill would allow the state contribution to the Teacher Retirement System (TRS) pension trust fund for public education and higher education retirement to be less than contributions of active members

for the fiscal year ending August 31, 2012.

The bill would allow the state contribution to the TRS-Care insurance program to be less than 1.0 percent of total active payroll for fiscal year ending August 31, 2013.

Methodology

The bill would change the effective date from September 1, 2006 to September 1, 2007 with regard to eligibility requirements. A TRS board rule was adopted, effective May 2008, using the September 1, 2007 date, but TRS has administered the plan with the 2007 eligibility date since the original law passed. It is estimated that administering the plan using the September 1, 2007 eligibility date has a \$200 million actuarial impact to the pension trust fund.

For purposes of this estimate, it is assumed that the state contribution rate to the TRS Pension Trust Fund would remain the same as the rate stipulated in the 2010-11 General Appropriations Act. However, if a lower rate were adopted by the Eighty-second Legislature in fiscal year 2012 which could be reduced below 6.4 percent based on the provision of the bill removing the requirement that the state contribution rate to the TRS Pension Trust Fund be no less than the contribution rate required for active employees, state costs to General Revenue would be reduced. The TRS Pension Trust Fund would experience a revenue loss in like amounts. Senate Committee Substitute to House Bill 1 captures savings totaling \$101.6 million in GR and \$6.8 million in GR-Dedicated funds in fiscal year 2012 based on a state contribution rate of 6.0 percent for public and higher education retirement.

For purposes of this estimate, it is assumed that by reducing the state contribution rate to the TRS-Care retiree insurance fund below 1.0 percent of active employee payroll in fiscal year 2013, state costs to General Revenue would be reduced. The TRS-Care Insurance Trust Fund would experience a revenue loss in like amounts. Senate Committee Substitute to HB 1 captures savings totaling \$133.7 million in fiscal year 2013 based on a state contribution rate of 0.5 percent of payroll.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System, 405 Department of Public Safety

LBB Staff: JOB, AG, KJG, JGM, SD, JW