LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 22, 2013

TO: Honorable Bill Callegari, Chair, House Committee on Pensions

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB498** by Hernandez Luna (Relating to a cost-of-living increase applicable to benefits paid by the Teacher Retirement System of Texas.), **As Introduced**

No significant fiscal implication to the State is anticipated as the provisions of the bill are not expected to take effect because required conditions related to actuarial soundness are not anticipated to be met within the period contemplated in this estimate.

The bill would require the Teacher Retirement System of Texas (TRS) to provide for a cost of living adjustment (COLA) for service retirement benefits, disability retirement benefits, and death benefits, adjusted for inflation. The bill would require the TRS board to grant an annual cost-of-living adjustment equal to the percentage increase made by the United States Social Security Administration. The first COLA would be payable on January 1, 2014 and on January 1st of each subsequent year.

For purposes of this analysis, the increase could be made only if the board finds the TRS retirement fund to be actuarially sound and if funds are available to increase benefits. If a full COLA adjustment cannot be made possible while maintaining actuarial soundness, the board is to compute the largest adjustment for a partial COLA. Because the bill would increase retirement benefits for the TRS retirement fund, the state contribution required to achieve the 30-year funding period stipulated in statute would increase by 11.88 percent, from 8.77 percent to 20.65 percent. Based on the February 28, 2013 actuarial valuation, benefit enhancements would increase the unfunded actuarial accrued liability by $56.5 billion. Therefore, for purposes of this estimate, it is assumed that the bill would not take effect within the period for which this estimate is prepared because the conditions to be actuarially sound are not anticipated to be met, and as a result, no significant fiscal impact to the state is anticipated.

The bill would take effect on September 1, 2013.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System

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