

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 9, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB626** by Harper-Brown (Relating to the number of hours certain employees must work to be eligible to participate in the Texas Municipal Retirement System.), **As Introduced**

<p>No fiscal implication to the State is anticipated.</p>
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Local Government Impact

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

The bill would increase eligibility requirements for employees of municipalities participating in the Texas Municipal Retirement System (TMRS). It would raise the minimum hours worked per year from 1,000 to 1,500, and would apply to all current and future employees. Affected employees would stop making their contributions. If they were not vested, they would receive their contributions after they terminate employment, though they would forfeit any right to an employer match. If they were vested, they would no longer accrue benefits, but would receive an annuity at age 60 if they were separated from service.

Participating municipalities (cities) would no longer make contributions for these employees. Cities with proportionally larger numbers of part-time employees would not have an increase in their unfunded liabilities, but could have to raise their contribution percentage to pay off these liabilities since the payroll it would apply to would shrink. Reduced contribution amounts are not estimated to be significant.

Cities that do not participate in Social Security may have to set up a Social Security replacement plan for affected employees, typically a defined contribution plan. The fiscal impact from this is not estimated to be significant across TMRS cities, but could be more significant for a small participating city.

TMRS estimates that they would have additional one-time costs of \$61,700, mostly due to additional mailings. These costs are not estimated to be significant for TMRS.

Source Agencies:

LBB Staff: UP, RB, SD, WM