

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 23, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1383 by Keffer (Relating to the state contribution for the Teacher Retirement System of Texas.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1383, Committee Report 1st House, Substituted: a negative impact of (\$349,151,426) through the biennium ending August 31, 2015.

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
2014	(\$116,196,644)
2015	(\$232,954,782)
2016	(\$232,954,782)
2017	(\$232,954,782)
2018	(\$232,954,782)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Est Oth Educ & Gen Inco</i> 770	Probable Savings/(Cost) from <i>TRS Trust Account Fund</i> 960
2014	(\$116,196,644)	(\$8,194,494)	(\$201,733)
2015	(\$232,954,782)	(\$16,767,240)	(\$403,827)
2016	(\$232,954,782)	(\$16,767,240)	(\$403,827)
2017	(\$232,954,782)	(\$16,767,240)	(\$403,827)
2018	(\$232,954,782)	(\$16,767,240)	(\$403,827)

Fiscal Analysis

The bill would amend Government Code Section 825.404 to require the state to contribute at least 7.4 percent and not more than 10 percent of the aggregate annual compensation of all members of the Teacher Retirement System of Texas (TRS) during each fiscal year.

The bill would add subsection (a-1) to require a state contribution rate of 6.9 percent of total compensation in fiscal year 2014 and 7.4 percent of total compensation in fiscal year 2015.

The bill would take effect on September 1, 2013 or immediately if passed by the required voting margins.

Methodology

For purposes of this estimate, payroll calculations assume no annual payroll growth for public education employees and two percent annual payroll growth for higher education employees. Based on these payroll assumptions, the estimated cost to increase the state contribution rate in fiscal year 2014 from 6.4 percent to 6.9 percent of active payroll is \$116.2 million from the General Revenue Fund and \$124.6 million in All Funds. The estimated cost to increase the state contribution rate in fiscal year 2015 from 6.4 percent to 7.4 percent of active payroll is \$232.9 million from the General Revenue Fund and \$250.1 million in All Funds.

For purposes of this estimate, the active member contribution rate remains at the statutorily required 6.4 percent of member payroll and it is assumed that the state contribution rate would remain at 7.4 percent for all future years.

According to the TRS actuary, a 0.5 percent annual increase to the state contribution rate would not add any additional liabilities to the pension trust fund and the funding period would remain at infinite.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System

LBB Staff: UP, RB, JSc, JW