LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 4, 2015

TO: Honorable Dan Flynn, Chair, House Committee on Pensions

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1967** by Keffer (Relating to a supplemental payment for retirees of the Teacher Retirement System of Texas and the unfunded actuarial liabilities allowed under that system.), **As Introduced**

The provisions of the bill are not expected to take effect because the statutory requirement for actuarial soundness cannot be met upon payment of the proposed benefit increases. However, if the benefit increases were paid, there would be a significant but indeterminate cost to the State, unless the cost is passed on to the System members or local employers.

The bill would authorize the Teacher Retirement System of Texas (TRS) to make up to two one-time supplemental payments (not to exceed $2,400) to eligible annuitants when the amortization period for TRS's unfunded actuarial liabilities does not exceed 30 years by one or more years after the supplemental payment, as determined by an actuarial valuation on August 31, 2015 and August 31, 2016. Authority to provide the supplemental payments expires January 1, 2017. A one-time payment would be authorized between September 1 and December 31 when the actuarial evaluation of that year allows. All retirees and beneficiaries would be eligible to receive the supplemental payment except for disability retirees with less than 10 years of service, members in the deferred retirement option program, and survivor beneficiaries receiving an amount fixed in statute. The bill would take effect on September 1, 2015.

According to the TRS actuary, if the amortization requirements are met as of each of the following two valuation dates, the full supplemental payments as described in the bill would be approximately $1,150 million. Based on current projections, the System would barely meet the amortization period requirements as of both valuation dates. However, if the liabilities of both payments are included as of the February, 28, 2015 valuation, the funding period would exceed 30 years by one or more years. The actuary adds that based on the above information, since the funding period of TRS would exceed 30 years by one or more years, passage of this bill would not be allowable under the TRS funding statutes.

Government Code, Section 821.006, prohibits action that would increase the period to amortize the unfunded actuarial liabilities of TRS beyond 31 years. Therefore, no significant fiscal implication to the State is anticipated as the provisions of the bill are not expected to take effect because the statutory requirement for actuarial soundness cannot be met upon payment of the proposed benefit increases.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System
LBB Staff: UP, AG, AM, PFe