

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 27, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2859** by Márquez (Relating to the establishment of membership service credit by a member of the Employees Retirement System of Texas for employment with a tribal government.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend Government Code to add tribal government service to the definition of service credit for a member of the Employees Retirement System (ERS). Under the provisions of the bill, members would be able to purchase ERS service credit for employment with a tribal government. ERS would be required to use tribal government service purchased as service credit to compute a member's retirement annuity, if the member has at least five years of service credit. ERS estimates that because the bill would apply to a very few members and in some cases could result in a gain and in some cases to a loss to ERS, the bill would not have a measurable impact on the trust fund.

However, Government Code, Section 811.006 requires that legislation providing additional benefits that increase the actuarial cost of the ERS Retirement fund would require a state contribution at least equal to the normal cost plus an amount necessary to amortize the unfunded liabilities of the new benefits structure over a 31-year period. ERS indicates that the bill would make a new type of service creditable in the retirement system, which would require the bill to comply with the requirements of Government Code, Section 811.006. ERS estimates that the state contribution would need to increase to 11.41 percent of payroll for the ERS Retirement fund, which would exceed the constitutional maximum 10 percent contribution rate. ERS estimates the additional cost to comply with statute totals approximately \$247.9 million in fiscal year 2016, \$237.0 million in fiscal year 2017, \$245.2 million in fiscal year 2018, \$253.8 million in fiscal year 2019 and \$262.7 million in fiscal year 2020.

The bill would take effect September 1, 2015.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 327 Employees Retirement System

LBB Staff: UP, AG, EP, EMo