

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 23, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3182 by Fallon (Relating to the maximum service retirement annuity for members of public retirement systems.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would amend Government Code to limit the maximum service retirement annuity for members of public retirement systems to not exceed the lesser of the gross salary if a member of the United States armed forces on active duty at the highest salary for pay grade O-10, as defined by 37 U.S.C. Section 201(a) and the annual rate of basic pay for a position under level II of the Executive Schedule as defined by 5 U.S.C. Section 5313.

Because exceeding the annuity limit would require an employee to have a combination of high monthly compensation and large amount of credited service, the systems with the highest members salaries, ERS and TRS, anticipate that it is very unlikely that future employees would be impacted by the limitation. All systems indicate that the bill could reduce the annuity paid to a member in the future, creating some savings, however the bill is not anticipated to have a significant impact due to the relatively small number of individuals assumed to be affected by it.

The bill would take effect September 1, 2015 and would apply only to a person who becomes a member of a public retirement system on or after the effective date.

Local Government Impact

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

El Paso reported the bill would apply to a few highly paid staff and a relatively small group of individuals. Since the bill would affect only those hired after September 1, 2015, the impact would be a decade or more in the future. El Paso reported because the bill would impact employees in the higher pay brackets, the measure could have a negative impact on the recruitment of high quality upper level management and professional talent, creating a potential burden for the City of El Paso.

Texas Municipal Retirement System (TMRS) reported there would be no direct cost incurred by each city participating in TMRS. TMRS reported there would be certain implementation costs on the system due to the provisions of the bill, including reprogramming of TMRS' computer and actuarial system and re-printing of marketing and informational materials; however, costs are not anticipated to be significant.

Source Agencies: 323 Teacher Retirement System, 326 Texas Emergency Services Retirement System, 327 Employees Retirement System

LBB Staff: UP, AG, EMO, EK