

**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: HB3259** by Herrero (Relating to a cost-of-living adjustment applicable to certain benefits paid by the Teacher Retirement System of Texas.), **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 increase retirement benefits paid to certain service retirees, disability retirees, and survivors by the Teacher Retirement System of Texas (TRS). To be eligible for the increase, the annuitant must have retired between August 31, 2004, and August 31, 2013. The amount of the increase would be the lesser of three percent of the annuitant's monthly benefit or \$100 per month, and the increase would begin with the annuity payable for September 2015. The bill would take effect on September 1, 2015 or immediately with a two-thirds vote of each house.

According to the TRS actuary, and based on the February 28, 2015 actuarial valuation update, the bill would increase the unfunded actuarial accrued liability (UAAL) by \$1.12 billion, from \$32.1 billion to \$33.2 billion, would decrease the funded ratio from 80.4 percent to 79.9 percent, and would increase the funding period by 2.1 years, from 29.3 years to 31.4 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