

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 12, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3897 by Kuempel (Relating to the administration of and benefits payable by the Teacher Retirement System of Texas.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend the Government Code and the Insurance Code to make certain conforming changes related to Internal Revenue Code provisions applicable to the Teacher Retirement System of Texas (TRS). Additionally, the bill would make certain other clarifying and administrative changes relating to the disclosure and audit of member records, correction of reporting errors in finance and service credit, post-retirement benefit options, transfer of assets, and terms of office for certain trustees under special circumstances. The bill would make other non-substantive changes pertaining to Education Code and Insurance Code provisions relating to TRS. The bill would take effect on September 1, 2015.

According to the State Pension Review Board, the bill would not have an actuarial impact on TRS because it does not propose to change the benefit structure, funding or obligations of the system. According to the Texas Higher Education Coordinating Board (THECB), the bill would result in minimal costs to THECB due to a provision related to estimating appropriations for the Optional Retirement Program. However, this analysis assumes the cost could be absorbed in the agency's available resources.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. However, the bill would increase amounts owed by local employers such as school districts due to errors in reported employee service and compensation for retirement purposes, which could result in increased cost to employers that do not report accurately. The bill also changes the date upon which interest accrues for late payments of premiums for TRS-ActiveCare to the 16th day of the month, previously the seventh day after the last day of the month. Increased costs will vary from employer to employer depending on the accuracy of reporting for retirement and the timeliness of payments to TRS-ActiveCare.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 701 Central Education Agency, 781 Higher Education Coordinating Board

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