LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017

July 24, 2017

TO: Honorable John Zerwas, Chair, House Committee on Appropriations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB80** by Darby (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 make a one-time cost-of-living adjustment to the 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, 2015. 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 2017. The bill would take effect on December 1, 2017 or immediately with a two-thirds vote of each house.

According to the TRS actuary, and based on the February 28, 2017 actuarial valuation update, the bill would increase the unfunded actuarial accrued liability (UAAL) by $1.29 billion, decrease the funded ratio from 79.5 percent to 78.9 percent, and increase the funding period from 34.3 years to 38.1 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, KK, AM, TSI