

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 30, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3190 by Uresti, Tomas (Relating to an adjustment 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 amend the Government Code to provide a 0.5 percent increase to the monthly service retirement annuity paid for retirement benefits, disability retirement benefits, and death benefits, payable beginning in September 2017.

According to the TRS actuary, the bill would increase the unfunded actuarial accrued liability (UAAL) from \$36.6 billion to \$37.0 billion, reduce the funding ratio from 79.5 percent to 79.3 percent, and increase the funding period from 34.3 years to 35.4 years. This analysis assumes that the retiree would have to be retired on or before August 31, 2016.

Texas 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. To achieve actuarial soundness and reduce the funding period to less than 31 years, the State contribution to TRS would have to increase from 6.8 percent of payroll to approximately 7.2 percent of payroll. Alternatively, the State share of costs for the cost of living adjustment proposed by the bill could be paid up front in a one-time supplemental appropriation of \$450 million in fiscal year 2018.

Local Government Impact

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

Source Agencies: 323 Teacher Retirement System

LBB Staff: UP, AG, AM, TSI