

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 24, 2017**

**TO:** Honorable Joan Huffman, Chair, Senate Committee on State Affairs

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB1752** by Bettencourt (Relating to authorizing certain municipalities to establish defined contribution plans to provide retirement benefits to certain employees.), **As Introduced**

**No fiscal implication to the State is anticipated.**

The bill would amend the Government Code by allowing certain home-rule municipalities to establish a defined contribution plan within a public retirement system.

A defined contribution plan for newly hired municipal employees would be created on receipt of a petition requesting an election signed by a number of registered voters equal to at least 10 percent of the voters who voted in the most recent election of the municipality. If the petition has enough signatures the municipality must hold an election during the next regularly scheduled general election for municipal officials. The bill would require the municipality to make contributions to the defined contribution plan at the same rate that the participants contribute.

**Local Government Impact**

The following were provided using an assumption that the new plan as described in the legislation were implemented by the petition and election mechanism described above:

According to the City of Houston the bill would require the city to spend \$17.3 million each year in contributions to each of the municipal plans. The estimate does not include costs for administering two plans: 1) a defined benefit plan for current employees, and 2) a defined contribution plan for future employees. The estimate does not take into account pay raises the city would need to raise for fire and police pay to offset the lack of a defined benefit retirement plan.

According to the Dallas Police and Fire Pension Fund, the bill would cause the current pension system to become insolvent sooner than the current 10 year projection to insolvency, because the contributions from the new employees would be going to a separate system.

According to the San Antonio Fire and Police Pension Fund, the bill would have a negative impact on the fund's unfunded liability because new employees will be moved to a defined contribution plan. Transitioning to a defined contribution plan will inhibit recruitment because the fund will no longer offer death and disability benefits to new hires.

**Source Agencies:**

**LBB Staff:** UP, AG, GG, BM