

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 6, 2021

TO: Honorable Rafael Anchia, Chair, House Committee on Pensions, Investments & Financial Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1846 by Allen (Relating to benefits paid by the Teacher Retirement System of Texas.), **As Introduced**

No significant fiscal implication to the State is anticipated. However, there would be an impact to the Teacher Retirement System which could impact the actuarial soundness of the fund.

The bill provides for a 10 percent increase in benefits payable to eligible retirees effective September 1, 2021. The bill also provides that TRS include a 4 percent annual cost-of-living adjustment to all current and future retirees. The bill also provides a supplemental payment equal to the greater of an annuitant's monthly pension as of December 2021 or \$2,000. To be eligible for the supplemental payment the member must have retired (or, for beneficiaries, the member's death must have occurred) before September 1, 2020 and the annuitant must still be receiving benefits in December 2021.

According to information provided by TRS and the analysis of their actuary, the bill would increase the Unfunded Actuarial Accrued Liability (UAAL) by \$116 billion, from \$50.5 billion to \$166.5 billion.

According to the actuarial impact statement provided by the Pension Review Board, TRS is currently actuarially sound, with an amortization period of 26 years. TRS statute defines actuarial soundness, for purposes of making modifications to benefit and contribution levels, as an amortization period of no more than 31 years. The projected amortization period would increase to infinite following the passage of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System, 338 Pension Review Board

LBB Staff: JMc, AAL, AH, RSTE