

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

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**March 30, 2021**

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

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB3397** by Murphy (Relating to contributions to the Employees Retirement System of Texas.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3397, As Introduced : a negative impact of (\$637,931,946) through the biennium ending August 31, 2023.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five- Year Impact:**

| <i>Fiscal Year</i> | <b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b> |
|--------------------|---|
| 2022               | (\$318,164,260)   |
| 2023               | (\$319,767,686)   |
| 2024               | (\$328,401,414)   |
| 2025               | (\$337,268,253)   |
| 2026               | (\$346,374,495)   |

**All Funds, Five-Year Impact:**

| <i>Fiscal Year</i> | <b>Probable Savings/(Cost) from General Revenue Fund 1</b> | <b>Probable Savings/(Cost) from GR Dedicated Accounts 994</b> | <b>Probable Savings/(Cost) from Federal Funds 555</b> | <b>Probable Savings/(Cost) from State Highway Fund 6</b> |
|--------------------|--|---|---|--|
| 2022               | (\$318,164,260)  | (\$21,780,372)  | (\$37,581,819)  | (\$43,560,744)   |
| 2023               | (\$319,767,686)  | (\$21,890,137)  | (\$37,771,217)  | (\$43,780,274)   |
| 2024               | (\$328,401,414)  | (\$22,481,171)  | (\$38,791,039)  | (\$44,962,341)   |
| 2025               | (\$337,268,253)  | (\$23,088,162)  | (\$39,838,398)  | (\$46,176,325)   |
| 2026               | (\$346,374,495)  | (\$23,711,543)  | (\$40,914,034)  | (\$47,423,085)   |

| <i>Fiscal Year</i> | <b>Probable Savings/(Cost) from Other Special State Funds 998</b> |
|--------------------|---|
| 2022               | (\$5,978,926)   |
| 2023               | (\$6,009,057)   |
| 2024               | (\$6,171,302)   |
| 2025               | (\$6,337,927)   |
| 2026               | (\$6,509,051)   |

**Fiscal Analysis**

The bill would amend the Government Code to direct the board of the Employees Retirement System (ERS) to establish the member and state contribution rates for the ERS retirement program. The board would set the rates beginning September 1, 2021 and all subsequent fiscal years. The board would be required to establish actuarially determined contribution rates that reflect the sum of the normal cost of projected benefits for the fiscal year as well as rates sufficient to amortize the unfunded liability of the system in 30 years or less.

### **Methodology**

According to the ERS' February valuation, the actuarially sound contribution rate for the ERS retirement program is 25.46 percent. ERS assumes the employee contribution rate would remain at 9.5 percent, the agency contribution rate would remain at 0.5 percent, and the state contribution rate would increase from 9.50 percent to 15.46 percent in order to achieve the actuarially determined rate required by the bill. The contribution rates were applied to state payroll amounts, which are estimated to grow 2.7 percent each year, to estimate the cost to the state per year to implement the provisions of the bill.

### **Local Government Impact**

There is no known impact to local government relating to this program administered by ERS.

**Source Agencies:** 327 Employees Retirement System, 338 Pension Review Board

**LBB Staff:** JMc, AAL, LCO, JPO