

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: HB3787 by Dean (Relating to the loss of benefits by and the payment of certain employer contributions for certain retirees of the Teacher Retirement System of Texas who resume service.), **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 all retirees as of January 1, 2021 the ability to return to employment at a Texas public educational institution without an impact to their Teacher Retirement System (TRS) annuity, regardless of how long the member has been retired or if the member has been working on a part-time basis.

The bill also provides that a retiree isn't considered employed by a Texas educational institution if they are providing online supplemental education and support services provided by a nonprofit entity.

The bill would prohibit TRS from withholding an annuity without first giving a written warning about exceeding Employment After Retirement (EAR) limitations. The bill would require TRS to provide notice of a violation to the retiree if they are in violation after the first warning and the bill would require the retiree to either return a prorated amount that is attributable to the period in which they exceeded EAR limitations, or pay the difference between actual hours or days for which they were compensated and the hours or days they are allowed to work. TRS would be authorized to withhold the monthly annuity if the retiree exceeds EAR limitations after receiving the second violation notification. The bill would apply beginning with the 2021-2022 school year.

According to the actuarial impact statement provided by the Pension Review Board, the elimination of contributions collected by the retirement system from the employer on behalf of rehired retirees would have detrimental effects to the actuarial soundness of TRS.

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