

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

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

**April 27, 2021**

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

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

**IN RE: HB4643** by Stephenson (Relating to a pilot program to study implementation of a pension revenue enhancement plan for the Employees Retirement System of Texas.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4643, As Introduced : a negative impact of (\$770,000) through the biennium ending August 31, 2023.

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

<i>Fiscal Year</i>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2022	(\$385,000)
2023	(\$385,000)
2024	(\$385,000)
2025	(\$385,000)
2026	(\$385,000)

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

<i>Fiscal Year</i>	<b>Probable (Cost) from General Revenue Fund 1</b>	<b>Change in Number of State Employees from FY 2021</b>
2022	(\$385,000)	4.0
2023	(\$385,000)	4.0
2024	(\$385,000)	4.0
2025	(\$385,000)	4.0
2026	(\$385,000)	4.0

**Fiscal Analysis**

The bill would amend the Government Code to create the Pension Revenue Enhancement Plan, a life insurance pilot program for members and annuitants of the Employee Retirement System (ERS). The bill would require the Comptroller, in consultation with the Department of Insurance, the board of trustees of ERS, and any other agency or person the Comptroller deems appropriate, to establish and oversee a 10-year pilot program to study the feasibility, financial benefit, and anticipated impact of implementing a pension revenue enhancement plan, that would provide a life insurance benefit to members and annuitants of the retirement system while also providing an additional revenue source for funding the retirement system.

Under the provisions of the bill the Comptroller of Public Accounts would designate a life insurance company to administer the program, and the Comptroller and ERS would attempt to enroll at least 10,000 plan participants. The program would start no later than September 1, 2022 and would end September 1, 2033. The

Comptroller and ERS would produce a biennial status report.

The bill would also create the ERS Pension Revenue Enhancement Plan Trust Fund (fund) outside the treasury, and the fund would consist of proceeds from life insurance policies, donations, loan proceeds, and interest. The fund would be administered by the Comptroller through a contract with a trustee and plan manager, and would be administered in a manner that qualifies income earned in the trust fund for exemption from federal income taxation under Section 115 of the Internal Revenue Code.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either within or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

### **Methodology**

According to the Comptroller, there would be an administrative cost of \$385,000 annually to establish and run the pilot program created by the bill. The administrative cost includes the salary, employee benefits, payroll contributions, and operating expenses for one Program Specialist VI FTE to oversee the pilot program created by the bill, one Financial Analyst II FTE to provide required accounting duties for the program, one Program Specialist II FTE to perform customer service duties for the program, and one Attorney V FTE for legal and contract support.

The fiscal impact to ERS cannot be determined because it is unknown when, or if, the pension revenue enhancement trust would have excess balances above the amount required to cover its loan obligations, pay beneficiaries, and cover administrative expenses. According to ERS, the bill does not establish a minimum or maximum balance in the pension revenue enhancement trust before contributions are made to the retirement system, nor requires contributions to be made at specific intervals or in specific amounts.

### **Local Government Impact**

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

**Source Agencies:** 304 Comptroller of Public Accounts, 327 Employees Retirement System

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