

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 22, 2021

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB321 by Huffman (relating to contributions to, benefits from, and the administration of the Employees Retirement System of Texas.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB321, Committee Report 1st House, Substituted : a negative impact of (\$465,500,000) 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>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	(\$232,750,000)
2023	(\$232,750,000)
2024	(\$232,750,000)
2025	(\$232,750,000)
2026	(\$232,750,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from General Revenue Fund 1	Probable (Cost) from GR Dedicated Accounts 994	Probable (Cost) from Federal Funds 555	Probable Savings/(Cost) from Other Special State Funds 998
2022	(\$232,750,000)	(\$17,850,000)	(\$58,800,000)	(\$4,900,000)
2023	(\$232,750,000)	(\$17,850,000)	(\$58,800,000)	(\$4,900,000)
2024	(\$232,750,000)	(\$17,850,000)	(\$58,800,000)	(\$4,900,000)
2025	(\$232,750,000)	(\$17,850,000)	(\$58,800,000)	(\$4,900,000)
2026	(\$232,750,000)	(\$17,850,000)	(\$58,800,000)	(\$4,900,000)

<i>Fiscal Year</i>	Probable (Cost) from State Highway Fund 6
2022	(\$35,700,000)
2023	(\$35,700,000)
2024	(\$35,700,000)
2025	(\$35,700,000)
2026	(\$35,700,000)

Fiscal Analysis

The bill would amend the Government Code to make changes to the contribution structure and retirement benefits for members of the Employees Retirement System (ERS) and Law Enforcement and Custodial Officers Supplemental Retirement Fund (LECOS) hired on or after September 1, 2022. Under the provisions of the bill, all members of ERS hired on or after September 1, 2022 would contribute six percent of pay into individual accounts, and members of LECOS hired on or after September 1, 2022 would contribute an additional two percent. In addition to required contributions, the bill would require the state to make an annual amortization payment of \$350 million toward paying off the ERS unfunded liability. The bill would restructure the retirement benefit for members of both plans hired on after September 1, 2022 from a defined benefit plan to a cash balance retirement plan.

Methodology

The bill would provide an additional annual amortization payment in each fiscal year to pay off the ERS unfunded liability in 54 years, assuming the \$350 million continues throughout the entire period. The bill does not specify the methods of finance which can be used for this payment. This analysis assumes an appropriation would be proportional to the state's current contribution by method of finance. The employer-provided value of the proposed cash balance provisions is largely comparable to the current defined benefit provisions.

Local Government Impact

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

Source Agencies: 327 Employees Retirement System

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