

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 18, 2023

TO: Honorable Giovanni Capriglione, Chair, House Committee on Pensions, Investments & Financial Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2406 by Geren (Relating to service retirement benefits payable by the Employees Retirement System of Texas to commissioned peace officers employed by the attorney general.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2406, As Introduced : a negative impact of (\$7,493,593) through the biennium ending August 31, 2025.

The Employees Retirement System (ERS) and the Office of the Attorney General (OAG) are required to implement a provision of the bill only if the legislature appropriates money specifically for that purpose. If the legislature does not appropriate money specifically for that purpose, ERS and OAG may, but are not required to, implement a provision of the bill using other appropriations available for that purpose.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2024	(\$7,211,324)
2025	(\$282,269)
2026	(\$282,269)
2027	(\$282,269)
2028	(\$282,269)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from General Revenue Fund 1	Probable (Cost) from GR Dedicated Accounts 994	Probable Savings/(Cost) from Federal Funds 555
2024	(\$7,211,324)	(\$112,680)	(\$31,484)
2025	(\$282,269)	(\$5,913)	(\$1,652)
2026	(\$282,269)	(\$5,913)	(\$1,652)
2027	(\$282,269)	(\$5,913)	(\$1,652)
2028	(\$282,269)	(\$5,913)	(\$1,652)

Fiscal Analysis

The bill would amend the Government Code to allow law enforcement officers commissioned by the OAG to participate in the Law Enforcement and Custodial Officer Supplemental (LECOS) Plan. The OAG would be required to certify to ERS the names of employees and other information necessary for the crediting of service and financing of benefits under the LECOS plan.

Methodology

The Government Code states that a new monetary benefit may not be established for LECOS unless the fund is actuarially sound. According to ERS, the LECOS fund is not currently actuarially sound. According to information previously provided by ERS, an appropriation of approximately \$825.7 million would be required in order to make the fund sound as of August 31, 2024. This amount is included in House Bill 1, as engrossed, and is assumed in this analysis.

ERS estimates that approximately 185 individuals from the OAG would be added to LECOS under the provisions of the bill. According to an actuarial review utilizing the February 28, 2023 limited actuarial valuation, the cost of prefunding the actuarial liabilities for adding these individuals to LECOS is estimated by ERS to be a one-time cost of \$7.1 million in All Funds. ERS estimates there will be an increased annual state contribution to LECOS of approximately \$289,834 per year in All Funds.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 327 Employees Retirement System

LBB Staff: JMc, MOc, LCO, JPO, NV