

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 2, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4324 by Bell, Cecil (Relating to the purchase of service credit in the Employees Retirement System of Texas by members of the Texas military forces.), **As Introduced**

There would be an indeterminate cost to the bill based on the number of members who choose to purchase service credits in the Employees Retirement System and the additional years of service they may purchase, both of which are unknown.

The bill would amend the Government Code to allow the purchase of service credit in the Employees Retirement System (ERS) for state active duty or state training and other duty as a member of Texas military forces. The bill also removes the requirement that military service credit may only be used in computing benefits if the member has at least five years of service credit, excluding military service credit.

According to ERS, the cost of the bill to pension plans administered by the agency is expected to be significant but cannot be determined because the number of members who may be covered and the additional years of military service that may be purchased is unknown. According to ERS, the removal of the requirement that a member have five years of service credit before using military service credit to compute benefits could prompt those who have military service to seek very short employment in positions participating in ERS plans to gain a meaningful annuity from ERS at a highly subsidized cost. In addition, the cost to purchase military service would be based on contributions immediately following the military service, not the actuarial cost, so the member would be purchasing the service at a substantially lower cost.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

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