

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 17, 2023

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HJR2 by Bonnen (Proposing a constitutional amendment limiting the contribution rate of the members of the Teacher Retirement System of Texas, authorizing the legislature to provide cost-of-living adjustments or other benefit enhancements to eligible annuitants of the system, and providing a one-time transfer of funds for benefit enhancements and for contributions and actuarially determined payments to eliminate the unfunded actuarial liabilities of the system.), **As Engrossed**

No significant fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$204,406.

This resolution would propose an amendment to add Section 67-a, Article XVI, of the Texas Constitution that would authorize the Legislature to provide benefit enhancements to eligible annuitants of the Teacher Retirement System (TRS). The benefit enhancements would be contingent on an accompanying appropriation of funds sufficient to fully pay for the benefit enhancement. Any ongoing benefit enhancement provided for by legislation relating to an ongoing benefit enhancement is contingent on investment returns of the TRS Pension Trust Fund, not appropriations, and must be paid for out of those returns.

According to the Pension Review Board, TRS is considered actuarially sound, with an amortization period of 27 years as of August 31, 2023. Government Code, Section 821.006 defines actuarial soundness, for the purposes of making modifications to benefit and contribution levels, as less than 31 years. The benefit enhancement would take place only if the fund is considered actuarially sound.

The approval of the proposed amendment to Section 67-a of Article XVI by voters would result in a cost to the state of \$1.9 billion for the purposes of providing contributions, actuarially determined payments, and benefit enhancements. Although the resolution is self-enabling, the fiscal impact is shown in the fiscal note for CSSB 10, as passed the 2nd house. These funds would be transferred to TRS in the 2024 fiscal year after the amendment takes effect and would not be considered an appropriation of state tax revenues.

The proposed amendment would be submitted to voters at an election to be held November 7, 2023.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System

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