

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 26, 2023

TO: Honorable Dan Patrick, Lieutenant Governor, Senate
Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB10 by Huffman (Relating to certain benefits paid by the Teacher Retirement System of Texas.),
Conference Committee Report

Estimated Two-year Net Impact to General Revenue Related Funds for SB10, Conference Committee Report : a negative impact of (\$4,990,000,000) through the biennium ending August 31, 2025.

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>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$4,990,000,000)
2025	\$0
2026	\$0
2027	\$0
2028	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund 1</i>
2024	(\$4,990,000,000)
2025	\$0
2026	\$0
2027	\$0
2028	\$0

Fiscal Analysis

The bill would provide an increase in the monthly annuity for most categories of Teacher Retirement System (TRS) members in payment status who retired on or before August 31, 2020. The amount of the increase would be 2.0 percent of the annuitant's monthly benefit if the member retired after August 31, 2013, but on or before August 31, 2020. The amount of the increase would be 4.0 percent of the annuitant's monthly benefit if the member retired after August 31, 2001, but on or before August 31, 2013. The amount of the increase would be 6.0 percent of the annuitant's monthly benefit if the member retired on or before August 31, 2001. The monthly annuity increase provision of the bill would take effect in January of 2024, contingent on approval by the voters

of an associated constitutional amendment (HJR 2).

The bill would also provide a onetime payment, not later than September of 2023, to most categories of members in payment status that are age 70 or older by the month before the payment is made. The amount of the onetime payment would be \$7,500 if the member is age 75 or older by the month before the month in which the onetime payment is made. The amount of the onetime payment would be \$2,400 if the member is age 70 but younger than 75 by the month before the month in which the onetime payment is made. TRS would be required to make the onetime payment only if the TRS Board of Trustees were to find that the legislature appropriated money to the retirement system in an amount sufficient to provide the payment.

Methodology

It is assumed that the cost-of-living adjustment (COLA) outlined in Section 1 of the bill would be funded through a lump sum payment to the TRS Pension Trust Fund of \$3,354.0 million in General Revenue in fiscal year 2024, and would thus not impact the actuarial soundness of the fund.

According to the Pension Review Board, the Teacher Retirement System (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. If the COLA outlined in Section 1 of the bill were not funded with a lump sum payment, the funding period would be required to remain below 31 years for the cost-of-living adjustment to occur.

It is assumed that the onetime payment outlined in Section 2 of the bill would cost \$1,636.0 million in General Revenue in fiscal year 2024.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

LBB Staff: JMc, CMA, ASA, MMo, MOc, KK