

BILL ANALYSIS

H.B. 3397
By: Murphy
Pensions, Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The unfunded actuarial accrued liability (UAAL) of the Employees Retirement System of Texas (ERS) has ballooned to around \$14.5 billion. ERS is slated to run out of money completely by 2061, at which point funding would revert to a pay-as-you-go status, and projections indicate that the required legislative appropriation for ERS would quadruple in that scenario. H.B. 3397 seeks to address the ERS unfunded liability shortfall by revising the manner in which ERS contribution rates are set.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 3397 amends the Government Code to provide for the Employees Retirement System of Texas (ERS) contribution rates to be determined annually by an actuary instead of being set in statute by the legislature. The bill requires the designated ERS actuary, for fiscal year 2022 and for each subsequent fiscal year, to calculate an actuarially determined contribution rate for the applicable fiscal year and recommend to the ERS board of trustees for review and adoption the member contribution rate and the state contribution rate calculated by apportioning the actuarially determined contribution rate among members, the state, and employers in a manner that results in the member contribution rate not exceeding 50 percent of the actuarially determined contribution rate. The bill requires the board to adopt the recommended contribution rates as the official contribution rates as required by law.

H.B. 3397 establishes that an actuarially determined contribution rate is a percentage rate that reflects the sum of the normal cost of projected benefits for the fiscal year and the portion of the total payment toward the unfunded actuarial accrued liabilities of ERS that is attributable to the fiscal year and sufficient to amortize those unfunded actuarial accrued liabilities in a period that does not exceed 30 years by one or more years. The bill requires that the actuarially determined contribution rate recommended by the actuary be based on the following:

- reasonable actuarial assumptions and methods;
- mortality, service, and other tables adopted by the board; and
- the ERS funding policy adopted by the board.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2021.