

RSEA Legislative Report #3

Final Passage of House Bill 9
and

Status of House Bill 1, the General Appropriations Bill for 2016-17 Biennium
May 27, 2015

House Bill 9, one of two major bills intended to fix the state pension fund at ERS, has been finally passed by both the House and Senate, and is on its way to the Governor's desk.

As reported in RSEA's Legislative Report #1, House Bill 9 (Dan Flynn) increases the state contribution to the pension fund from 7.5% to 9.5%, and also increases active employees' contribution to 9.5%.

House Bill 9 was improved in the Senate by a floor amendment from Senator Joan Huffman to eliminate the 90-day wait for ERS membership for new employees, bringing more money into the fund. The Senate passed House Bill 9 by a vote of 31-0 on May 22 after supportive questions and comments from Senator Kirk Watson.

The House of Representatives voted 146-0 on May 26 to concur with the Senate version of House Bill 9, sending the bill to the Governor. House Bill 9 had continuous support from Speaker Joe Straus, and representatives John Otto and Sylvester Turner.

The second major bill, House Bill 1, the general appropriations bill for the 2016-17 biennium contains the funding for House Bill 9, as well as the overall budget for ERS and the funding for the state employee pay raise to cover their increase in contributions. The conference committee report on House Bill 1, chaired by Representative Otto and Senator Jane Nelson, is expected to be taken up by both chambers within the next few days before the end of the legislative session.

The combined effect of House Bill 1 and House Bill 9 will bring the estimated amortization period for the fund to 32 years. This compares to ERS' current estimate of "infinity" which has been allowed to accumulate over the last two decades while state law requires a 31-year amortization period. This is a major improvement in funding support for the pension fund – both from the state and from employees.

Assuming final approval by Governor Abbott of both House Bill 1 and House Bill 9, it will be the responsibility of ERS, working with their actuaries and investment advisors, to determine the overall financial health of the state pension fund. From that assessment, a determination can be made regarding whether and when any positive adjustment can be made for retirees' annuities.