

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**March 26, 2017**

**TO:** Honorable Dan Flynn, Chair, House Committee on Pensions

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB43** by Flynn (Relating to the public retirement systems of certain municipalities.), **As Introduced**

<p><b>No fiscal implication to the State is anticipated.</b></p>
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The bill would amend multiple sections of the Revised Statutes relating to the City of Houston's Firefighter, Police, and Municipal Employee pension systems. The bill would prohibit the pension systems from making modifications to how benefits are provided if the amortized unfunded liability would exceed 30 years. Some of the prohibited modifications would be: adopting changes in a rate of a member's or city's contributions, adopting changes to the rate of interest, raising or removing the maximum amount of a type of creditable service, or establishing a new monetary benefit.

The bill would require the city, each payroll period, to contribute to the Police and Municipal Employee pension systems an amount equal to the product of the contribution rate by the aggregate of salaries paid to members of the pension system. The bill would require the city's minimum contribution to be equal to the normal cost plus the amount that would bring the pension's unfunded actuarial liability to 30 years.

The bill would allow systems to adopt rules, policies, and procedures that could limit the amount of a member's earnings or length of time a member may elect to participate in a Deferred Retirement Option Plan (DROP).

The bill would take effect September 1, 2017.

**Local Government Impact**

Due to incomplete data from the City of Houston the fiscal impact of the bill to local government cannot be determined.

**Source Agencies:**

**LBB Staff:** UP, AG, GG, BM, KFa