

By: Bonnen

H.B. No. 3367

A BILL TO BE ENTITLED

AN ACT

relating to contributions to, benefits from, and the administration of the Judicial Retirement System of Texas Plan Two.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 803.202, Government Code, is amended by adding Subsection (d) to read as follows:

(d) A member of the Judicial Retirement System of Texas Plan Two who is subject to Chapter 840A is eligible to participate in the program provided by this chapter.

SECTION 2. Section 804.003, Government Code, is amended by amending Subsections (j) and (k) and adding Subsection (k-2) to read as follows:

(j) Except as provided by Subsection (k-2), if ~~if~~ a domestic relations order is determined to be a qualified domestic relations order, then the public retirement system (or applicable carrier, if under the optional retirement program) shall pay the segregated amounts without interest to the person or persons entitled thereto and shall thereafter pay benefits pursuant to the order.

(k) Except as provided by Subsection (k-2), if ~~if~~ a domestic relations order is determined not to be a qualified domestic relations order or if within 18 months of the date a domestic relations order is received by the public retirement system (or applicable carrier, if under the optional retirement

1 program) the issue as to whether such order is a qualified domestic  
2 relations order is not resolved, then the public retirement system  
3 (or applicable carrier, if under the optional retirement program)  
4 shall pay the segregated amounts without interest and shall  
5 thereafter pay benefits to the person or persons who would have been  
6 entitled to such amounts if there had been no order. This  
7 subsection shall not be construed to limit or otherwise affect any  
8 liability, responsibility, or duty of a party with respect to any  
9 other party to the action out of which the order arose.

10 (k-2) Payment of segregated amounts by a public retirement  
11 system, or applicable carrier if under the optional retirement  
12 program, under Subsections (j) and (k) related to a benefit payable  
13 with respect to a member or retiree subject to Chapter 840A must  
14 include annual interest provided by Section 840A.103 and gain  
15 sharing interest provided by Section 840A.104.

16 SECTION 3. Section 836.001, Government Code, is amended by  
17 adding Subdivision (3-a) and amending Subdivision (9) to read as  
18 follows:

19 (3-a) "Cash balance group member" means a member  
20 subject to Chapter 840A.

21 (9) "Service credit" means the amount of membership  
22 and, if applicable, military[7] and equivalent membership service  
23 ascribed by the retirement system to a person and for which the  
24 person has made required contributions.

25 SECTION 4. Section 838.001, Government Code, is amended to  
26 read as follows:

27 Sec. 838.001. TYPES OF CREDITABLE SERVICE. The types of

1 service creditable in the retirement system are[+]  
2 [~~(1)~~] membership service and, as applicable:[+]  
3 (1) [~~(2)~~] military service; and  
4 (2) [~~(3)~~] equivalent membership service.

5 SECTION 5. Subchapter A, Chapter 838, Government Code, is  
6 amended by adding Section 838.002 to read as follows:

7 Sec. 838.002. PROVISIONS INAPPLICABLE TO CASH BALANCE GROUP  
8 MEMBERS. Sections 838.102, 838.103, 838.1035, 838.105, 838.106,  
9 838.107, and 838.108 of this chapter do not apply to a cash balance  
10 group member.

11 SECTION 6. Subchapter A, Chapter 839, Government Code, is  
12 amended by adding Section 839.005 to read as follows:

13 Sec. 839.005. PROVISIONS INAPPLICABLE TO CASH BALANCE GROUP  
14 MEMBERS. The following provisions of this chapter do not apply to a  
15 cash balance group member:

- 16 (1) Section 839.002; and  
17 (2) Subchapters B and E.

18 SECTION 7. Section 839.201(a), Government Code, is amended  
19 to read as follows:

20 (a) A member, other than a member who is eligible to receive  
21 a service retirement annuity under Section 839.101 or a cash  
22 balance annuity under Section 840A.052, is eligible, regardless of  
23 age, to retire from regular active service for disability and  
24 receive a disability retirement annuity if the member has at least  
25 seven years of service credit in the retirement system.

26 SECTION 8. Subchapter A, Chapter 840, Government Code, is  
27 amended by adding Section 840.009 to read as follows:

1        Sec. 840.009. PROVISIONS INAPPLICABLE TO CASH BALANCE GROUP  
2 MEMBERS. Sections 840.102(g) and (h), 840.1025, and 840.1027 of  
3 this chapter do not apply to a cash balance group member.

4        SECTION 9. The heading to Section 840.102, Government Code,  
5 is amended to read as follows:

6        Sec. 840.102. COLLECTION OF CERTAIN MEMBER CONTRIBUTIONS.

7        SECTION 10. Section 840.102(a), Government Code, is amended  
8 to read as follows:

9        (a) Except as provided by Subsections (g) and (h), each  
10 payroll period, a judicial officer who is a member of the retirement  
11 system other than a cash balance group member is required to  
12 contribute 9.5 percent of the officer's state compensation for  
13 service rendered after September 1, 2019.

14        SECTION 11. Sections 840.105(a) and (c), Government Code,  
15 are amended to read as follows:

16        (a) For all state compensation earned [~~after December 31,~~  
17 ~~1989,~~] by judicial officers who are members of the retirement  
18 system, the state shall pick up the member contributions required  
19 by Section 840.102 or 840A.101, as applicable. The state shall pay  
20 the picked-up contributions to the retirement system from the same  
21 source that is used in paying state compensation to the judicial  
22 officer members. These payments are in lieu of contributions by the  
23 members. The state shall pick up these contributions by a  
24 corresponding reduction in the cash salaries of the members, by an  
25 offset against a future salary increase, or by a combination of a  
26 salary reduction and offset against a future salary increase.  
27 Members do not have the option of choosing to receive the

1 contributed amounts directly instead of having them paid by the  
2 state to the retirement system.

3 (c) Member contributions picked up as provided by  
4 Subsection (a) shall be transmitted to the retirement system in the  
5 manner required by Section 840.102. Member contributions picked up  
6 by the state shall be credited to the members' individual accounts  
7 and treated for all other purposes as if the amounts were a part of  
8 the members' compensation and had been deducted as provided by  
9 Section 840.102 or 840A.101, as applicable.

10 SECTION 12. Section 840.306(a), Government Code, is amended  
11 to read as follows:

12 (a) Except as provided by Section 840A.103 or 840A.104,  
13 interest [~~Interest~~] on money in a member's individual account in  
14 the retirement system is earned monthly and is computed at the rate  
15 of five percent a year on the mean balance of the member's account  
16 for the fiscal year.

17 SECTION 13. Subtitle E, Title 8, Government Code, is  
18 amended by adding Chapter 840A to read as follows:

19 CHAPTER 840A. CASH BALANCE BENEFIT

20 SUBCHAPTER A. GENERAL PROVISIONS

21 Sec. 840A.001. DEFINITION. In this chapter, "accumulated  
22 account balance" means the total of amounts in a member's  
23 individual account in the retirement system, including:

24 (1) amounts deducted from the compensation of the  
25 member;

26 (2) other member deposits required to be placed in the  
27 member's individual account; and

1           (3) interest credited to amounts in the member's  
2 individual account, including interest and gain sharing interest  
3 credited in accordance with Sections 840A.103 and 840A.104,  
4 respectively.

5           Sec. 840A.002. APPLICABILITY. This chapter applies only to  
6 a member who:

- 7           (1) took office on or after September 1, 2024; and  
8           (2) was not a member on the date the member took  
9 office.

10          Sec. 840A.003. CONFLICT OF LAW. To the extent of a conflict  
11 between this chapter, including a rule adopted by the retirement  
12 system under authority of this chapter, and any other law, this  
13 chapter prevails.

14          Sec. 840A.004. RULES. The board of trustees may adopt rules  
15 necessary to implement this chapter.

16                   SUBCHAPTER B. CASH BALANCE BENEFITS

17          Sec. 840A.051. APPLICATION FOR CASH BALANCE BENEFIT.

18          (a) A member may apply for a cash balance annuity by filing an  
19 application for retirement with the board of trustees.

20          (b) An application for a cash balance annuity may not be  
21 made:

- 22           (1) after the date the member wishes to retire; or  
23           (2) more than 90 days before the date the member wishes  
24 to retire.

25          Sec. 840A.052. ELIGIBILITY FOR CASH BALANCE BENEFIT. A  
26 member is eligible to retire and receive a cash balance annuity if  
27 the member:

1           (1) is at least 60 years old, currently holds a  
2 judicial office, and has at least 10 years of service credited in  
3 the retirement system;

4           (2) is at least 60 years old and has at least 12 years  
5 of service credited in the retirement system, regardless of whether  
6 the member currently holds a judicial office;

7           (3) has at least 20 years of service credited in the  
8 retirement system, regardless of whether the member currently holds  
9 a judicial office; or

10           (4) has served at least 12 years on an appellate court  
11 and the sum of the member's age and amount of service credited in  
12 the retirement system equals or exceeds the number 70, regardless  
13 of whether the member currently holds a judicial office.

14           Sec. 840A.053. CASH BALANCE BENEFITS FOR MEMBERS. (a) The  
15 state match for the cash balance benefit is an amount computed by  
16 multiplying the member's accumulated account balance by 150  
17 percent.

18           (b) The retirement system shall compute a member's cash  
19 balance annuity under this section by taking the sum of the member's  
20 accumulated account balance and the state match computed under  
21 Subsection (a) and annuitizing that amount over the life expectancy  
22 of the member as of the effective date of the member's retirement  
23 using mortality and other tables adopted by the board for that  
24 purpose under Section 840.005.

25           Sec. 840A.054. OPTIONAL CASH BALANCE BENEFITS. (a)  
26 Instead of the standard cash balance annuity payable under Section  
27 840A.053, a retiring member may elect to receive an optional cash

1 balance annuity under this section.

2 (b) A person who selects an optional lifetime cash balance  
3 annuity must designate, before the selection becomes effective, one  
4 person to receive the annuity on the death of the person making the  
5 selection. A person who selects an optional cash balance annuity  
6 payable for a guaranteed period may designate, before or after  
7 retirement, one or more persons to receive the annuity on the death  
8 of the person making the selection.

9 (c) A person eligible to select an optional cash balance  
10 annuity under this section may select an option which provides  
11 that:

12 (1) after the retiree's death, the reduced annuity is  
13 payable in the same amount throughout the life of the person  
14 designated by the retiree before retirement;

15 (2) after the retiree's death, one-half of the reduced  
16 annuity is payable throughout the life of the person designated by  
17 the retiree before retirement;

18 (3) if the retiree dies before 60 monthly annuity  
19 payments have been made, the remainder of the 60 payments are  
20 payable to one or more beneficiaries or, if one does not exist, to  
21 the retiree's estate;

22 (4) if the retiree dies before 120 monthly annuity  
23 payments have been made, the remainder of the 120 payments are  
24 payable to one or more beneficiaries or, if one does not exist, to  
25 the retiree's estate; or

26 (5) after the retiree's death, three-fourths of the  
27 reduced annuity is payable throughout the life of the person



1 designated by the retiree before retirement.

2 (d) If a beneficiary designated by a retiree under  
3 Subsection (b) predeceases the retiree and the retiree has elected  
4 an optional lifetime annuity, the reduced annuity shall be  
5 increased to the standard cash balance annuity that the retiree  
6 would have been entitled to receive if the retiree had not selected  
7 the optional annuity. The standard cash balance annuity shall be  
8 adjusted as appropriate for post-retirement increases in  
9 retirement benefits authorized by law since the date of retirement.

10 (e) Any increase in an annuity under Subsection (d) begins  
11 with the payment for the month following the month in which the  
12 designated beneficiary dies, and the increased annuity is payable  
13 to the retiree for the remainder of the retiree's life.

14 (f) The computation of an optional cash balance annuity must  
15 be made without regard to the gender of the annuitant or designated  
16 beneficiary.

17 (g) Except as provided by Section 840A.055, a person who  
18 selected an optional cash balance annuity described by Subsection  
19 (c)(1), (2), or (5) of this section may not change or revoke a  
20 beneficiary designation after the person's effective date of  
21 retirement.

22 (h) A beneficiary designation that names a former spouse as  
23 a beneficiary for a guaranteed optional cash balance annuity  
24 described by Subsection (c)(3) or (4) is invalid unless the  
25 designation is made after the date of the divorce.

26 Sec. 840A.055. CHANGE IN OPTIONAL CASH BALANCE ANNUITY  
27 SELECTION. (a) A person who retired and selected an optional cash

1 balance annuity described by Section 840A.054(c)(1), (2), or (5)  
2 may change the optional annuity to a standard cash balance annuity  
3 if:

4 (1) pursuant to a divorce decree, a court orders the  
5 change in the annuity to a standard cash balance annuity; or

6 (2) the retiree files with the retirement system a  
7 request to change the annuity selection, if the retiree designated  
8 a person as beneficiary who:

9 (A) was not at the time of designation and is not  
10 currently the retiree's spouse or dependent child; or

11 (B) is not currently the retiree's spouse or  
12 dependent child and has executed since the designation a written,  
13 notarized instrument that releases the retirement system from any  
14 claim to the annuity by the beneficiary and that transfers all of  
15 the beneficiary's interest in the annuity to the retiree.

16 (b) If a retiree files a request as provided by Subsection  
17 (a), the retirement system shall recompute the annuity as a  
18 standard cash balance annuity. The increase in the annuity under  
19 this section begins with the monthly payment made to the retiree for  
20 the month following the month in which a request is filed as  
21 provided by Subsection (a).

22 Sec. 840A.056. PARTIAL LUMP-SUM CASH BALANCE OPTION. (a) A  
23 member who is eligible for a cash balance annuity may select a  
24 standard cash balance annuity under Section 840A.053 or an optional  
25 cash balance annuity under Section 840A.054, together with a  
26 partial lump-sum distribution.

27 (b) The amount of the lump-sum distribution under this

1 section may not exceed the sum of 36 months of a standard cash  
2 balance annuity computed without regard to this section.

3 (c) The cash balance annuity selected by the member shall be  
4 actuarially reduced to reflect the lump-sum option selected by the  
5 member and shall be actuarially equivalent to a standard or  
6 optional cash balance annuity, as applicable, without the partial  
7 lump-sum distribution. The annuity and lump sum shall be computed  
8 to result in no actuarial loss to the retirement system.

9 (d) The lump-sum distribution shall be made as a single  
10 payment payable at the time that the first monthly annuity payment  
11 is paid.

12 (e) The amount of the lump-sum distribution shall be  
13 deducted from any amount otherwise payable under this chapter.

14 (f) The partial lump-sum option under this section may be  
15 elected only once by a member and may not be elected by a retiree. A  
16 member retiring under the proportionate retirement program under  
17 Chapter 803 is not eligible for the partial lump-sum option.

18 (g) Before a retiring member selects a partial lump-sum  
19 distribution under this section:

20 (1) the retirement system shall provide written notice  
21 to the member of the amount by which the member's annuity will be  
22 reduced because of the selection; and

23 (2) the member must acknowledge receipt of the notice  
24 in writing.

25 (h) The board of trustees may adopt rules for the  
26 implementation of this section and may authorize the option to be  
27 used for a death benefit annuity. This section does not apply to a

1 disability retirement annuity.

2 Sec. 840A.057. DEATH AND DISABILITY BENEFITS. (a)

3 Notwithstanding any other law, a member subject to this chapter, a  
4 retiree receiving a cash balance annuity under this chapter, or the  
5 beneficiary of a member or retiree described by this subsection,  
6 who qualifies for a death or survivor benefit annuity or a  
7 disability retirement annuity under Chapter 839 is entitled to a  
8 cash balance annuity under this subchapter instead of the annuity  
9 otherwise provided under Chapter 839.

10 (b) The board of trustees may enter into contracts to  
11 provide additional death and disability benefits under this  
12 chapter.

13 SUBCHAPTER C. CONTRIBUTIONS AND INTEREST

14 Sec. 840A.101. COLLECTION OF MEMBER CONTRIBUTIONS. Each  
15 payroll period, each department or agency of the state shall cause  
16 to be deducted from the compensation of a member subject to this  
17 chapter a contribution of six percent of the compensation of the  
18 member.

19 Sec. 840A.102. STATE CONTRIBUTIONS FOR MILITARY SERVICE.

20 (a) The state shall contribute for military service established  
21 under Section 838.1031 an amount in the same ratio to the member's  
22 contribution for the service as the state's contribution bears to  
23 the contribution for current service required of a member of the  
24 retirement system who is subject to this chapter at the time the  
25 service is established under this subchapter.

26 (b) The state's contribution under Subsection (a) shall be  
27 paid from the fund from which the member receives compensation at

1 the time the service is established or, if the member does not hold  
2 a position at the time the service is established, from the fund  
3 from which the member received compensation when the member most  
4 recently held a position.

5 Sec. 840A.103. ANNUAL INTEREST ADJUSTMENT. Each fiscal  
6 year, the retirement system shall deposit for a member subject to  
7 this chapter an amount equal to four percent of the member's  
8 accumulated account balance deposited into the member's individual  
9 account in the retirement system.

10 Sec. 840A.104. GAIN SHARING INTEREST ADJUSTMENT. (a) Each  
11 fiscal year and subject to Subsection (b), the retirement system  
12 shall compute the gain sharing interest rate by:

13 (1) determining the average return on the investment  
14 of the system's cash and securities during the preceding five  
15 fiscal years, expressed as a percentage rate;

16 (2) subtracting four percentage points from the  
17 percentage rate determined under Subdivision (1); and

18 (3) multiplying the resulting difference under  
19 Subdivision (2) by 50 percent.

20 (b) Subject to Subsection (c), each fiscal year, the  
21 retirement system shall:

22 (1) in addition to the amount deposited under Section  
23 840A.103, deposit into each member's individual account in the  
24 retirement system an amount equal to the gain sharing interest rate  
25 determined under Subsection (a) for the fiscal year multiplied by  
26 the member's accumulated account balance as of the end of the  
27 preceding fiscal year; and

1           (2) recalculate the annuity payment of a retiree or  
2 annuitant under this chapter by:

3                   (A) multiplying the annuity payment amount as of  
4 the end of the preceding fiscal year by the gain sharing interest  
5 rate determined under Subsection (a); or

6                   (B) if the retiree or annuitant was not entitled  
7 to an annuity payment as of the end of the preceding fiscal year,  
8 multiplying the retiree's or annuitant's first annuity payment  
9 amount by the gain sharing interest rate determined under  
10 Subsection (a).

11           (c) The gain sharing interest rate applied under Subsection  
12 (b) may not be less than zero or more than three percent.

13           (d) Subsection (b) applies only to a retiree or annuitant  
14 who is receiving a cash balance annuity under Section 840A.053 or  
15 840A.054, including an alternate payee under Section 804.005.

16           SECTION 14. Section 1551.102(b), Insurance Code, is amended  
17 to read as follows:

18           (b) An individual is eligible to participate in the group  
19 benefits program as provided by Subsection (a) if:

20                   (1) the individual retires under the jurisdiction of  
21 the Employees Retirement System of Texas; and

22                   (2) the individual:  
23                           (A) receives or is eligible to receive an annuity  
24 under Section 814.104(a)(2), Government Code, and has at least 10  
25 years of eligible service credit;

26                           (B) receives or is eligible to receive an annuity  
27 under Chapter 803 or Section 814.104(a)(1), Government Code, has at

1 least 10 years of eligible service credit, and is at least 65 years  
2 of age;

3 (C) receives or is eligible to receive an annuity  
4 that is based on eligibility under Section 814.002, 814.102,  
5 814.104(b), 814.107(a), 834.101, or 839.101, Government Code; or

6 (D) receives or is eligible to receive an annuity  
7 under Subchapter B, Chapter 820, or Subchapter B, Chapter 840A,  
8 Government Code, and has at least 10 years of eligible service  
9 credit.

10 SECTION 15. Section 1551.3196(c), Insurance Code, is  
11 amended to read as follows:

12 (c) This section does not apply to an individual who:

13 (1) receives or is eligible to receive an annuity that  
14 is based on eligibility under Section 814.002, 814.102, 834.101,  
15 [~~or~~] 839.101, or 840A.052, Government Code; or

16 (2) is eligible to participate in the group benefits  
17 program under:

18 (A) Section 1551.102(d) because of a disability;

19 or

20 (B) Section 1551.102(f).

21 SECTION 16. This Act takes effect immediately if it  
22 receives a vote of two-thirds of all the members elected to each  
23 house, as provided by Section 39, Article III, Texas Constitution.  
24 If this Act does not receive the vote necessary for immediate  
25 effect, this Act takes effect September 1, 2023.