

By: Huffman
(Bonnen)

S.B. No. 1245

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 837.102(a), Government Code, is amended
26 to read as follows:

27 (a) A retiree who resumes service as a judicial officer

1 other than by [~~appointment or~~] assignment described in Section
2 837.101 may not rejoin or receive credit in the retirement system
3 for the resumed service, unless an election is made as provided by
4 Section 837.103.

5 SECTION 5. Subchapter B, Chapter 837, Government Code, is
6 amended by adding Section 837.103 to read as follows:

7 Sec. 837.103. RESUMPTION OF FULL-TIME JUDICIAL SERVICE BY
8 CERTAIN RETIREES; OPTIONAL ELECTION TO REJOIN SYSTEM. (a) This
9 section does not apply to a retiree receiving a cash balance annuity
10 under Chapter 840A.

11 (b) Notwithstanding Sections 837.001(c) and 837.002(2), a
12 retiree described by Section 837.102(a) may elect to rejoin the
13 retirement system as a member and receive service credit in the
14 system for resuming service as a judicial officer if, before taking
15 the oath of office, the retiree has been separated from judicial
16 service for at least 12 full consecutive months. The retiree shall
17 provide notice of the election to the system in the manner
18 prescribed by the system.

19 (c) For a person who makes an election under this section,
20 on the resumption of annuity payments that have been suspended
21 under Section 837.102, the retirement system shall recompute the
22 annuity selected at the time of the person's original retirement to
23 include the person's additional service credit established during
24 membership under this section. If, at the time of the person's
25 original retirement, the person selected an optional retirement
26 annuity payable under Section 839.103(a)(3) or (4), the retirement
27 system shall reduce the number of months of payments by the number

1 of months for which the annuity was paid before the person resumed
2 service.

3 (d) The retirement system shall implement this section only
4 if the system is considered actuarially sound. For purposes of this
5 subsection, the system is considered actuarially sound if, based on
6 an actuarial valuation of the system prepared under Section
7 840.204(d) on or after September 1, 2023, the amount of
8 contributions to the system are sufficient to cover the normal cost
9 of the system and to amortize the unfunded actuarial accrued
10 liability of the system within 30 years. Not later than the 30th
11 day after the date an actuarial valuation is prepared showing the
12 system is actuarially sound, the system shall implement this
13 section. On September 1, 2025:

14 (1) if this section is implemented, this subsection
15 expires; or

16 (2) if this section is not implemented, this section
17 expires.

18 SECTION 6. Section 838.001, Government Code, is amended to
19 read as follows:

20 Sec. 838.001. TYPES OF CREDITABLE SERVICE. The types of
21 service creditable in the retirement system are[+]

22 [~~1~~] membership service and, as applicable: [+]

23 (1) [~~2~~] military service; and

24 (2) [~~3~~] equivalent membership service.

25 SECTION 7. Subchapter A, Chapter 838, Government Code, is
26 amended by adding Section 838.002 to read as follows:

27 Sec. 838.002. PROVISIONS INAPPLICABLE TO CASH BALANCE GROUP

1 MEMBERS. Sections 838.102, 838.103, 838.1035, 838.105, 838.106,
2 838.107, and 838.108 of this chapter do not apply to a cash balance
3 group member.

4 SECTION 8. Subchapter A, Chapter 839, Government Code, is
5 amended by adding Section 839.005 to read as follows:

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

9 (1) Section 839.002; and

10 (2) Subchapters B and E.

11 SECTION 9. Section 839.201(a), Government Code, is amended
12 to read as follows:

13 (a) A member, other than a member who is eligible to receive
14 a service retirement annuity under Section 839.101 or a cash
15 balance annuity under Section 840A.052, is eligible, regardless of
16 age, to retire from regular active service for disability and
17 receive a disability retirement annuity if the member has at least
18 seven years of service credit in the retirement system.

19 SECTION 10. Subchapter A, Chapter 840, Government Code, is
20 amended by adding Section 840.009 to read as follows:

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

24 SECTION 11. The heading to Section 840.102, Government
25 Code, is amended to read as follows:

26 Sec. 840.102. COLLECTION OF CERTAIN MEMBER CONTRIBUTIONS.

27 SECTION 12. Section 840.102(a), Government Code, is amended

1 to read as follows:

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

7 SECTION 13. Sections [840.105](#)(a) and (c), Government Code,
8 are amended to read as follows:

9 (a) For all state compensation earned [~~after December 31,~~
10 ~~1989,~~] by judicial officers who are members of the retirement
11 system, the state shall pick up the member contributions required
12 by Section [840.102](#) or 840A.101, as applicable. The state shall pay
13 the picked-up contributions to the retirement system from the same
14 source that is used in paying state compensation to the judicial
15 officer members. These payments are in lieu of contributions by the
16 members. The state shall pick up these contributions by a
17 corresponding reduction in the cash salaries of the members, by an
18 offset against a future salary increase, or by a combination of a
19 salary reduction and offset against a future salary increase.
20 Members do not have the option of choosing to receive the
21 contributed amounts directly instead of having them paid by the
22 state to the retirement system.

23 (c) Member contributions picked up as provided by
24 Subsection (a) shall be transmitted to the retirement system in the
25 manner required by Section [840.102](#). Member contributions picked up
26 by the state shall be credited to the members' individual accounts
27 and treated for all other purposes as if the amounts were a part of

1 the members' compensation and had been deducted as provided by
2 Section 840.102 or 840A.101, as applicable.

3 SECTION 14. Section 840.306(a), Government Code, is amended
4 to read as follows:

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

10 SECTION 15. Subtitle E, Title 8, Government Code, is
11 amended by adding Chapter 840A to read as follows:

12 CHAPTER 840A. CASH BALANCE BENEFIT

13 SUBCHAPTER A. GENERAL PROVISIONS

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

17 (1) amounts deducted from the compensation of the
18 member;

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

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

25 Sec. 840A.002. APPLICABILITY. This chapter applies only to
26 a member who:

27 (1) took office on or after September 1, 2024; and

1 (2) was not a member on the date the member took
2 office.

3 Sec. 840A.003. CONFLICT OF LAW. To the extent of a conflict
4 between this chapter, including a rule adopted by the retirement
5 system under authority of this chapter, and any other law, this
6 chapter prevails.

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

9 SUBCHAPTER B. CASH BALANCE BENEFITS

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

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

13 (b) An application for a cash balance annuity may not be
14 made:

15 (1) after the date the member wishes to retire; or

16 (2) more than 90 days before the date the member wishes
17 to retire.

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

21 (1) is at least 60 years old and has at least eight
22 years of service credited in the retirement system; or

23 (2) is at least 50 years old and has at least 12 years
24 of service credited in the retirement system.

25 Sec. 840A.053. STANDARD CASH BALANCE BENEFITS FOR MEMBERS.

26 (a) The state match for the cash balance benefit is an amount
27 computed by multiplying the member's accumulated account balance by

1 150 percent.

2 (b) The retirement system shall compute a member's standard
3 cash balance annuity under this section by taking the sum of the
4 member's accumulated account balance and the state match computed
5 under Subsection (a) and annuitizing that amount over the life
6 expectancy of the member as of the effective date of the member's
7 retirement using mortality and other tables adopted by the board of
8 trustees for that purpose under Section 840.005.

9 Sec. 840A.054. OPTIONAL CASH BALANCE BENEFITS. (a)
10 Instead of the standard cash balance annuity payable under Section
11 840A.053, a retiring member may elect to receive an optional cash
12 balance annuity under this section.

13 (b) A person who selects an optional lifetime cash balance
14 annuity must designate, before the selection becomes effective, one
15 beneficiary to receive the annuity on the death of the person making
16 the selection. A person who selects an optional cash balance
17 annuity payable for a guaranteed period may designate, before or
18 after retirement, one or more beneficiaries to receive the annuity
19 on the death of the person making the selection.

20 (c) A person eligible to select an optional cash balance
21 annuity under this section may select an option which provides
22 that:

23 (1) after the retiree's death, the reduced annuity is
24 payable in the same amount throughout the life of the beneficiary
25 designated by the retiree before retirement;

26 (2) after the retiree's death, one-half of the reduced
27 annuity is payable throughout the life of the beneficiary

1 designated by the retiree before retirement;

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

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

10 (5) after the retiree's death, three-fourths of the
11 reduced annuity is payable throughout the life of the beneficiary
12 designated by the retiree before retirement.

13 (d) If a beneficiary designated by a retiree under
14 Subsection (b) predeceases the retiree and the retiree has elected
15 an optional lifetime annuity, the reduced annuity shall be
16 increased to the standard cash balance annuity that the retiree
17 would have been entitled to receive if the retiree had not selected
18 the optional annuity. The standard cash balance annuity shall be
19 adjusted as appropriate for post-retirement increases in
20 retirement benefits authorized by law since the date of retirement.

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

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

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

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

9 Sec. 840A.055. CHANGE IN OPTIONAL CASH BALANCE ANNUITY
10 SELECTION. (a) A person who retired and selected an optional cash
11 balance annuity described by Section 840A.054(c)(1), (2), or (5)
12 may change the optional annuity to a standard cash balance annuity
13 only if:

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

16 (2) the retiree files with the retirement system a
17 request to change the annuity and, in connection with a divorce
18 between the retiree and the beneficiary designated by the retiree
19 under Section 840A.054(b), the beneficiary has executed a written,
20 notarized instrument that:

21 (A) releases the system from any claim to the
22 annuity by the beneficiary; and

23 (B) transfers all of the beneficiary's interest
24 in the annuity to the retiree.

25 (b) If a retiree files a request as provided by Subsection
26 (a), the retirement system shall recompute the annuity as a
27 standard cash balance annuity. The increase in the annuity under

1 this section begins with the monthly payment made to the retiree for
2 the month following the month in which a request is filed as
3 provided by Subsection (a).

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

9 (b) The amount of the lump-sum distribution under this
10 section may not exceed the sum of 36 months of a standard cash
11 balance annuity computed without regard to this section.

12 (c) The cash balance annuity selected by the member shall be
13 actuarially reduced to reflect the lump-sum option selected by the
14 member and shall be actuarially equivalent to a standard or
15 optional cash balance annuity, as applicable, without the partial
16 lump-sum distribution. The annuity and lump sum shall be computed
17 to result in no actuarial loss to the retirement system.

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

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

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

27 (g) Before a retiring member selects a partial lump-sum

1 distribution under this section:

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

5 (2) the member must acknowledge receipt of the notice
6 in writing.

7 (h) The board of trustees may adopt rules for the
8 implementation of this section and may authorize the option to be
9 used for a death benefit annuity. This section does not apply to a
10 disability retirement annuity.

11 Sec. 840A.057. DEATH AND DISABILITY BENEFITS. (a)
12 Notwithstanding any other law, a member subject to this chapter, a
13 retiree receiving a cash balance annuity under this chapter, or the
14 beneficiary of a member or retiree described by this subsection,
15 who qualifies for a death or survivor benefit annuity or a
16 disability retirement annuity under Chapter 839 is entitled to a
17 cash balance annuity under this subchapter instead of the annuity
18 otherwise provided under Chapter 839.

19 (b) The board of trustees may enter into contracts to
20 provide additional death and disability benefits under this
21 chapter.

22 SUBCHAPTER C. CONTRIBUTIONS AND INTEREST

23 Sec. 840A.101. COLLECTION OF MEMBER CONTRIBUTIONS. Each
24 payroll period, each department or agency of the state shall cause
25 to be deducted from the compensation of a member subject to this
26 chapter a contribution of six percent of the compensation of the
27 member.

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

2 (a) The state shall contribute for military service established
3 under Section 838.1031 an amount in the same ratio to the member's
4 contribution for the service as the state's contribution bears to
5 the contribution for current service required of a member of the
6 retirement system who is subject to this chapter at the time the
7 service is established under this subchapter.

8 (b) The state's contribution under Subsection (a) shall be
9 paid from the fund from which the member receives compensation at
10 the time the service is established or, if the member does not hold
11 a position at the time the service is established, from the fund
12 from which the member received compensation when the member most
13 recently held a position.

14 Sec. 840A.103. ANNUAL INTEREST ADJUSTMENT. Each fiscal
15 year, the retirement system shall deposit for a member subject to
16 this chapter an amount equal to four percent of the member's
17 accumulated account balance deposited into the member's individual
18 account in the retirement system.

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

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

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

27 (3) multiplying the resulting difference under

1 Subdivision (2) by 50 percent.

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

4 (1) in addition to the amount deposited under Section
5 840A.103, deposit into each member's individual account in the
6 retirement system an amount equal to the gain sharing interest rate
7 determined under Subsection (a) for the fiscal year multiplied by
8 the member's accumulated account balance as of the end of the
9 preceding fiscal year; and

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

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

15 (B) if the retiree or annuitant was not entitled
16 to an annuity payment as of the end of the preceding fiscal year,
17 multiplying the retiree's or annuitant's first annuity payment
18 amount by the gain sharing interest rate determined under
19 Subsection (a).

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

22 (d) Subsection (b) applies only to a retiree or annuitant
23 who is receiving a cash balance annuity under Section 840A.053 or
24 840A.054, including an alternate payee under Section 804.005.

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

27 (b) An individual is eligible to participate in the group

1 benefits program as provided by Subsection (a) if:

2 (1) the individual retires under the jurisdiction of
3 the Employees Retirement System of Texas; and

4 (2) the individual:

5 (A) receives or is eligible to receive an annuity
6 under Section 814.104(a)(2), Government Code, and has at least 10
7 years of eligible service credit;

8 (B) receives or is eligible to receive an annuity
9 under Chapter 803 or Section 814.104(a)(1), Government Code, has at
10 least 10 years of eligible service credit, and is at least 65 years
11 of age;

12 (C) receives or is eligible to receive an annuity
13 that is based on eligibility under Section 814.002, 814.102,
14 814.104(b), 814.107(a), 834.101, or 839.101 or Subchapter B,
15 Chapter 840A, Government Code; or

16 (D) receives or is eligible to receive an annuity
17 under Subchapter B, Chapter 820, Government Code, and has at least
18 10 years of eligible service credit.

19 SECTION 17. Section 1551.3196(c), Insurance Code, is
20 amended to read as follows:

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

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

25 (2) is eligible to participate in the group benefits
26 program under:

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

1 or

2 (B) Section 1551.102(f).

3 SECTION 18. Section 837.103, Government Code, as added by
4 this Act, if implemented, applies to a retiree of the Judicial
5 Retirement System of Texas Plan Two who resumes service as a
6 judicial officer before, on, or after the date that section is
7 implemented.

8 SECTION 19. This Act takes effect immediately if it
9 receives a vote of two-thirds of all the members elected to each
10 house, as provided by Section 39, Article III, Texas Constitution.
11 If this Act does not receive the vote necessary for immediate
12 effect, this Act takes effect September 1, 2023.