

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 30, 2003

TO: Honorable Allan Ritter, Chair, House Committee on Pensions & Investments

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2753 by Hartnett (Relating to contributions by and benefits for certain members and retirees under the Judicial Retirement System of Texas Plan One and the Judicial Retirement System of Texas Plan Two.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2753, As Introduced: a negative impact of (\$743,040) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	(\$743,040)
2006	(\$984,020)
2007	(\$1,299,200)
2008	(\$1,509,750)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1
2004	\$0	\$0
2005	\$0	(\$743,040)
2006	\$324,000	(\$1,308,020)
2007	\$268,000	(\$1,567,200)
2008	\$228,000	(\$1,737,750)

Fiscal Analysis

This legislation would allow members of the Judicial Retirement System - Plan II (JRS II) and Judicial Retirement System - Plan I (JRS I) retirement plans to continue to make contributions after twenty (20) years of service beginning September 1, 2005 if the member still holds the judicial office on that date. The member contribution rate for these contributions after 20 years of service is six percent of salary for JRS I members and two percent of salary for JRS II members. The service retirement benefits for these JRS II and JRS I members will be increased by three percent of the applicable State salary for each year that the member makes contributions after 20 years of service, up to a maximum of 81 percent of the applicable salary.

Methodology

In the case of JRS I, which is a pay -as-you-go plan, annual state appropriations for JRS I will increase if the proposal is adopted. For fiscal years prior to 2006, the proposal is not expected to increase the State appropriation. For fiscal years 2006, 2007 and 2008, the appropriation is estimated to increase by \$400,000, \$500,000, and \$600,000 per year respectively, under the proposal. Increased member contributions will reduce the cost to the state in fiscal years 2006, 2007 and 2008 by \$324,000, \$268,000 and \$228,000 per year respectively, as indicated in the Fiscal Impact Table.

In the case of JRS II, the normal cost of the program will exceed state and member contributions, resulting in an increase in the state contribution of 1.44 percent beginning in fiscal year 2005. The increased cost to the state in fiscal years 2005, 2006, 2007 and 2008 is \$743,040, \$908,020, \$1,067,200 and \$1,137,750 per year respectively, as indicated in the Fiscal Impact Table.

It is important to note that the actuarial impact of the benefit increase required under the bill could change as a result of the JRS II retirement system's February 2003, updated actuarial valuation.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 327 Employees Retirement System

LBB Staff: JK, JO, RR, MS, ZS