

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 28, 2005

TO: Honorable Craig Eiland, Chair, House Committee on Pensions & Investments

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB939 by Nixon (Relating to benefits payable by the Judicial Retirement System of Texas Plan Two.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB939, As Introduced: a negative impact of (\$7,327,854) through the biennium ending August 31, 2007.

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
2006	(\$3,609,285)
2007	(\$3,718,569)
2008	(\$3,843,812)
2009	(\$3,944,312)
2010	(\$4,084,146)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>OTHER SPECIAL STATE FUNDS</i> 998
2006	(\$3,609,285)	(\$738,892)
2007	(\$3,718,569)	(\$761,265)
2008	(\$3,843,812)	(\$786,905)
2009	(\$3,944,312)	(\$807,479)
2010	(\$4,084,146)	(\$836,106)

Fiscal Analysis

The bill would provide increases in Judicial Retirement System Plan II (JRS II) annuities whenever the state salaries of judges are increased. It would increase the required state contribution rate to slightly more than 25 percent of payroll, above the current contribution rate of 16.83 percent. The new rate would range from 25.03 percent in FY 2006 to 25.6 percent by FY 2010.

The above analysis does not take into account other actions, such as a judicial pay increase. JRS II currently assumes a four percent annual pay increase. If a larger one were granted, it could decrease the current asset balance, thereby further increasing the cost of an actuarially sound state contribution under this proposal.

Methodology

The net increase in actuarially required contributions was applied to the current budgeted JRS II payroll, taking method of finance for judicial salaries into account.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JOB, SR, WP, WM