

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION
Revision 2

May 14, 2007

TO: Honorable Robert Duncan, Chair, Senate Committee on State Affairs

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

IN RE: HB2882 by Hughes (Relating to the service retirement annuity of certain members of the Judicial Retirement System of Texas Plan One and the Judicial Retirement System of Texas Plan Two.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2882, As Engrossed: a negative impact of (\$50,000) through the biennium ending August 31, 2009.

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
2008	(\$20,000)
2009	(\$30,000)
2010	(\$40,000)
2011	(\$50,000)
2012	(\$60,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1
2008	(\$20,000)
2009	(\$30,000)
2010	(\$40,000)
2011	(\$50,000)
2012	(\$60,000)

Fiscal Analysis

The bill changes the formula relating to benefits payable by the Judicial Retirement System Plan One and Judicial Retirement System Plan Two by increasing the accrual rate for the extra years of contributing service from 2 percent to 2.3 percent. The bill increases the maximum benefit members may earn to an amount no greater than 90 percent of the state salary.

Based on the analysis by the Employees Retirement System actuaries, the Judicial Retirement System Plan Two would remain actuarially sound; however, the ERS consulting actuary cannot offer an actuarial opinion regarding the soundness of Judicial Retirement System Plan One because the plan is funded on a pay-as-you-go basis.

The bill changes are for annuity payments made to members retiring on or after September 1, 2007. Annuities that became payable prior to September 1, 2007 continue to be paid under current law.

Methodology

The amounts listed in the above table reflect increased annuity payments for the JRS-1 plan members and are based on a 0.3 percent increase in payroll for 43 active judges and 486 retired judges who would receive the increased benefits. For purpose of determining the impact, it is assumed that the size of the active member workforce would continue to be 498 in the future.

ERS' analysis assumes the JRS-2 plan would remain actuarially sound under the current contribution rate of 22.78 percent with no further increase in funding.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JOB, KJG, MS, JW