

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**March 31, 2007**

**TO:** Honorable Vicki Truitt, Chair, House Committee on Pensions & Investments

**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.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2882, Committee Report 1st House, Substituted: a negative impact of (\$150,000) through the biennium ending August 31, 2009.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$60,000)
2009	(\$90,000)
2010	(\$120,000)
2011	(\$170,000)
2012	(\$190,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1
2008	(\$60,000)
2009	(\$90,000)
2010	(\$120,000)
2011	(\$170,000)
2012	(\$190,000)

**Fiscal Analysis**

The provisions of the bill would change 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 3 percent. The bill would increase 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**

For Judicial Retirement System One, this analysis assumes increased state funding for annuities on the number of active judges as of August 31, 2006, who would qualify for retirement after September 1, 2007 and beyond. For Judicial Retirement System Two, the analysis is based on the August 31, 2006 actuarial valuation and assumes the bill would result in an increase in the actuarial cost of the plan, but would not cause the amortization period to exceed 30 years.

## **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