LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 18, 2011

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

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

IN RE: **HB390** by Gonzales, Veronica (Relating to the service retirement annuity for appellate judges under the Judicial Retirement System Plan Two.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB390, As Introduced: a negative impact of ($443,822) through the biennium ending August 31, 2013.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	($221,911)
2013	($221,911)
2014	($221,911)
2015	($221,911)
2016	($221,911)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Savings/(Cost) from *Other Special State Funds* 998
2012	($221,911)	($95,105)
2013	($221,911)	($95,105)
2014	($221,911)	($95,105)
2015	($221,911)	($95,105)
2016	($221,911)	($95,105)

Fiscal Analysis

The bill would amend Government Code by amending Section 839.102(f) and adding Section 839.102 (g) to allow an appellate court judge who has served at least 12 years on an appellate court and whose age and service equals or exceeds 70 to use prior state judicial service to increase the creditable service percentage used to calculate retirement benefits in the Judicial Retirement System of Texas Plan Two (JRS-II).

The Employees Retirement System (ERS) reports that there are approximately 33 appellate court judges that would affected by the legislation. The ERS actuary for pension matters projects that if the bill were enacted, the state contribution for JRS-II would have to increase from 16.83 percent to 17.30 percent, resulting in a cost of approximately $0.3 million in All Funds and $0.2 million in General Revenue each fiscal year.

The bill would take effect September 1, 2011.

Methodology

Section 840.106 of Government Code provides that changes in contribution rates or benefit provisions may not be adopted if such changes would cause the time required to amortize the unfunded accrued liability - the amount of liabilities in excess of the actuarial value of assets - to equal or exceed 31 years. Based on the current state contribution of 16.83 percent, JRS-II is currently considered actuarially sound because the current total contribution rate of 22.81 percent covers the plan's administrative expenses and the normal cost, which is the cost of benefits being earned during the year by current active members, as well as the cost of amortizing the unfunded accrued liabilities within 31 years. However, based on the state contribution rate of 6.0 percent, as passed in House Bill 1, JRS-II would be actuarially unsound, and the enactment of this legislation would make the plan more unsound.

To comply with Government Code, Section 840.106, the state contribution for JRS-II would have to increase from 16.83 percent to 17.30 percent of payroll to become actuarially sound, and would result in a cost of approximately $0.3 million in All Funds and $0.2 million in General Revenue each fiscal year. The cost above the state contribution rate of 6.0 percent, as passed in House Bill 1, would be approximately $14.9 million in All Funds, and $11.3 million in General Revenue.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JOB, AG, MS, DEH