

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 24, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1436** by Paxton (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 Introduced**

No significant fiscal implication to the State is anticipated.
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The bill would amend the Government Code to increase the limit on service retirement annuities to annuitants under the Judicial Retirement System Plan One (JRS-I) and the Judicial Retirement System Plan Two (JRS-II) to no more than 100 percent of the applicable state salary, from the previous limit of 90 percent.

The Employees Retirement System (ERS) anticipates that the bill would minimally increase the unfunded liability of JRS-I by \$5,000 in All Funds.

ERS anticipates that increasing the applicable salary would increase the actuarially sound contribution rate for the JRS-II Retirement Fund by 0.01 percent, from 22.54 percent to 22.55 percent, due to increased annuity payments. This would require a minimal increase in the state contribution totaling \$4,502 in General Revenue and \$6,753 in All Funds each fiscal year. It is anticipated that these costs could be absorbed within existing resources.

Government Code, Section 811.006, requires that legislation providing additional benefits that increase the actuarial cost of ERS will require a state contribution at least equal to the normal cost plus an amount necessary to amortize the unfunded liabilities of the new benefits structure over a 31-year period. Because the bill would increase benefits for the JRS-II fund, ERS estimates the state contribution would need to increase to 16.57 percent of payroll. ERS estimates additional costs to comply with statute totaling approximately \$7,200,000 in fiscal year 2014 and \$7,400,000 in fiscal year 2015, with an increase of approximately \$200,000 in each subsequent fiscal year.

The bill would take effect September 1, 2013.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System, 405 Department of Public Safety, 407 Commission on Law Enforcement Officer Standards and Education, 701 Central Education Agency

LBB Staff: UP, AG, EP, EMO, ESI, AI, JAW, JBI, RB, JJO