

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 19, 2015

TO: Honorable Dan Flynn, Chair, House Committee on Pensions

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3377** by Hughes (Relating to the service retirement annuity for certain members of the Judicial Retirement System of Texas Plan Two who resume service.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend Government Code to allow a retired judge to elect to rejoin and receive service credit in the Judicial Retirement System Plan Two (JRS-II) if the retiree has been separated from judicial service for at least 12 consecutive months. The Employees Retirement System (ERS) would re-compute the service retirement annuity of the retiree to include the retiree's additional service credit on the resumption of annuity payments that have been suspended and the retiree would be allowed to re-elect a service retirement annuity option as if the retiree were retiring for the first time.

ERS anticipates that allowing retired judges to return to work and increase their service retirement annuity would increase the actuarially sound contribution rate for the JRS-II Retirement Fund by 0.04 percent, from 23.75 percent to 23.79 percent. This would require a minimal increase in the state contribution totaling approximately \$202,977 in General Revenue and \$327,748 in All Funds each fiscal year. It is anticipated that these costs could be absorbed within existing resources.

Government Code, Section 840.106 requires that legislation providing additional benefits that increase the actuarial cost of JRS-II would require a state contribution at least equal to the normal cost plus an amount necessary to amortize the unfunded liabilities of the new benefit structure in under 31 years. Because the bill would increase benefits for the JRS-II fund, ERS estimates the state contribution would need to increase to 16.64 percent of payroll. ERS estimates additional costs to comply with statute totaling approximately \$900,000 in fiscal year 2016, \$900,000 in fiscal year 2017, and \$1 million in each subsequent year through fiscal year 2020.

The bill would take effect September 1, 2015.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: UP, AG, EP, EMo, KFa