

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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 14, 2017**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3588** by Longoria (Relating to annuities of certain annuitants of the Judicial Retirement System Plan Two.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3588, As Introduced: a negative impact of (\$1,795,988) through the biennium ending August 31, 2019.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2018	(\$867,029)
2019	(\$928,959)
2020	(\$928,959)
2021	(\$928,959)
2022	(\$990,890)

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund 1</b>	<b>Probable Savings/(Cost) from Judicial Fund 573</b>
2018	(\$867,029)	(\$532,971)
2019	(\$928,959)	(\$571,041)
2020	(\$928,959)	(\$571,041)
2021	(\$928,959)	(\$571,041)
2022	(\$990,890)	(\$609,110)

**Fiscal Analysis**

The bill would amend Government Code to allow for the recalculation of annuity payments for retired members of the Judicial Retirement System Plan Two (JRSII). Under provisions of the bill, the annuity of a retiring judge would be recalculated based upon the January 1, 2017 salary of a judge on a court of the same classification as the court on which the retiring member was elected

or appointed most recently. The bill provides that the adjustment would only be made if JRSII were actuarially sound and would remain so after the adjustments were paid.

The bill repeals Government Code, Section 829.102(a), as amended by Acts 2005, 79th Leg., R.S., Ch. 1203 (HB 617), Sec. 3.

The bill would take effect September 1, 2017.

### **Methodology**

According to the Employees Retirement System (ERS), the bill would impact approximately 74 percent of JRSII retirees and would increase current annuities by approximately 12 percent. The bill provides that annuities could not exceed 90 percent of the salary paid on January 1, 2017, which is \$140,000.

According to the Employees Retirement System, state contributions would have to increase to 16.23 percent of payroll in order to achieve actuarial soundness and to 17.36 percent to allow for the recalculations laid out in the bill. Currently the state contributes 15.663 percent of salary to JRSII. The annual cost to achieve actuarial soundness is \$500,000 and the annual cost for the recalculation is \$900,000 in fiscal year 2018. These amounts over five years, and allocated by Method of Finance, are combined in the table above.

### **Local Government Impact**

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

**Source Agencies:** 327 Employees Retirement System

**LBB Staff:** UP, AG, NV, KFa