

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 24, 2019

TO: Honorable Jim Murphy, Chair, House Committee on Pensions, Investments & Financial Services

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB3951 by Longoria (Relating to the state salary for retired judges.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB 3951: a negative impact of (\$8,100,000) through the biennium ending August 31, 2021.

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:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|--------------------|---|
| 2020 | (\$4,000,000) |
| 2021 | (\$4,100,000) |
| 2022 | (\$4,200,000) |
| 2023 | (\$4,400,000) |
| 2024 | (\$4,400,000) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from General Revenue Fund |
|--------------------|--|
| | 1 |
| 2020 | (\$4,000,000) |
| 2021 | (\$4,100,000) |
| 2022 | (\$4,200,000) |
| 2023 | (\$4,400,000) |
| 2024 | (\$4,400,000) |

Fiscal Analysis

The bill would amend Government Code to require the Employees Retirement System (ERS) of Texas to recalculate the annuity of current retired judges or justices and their beneficiaries who are members of JRS II if the 86th Legislature increases the state salary of district or appellate judges or justices or authorizes such an increase in the General Appropriation Act.

The bill would require ERS to recalculate the annuity as if the retiree's salary on the date of retirement was that of a judge or justice with eight years and one day of service and is of the same classification as the last court to which the retiree was elected or appointed. Annuities of beneficiaries payable on the effective date of a state salary increase would also be adjusted in the same manner.

Methodology

The bill would impact all current JRS II retirees and beneficiaries. For the purposes of this analysis, the Committee Substitute for House Bill 2384 (CSHB 2384) is the only bill which, if enacted, would trigger the increase in benefits under this bill. The costs in the table above account for increased actuarially sound contribution rates due to increased annuities and would be in addition to costs estimated to enact CSHB 2384.

Included in the agency's estimates is a retroactive recalculation of JRS II retirees' annuities who would have benefitted from annuity adjustments based on district court judicial salary increases enacted September 1, 2013. Of current annuitants who retired before September 1, 2013, 249 of 393 would have their annuity increased to be consistent with the current judicial salary scale of a district court judge.

The provisions of the bill would increase benefits for JRS II, and Government Code 840.106 requires that legislation increasing the actuarial cost of JRS II only be implemented if the system is actuarially sound. Actuaries indicate that the additional state contribution to comply with statute is estimated to average approximately \$720,000 in All Funds annually in fiscal years 2020 through 2024. This amount is in addition to the cost of the provisions of the bill described above.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: WP, CMa, NV, KFB, LLo