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| BILL ANALYSIS |

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| C.S.H.B. 4540 |
| By: Longoria |
| Pensions, Investments & Financial Services |
| Committee Report (Substituted) |

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| **BACKGROUND AND PURPOSE** There are two judicial retirement systems in Texas—the Judicial Retirement System of Texas Plan One (JRS-1) and the Judicial Retirement System of Texas Plan Two (JRS-2). Membership in each plan is based on the date a judge began service, and the majority of active and retired judges are members of JRS-2. Current law provides for annuity increases based on the salary being paid for a judge of a court of the same classification on which a retired member last served, with some differences in how increases are determined under each system. Effective September 2019, the state increased salaries for judges based on years of service. However, retired judges have not received the accompanying annuity increases. C.S.H.B. 4540 seeks to address the long-deferred increases for retired judges' annuities by connecting such annuities to the pay of active judges consistent with the legislature's intent to adjust retirement annuities to reflect modest increases in recognition of inflation for those who served our state on the bench.  |
| **CRIMINAL JUSTICE IMPACT**It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision. |
| **RULEMAKING AUTHORITY** It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution. |
| **ANALYSIS** C.S.H.B. 4540 requires the Employees Retirement System of Texas (ERS), if the 88th Legislature enacts legislation that becomes law that increases the state salary used to compute the service retirement annuity of a judge under the Judicial Retirement System of Texas Plan One or the Judicial Retirement System of Texas Plan Two, to recompute certain service or disability retirement annuities and death benefit annuities paid under provisions governing those retirement systems using the salary prescribed in statutory provisions providing the method for calculating a judge's or justice's salary that is in effect on the effective date of the salary increase for the judge of a court of the same classification as the court on which the former member on whose service the annuity is based last served before the member retired or died, as applicable.C.S.H.B. 4540 requires ERS, if such legislation does not become law, to recompute on the bill's effective date those service and disability retirement annuities and death benefit annuities paid under the Judicial Retirement System of Texas Plan One or the Judicial Retirement System of Texas Plan Two using the salary prescribed in statutory provisions providing the method for calculating a judge's or justice's salary that was in effect on September 1, 2019, and based on an effective date of retirement or death that occurred before that date, as applicable, for the judge of a court of the same classification as the court on which the former member on whose service the annuity is based last served before the member retired or died, as applicable. C.S.H.B. 4540 applies only to an annuity payment that becomes payable on or after the bill's effective date. |
| **EFFECTIVE DATE** September 1, 2023. |
| **COMPARISON OF INTRODUCED AND SUBSTITUTE**While C.S.H.B. 4540 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.While both the introduced and the substitute require ERS to recompute certain annuities paid to certain retired judges and their beneficiaries, the versions differ in the following manner:* the substitute applies to annuitants under the Judicial Retirement System of Texas Plan One and the Judicial Retirement System of Texas Plan Two, whereas the introduced only expressly applied to the Judicial Retirement System of Texas Plan Two;
* the substitute clarifies the annuities to which the bill applies by including references to the applicable statutes that were not referenced in the introduced;
* the substitute revises the method for recomputing those annuities, if the 88th Legislature enacts legislation increasing the state salary on which certain annuities are based, by using the salary prescribed in statutory provisions providing the method for calculating an applicable judge's or justice's salary that is in effect on the effective date of the salary increase provided by the legislature instead of the introduced version's method of using the salary of an applicable judge or justice who has eight years and one day of service;
* the substitute revises the method for recomputing those annuities, if the 88th legislature does not enact such legislation, by using the salary prescribed in statutory provisions providing the method for calculating an applicable judge's or justice's salary that was in effect on September 1, 2019, instead of the introduced version's method of using the salary of an applicable judge or justice who had eight years and one day of service as of September 1, 2019; and
* the substitute includes provisions not in the introduced establishing that the bill applies only to an annuity payment that becomes payable on or after the bill's effective date.
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