

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 19, 2023

TO: Honorable Giovanni Capriglione, Chair, House Committee on Pensions, Investments & Financial Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4540 by Longoria (relating to certain benefits payable by the Judicial Retirement System of Texas Plan One and the Judicial Retirement System of Texas Plan Two.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4540, Committee Report 1st House, Substituted : a negative impact of (\$103,900,000) through the biennium ending August 31, 2025.

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:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$100,900,000)
2025	(\$3,000,000)
2026	(\$2,900,000)
2027	(\$2,800,000)
2028	(\$2,700,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable (Cost) from General Revenue Fund 1</i>
2024	(\$100,900,000)
2025	(\$3,000,000)
2026	(\$2,900,000)
2027	(\$2,800,000)
2028	(\$2,700,000)

Fiscal Analysis

The bill would recompute the annuities for service retirees and death benefit beneficiaries of the Judicial Retirement System - Plan 1 (JRS-1) and the Judicial Retirement System - Plan 2 (JRS-2) who retired before September 1, 2019. The benefits would be calculated as if the member's salary on their retirement date would have been that of a judge or justice who has eight years and one day of service as of September 1, 2019, and would be classified under the last court of which they were elected or appointed. The benefits would be recomputed on the effective date of the bill. According to the provisions of the bill, any legislation enacted to

increase the salaries of current judges would result in an additional recalculation of the annuities of retired judges.

Methodology

According to the Employees Retirement System (ERS), increasing the annuity of retired judges would result in an increase to the unfunded actuarial accrued liability (UAAL) of JRS-2 of \$97.7 million. As of the August 2022 actuarial valuation of JRS-2, the plan had 536 members with an average annuity of \$69,214. Under the provisions of the bill the average annuity for members of JRS-2 would increase substantially which would cause the UAAL to increase substantially as well. The provisions of the bill would also result in an increase to the cost of the Judicial Retirement System - Plan 1, a retirement plan for judges who took office before September 1, 1985. The cost for this plan are estimated at \$3.2 million for fiscal year 2024 and \$3.0 million for fiscal year 2025.

This analysis assumes that the legislature would appropriate General Revenue to cover the increase in the unfunded liability of JRS-2. House Bill 1 provides an appropriation of \$111.5 million to make JRS-2 actuarially sound. The estimate in this analysis for JRS-2 (\$97.7 million) would be in addition to the amount in House Bill 1.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System

LBB Staff: JMc, MOc, LCO, JPO, NV, CMA