

SENATE AMENDMENTS

2nd Printing

By: Leach

H.B. No. 2779

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the compensation and retirement benefits of certain
3 elected state officials.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 26.006(a), Government Code, is amended
6 to read as follows:

7 (a) A county judge is entitled to an annual salary
8 supplement from the state in an amount equal to 18 percent of the
9 annual [state base] salary paid to a district judge with comparable
10 years of service as the county judge as set by the General
11 Appropriations Act in accordance with Section 659.012 [~~659.012(a)~~]
12 if at least 18 percent of the:

13 (1) functions that the judge performs are judicial
14 functions; or

15 (2) total hours that the judge works are in the
16 performance of judicial functions.

17 SECTION 2. Section 659.012(a), Government Code, is amended
18 to read as follows:

19 (a) Notwithstanding Section 659.011 and subject to
20 Subsections (b) and (b-1):

21 (1) a judge of a district court is entitled to an
22 annual base salary from the state as set by the General
23 Appropriations Act in an amount equal to at least \$172,494
24 [~~\$140,000~~], except that the combined base salary of a district

1 judge from all state and county sources, including compensation for
2 any extrajudicial services performed on behalf of the county, may
3 not exceed the amount that is \$5,000 less than the maximum combined
4 base salary from all state and county sources for a justice of a
5 court of appeals other than a chief justice as determined under this
6 subsection;

7 (2) a justice of a court of appeals other than the
8 chief justice is entitled to an annual base salary from the state in
9 the amount equal to 110 percent of the state base salary of a
10 district judge as set by the General Appropriations Act, except
11 that the combined base salary of a justice of the court of appeals
12 other than the chief justice from all state and county sources,
13 including compensation for any extrajudicial services performed on
14 behalf of the county, may not exceed the amount that is \$5,000 less
15 than the base salary for a justice of the supreme court as
16 determined under this subsection;

17 (3) a justice of the supreme court other than the chief
18 justice or a judge of the court of criminal appeals other than the
19 presiding judge is entitled to an annual base salary from the state
20 in the amount equal to 120 percent of the state base salary of a
21 district judge as set by the General Appropriations Act; and

22 (4) the chief justice or presiding judge of an
23 appellate court is entitled to an annual base salary from the state
24 in the amount equal to \$2,500 more than the state base salary
25 provided for the other justices or judges of the court, except that
26 the combined base salary of the chief justice of a court of appeals
27 from all state and county sources may not exceed the amount equal to

1 \$2,500 less than the base salary for a justice of the supreme court
2 as determined under this subsection.

3 SECTION 3. Section 810.003, Government Code, is amended by
4 amending Subsections (c), (d), and (e) and adding Subsection (d-1)
5 to read as follows:

6 (c) Except as provided by Subsection (d), a member of a
7 public retirement system is not eligible to receive a service
8 retirement annuity under the retirement system if the member is:

9 (1) convicted of a qualifying felony committed while
10 in office and arising directly from the official duties of that
11 elected office; or

12 (2) expelled from a house of the legislature under
13 Section 11, Article III, Texas Constitution.

14 (d) The retirement system, on receipt of notice of a
15 conviction under Subsection (e) or (k), any similar notice of a
16 conviction of a qualifying felony from a United States district
17 court or United States attorney, or any other information that the
18 retirement system determines by rule is sufficient to establish a
19 conviction of a qualifying felony, shall suspend payments of a
20 service retirement annuity to a person the system determines is
21 ineligible to receive the annuity under Subsection (c)(1). A
22 person whose conviction is overturned on appeal or who meets the
23 requirements for innocence under Section 103.001(a)(2), Civil
24 Practice and Remedies Code:

25 (1) is entitled to receive an amount equal to the
26 accrued total of payments and interest earned on the payments
27 withheld during the suspension period; and

1 (2) may resume receipt of annuity payments on payment
2 to the retirement system of an amount equal to the contributions
3 refunded to the person under Subsection (f).

4 (d-1) The retirement system, on receipt of notice of
5 expulsion of a member from the legislature, shall suspend payments
6 of a service retirement annuity to a person the system determines is
7 ineligible to receive the annuity under Subsection (c)(2).

8 (e) Not later than the 30th day after the conviction of a
9 person of a qualifying felony or expulsion of a member from the
10 legislature, the governmental entity to which the person was
11 elected or appointed must provide written notice of the conviction
12 or expulsion to the public retirement system in which the person is
13 enrolled. The notice must comply with the administrative rules
14 adopted by the public retirement system under Subsection (j).

15 SECTION 4. Sections 814.103(a) and (a-1), Government Code,
16 are amended to read as follows:

17 (a) Except as provided by Subsection (a-1) or (b), the
18 standard service retirement annuity for service credited in the
19 elected class of membership is an amount equal to the number of
20 years of service credit in that class, times 2.3 percent of the sum
21 of \$140,000 plus any applicable increases determined by the Texas
22 Ethics Commission to reflect inflation or any other relevant
23 factors [~~the state base salary, excluding longevity pay payable~~
24 ~~under Section 659.0445 and as adjusted from time to time, being paid~~
25 ~~to a district judge as set by the General Appropriations Act in~~
26 ~~accordance with Section 659.012(a)] .~~

27 (a-1) Except as provided by Subsection (b), the standard

1 service retirement annuity for service credited in the elected
2 class of membership for a member of the class under Section
3 812.002(a)(3) whose effective date of retirement is on or after
4 September 1, 2019, is an amount equal to the number of years of
5 service credit in that class, times 2.3 percent of the state salary,
6 excluding longevity pay payable under Section 659.0445 [~~and as~~
7 ~~adjusted from time to time~~], being paid in accordance with Section
8 659.012 to a district judge who has the same number of years of
9 contributing service credit as the member on the member's last day
10 of service as a district or criminal district attorney, as
11 applicable.

12 SECTION 5. Section 820.053(c), Government Code, is amended
13 to read as follows:

14 (c) For purposes of this section, a member of the elected
15 class of membership under Section 812.002(a)(2) shall have the
16 member's accumulated account balance computed as if the
17 contributions to the account were based on an annual [~~the state~~
18 ~~base~~] salary equal to the dollar amount used to compute the standard
19 service retirement annuity for service credited in the elected
20 class of membership under Section 814.103(a) [~~, excluding longevity~~
21 ~~pay payable under Section 659.0445, being paid a district judge as~~
22 ~~set by the General Appropriations Act in accordance with Section~~
23 ~~659.012(a)]~~.

24 SECTION 6. Section 26.006(a), Government Code, as amended
25 by this Act, applies only to a salary payment for a pay period
26 beginning on or after the effective date of this Act. A salary
27 payment for a pay period beginning before the effective date of this

1 Act is governed by the law in effect on the date the pay period
2 began, and that law is continued in effect for that purpose.

3 SECTION 7. Notwithstanding Section 659.012(a), Government
4 Code, as amended by this Act, a judge of a district court is
5 entitled to an annual base salary from the state as set by the
6 General Appropriations Act in an amount equal to at least \$155,400
7 for the state fiscal year beginning September 1, 2023, and ending
8 August 31, 2024, and that amount is the annual base salary to be
9 used for the purpose of calculating any other judicial salaries by
10 reference to that section for the state fiscal year beginning
11 September 1, 2023, and ending August 31, 2024.

12 SECTION 8. This Act takes effect September 1, 2023.

ADOPTED

MAY 24 2023

Latey Law
Secretary of the Senate

By: Leach/Huffman

H.B. No. 2779

Substitute the following for __.B. No. _____:

By: Joan Huffman

C.S. __.B. No. _____

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the compensation and retirement benefits of certain
3 elected state officials.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 659.012(b), Government Code, is amended
6 to read as follows:

7 (b) A judge or justice for whom the amount of a state base
8 salary is prescribed by Subsection (a) is entitled to an annual
9 salary from the state in the amount equal to:

10 (1) 110 percent of the state base salary paid in
11 accordance with Subsection (a) for the judge's or justice's
12 position, beginning with the pay period that begins after the judge
13 or justice accrues four years of:

14 (A) contributing service credit in the Judicial
15 Retirement System of Texas Plan One or the Judicial Retirement
16 System of Texas Plan Two;

17 (B) service as a judge of a statutory county
18 court, multicounty statutory county court, or statutory probate
19 court; or

20 (C) combined contributing service credit and
21 service as provided by Paragraphs (A) and (B); ~~and~~

22 (2) 120 percent of the state base salary paid in
23 accordance with Subsection (a) for the judge's or justice's
24 position, beginning with the pay period that begins after the judge

1 or justice accrues eight years of:

2 (A) contributing service credit in the Judicial
3 Retirement System of Texas Plan One or the Judicial Retirement
4 System of Texas Plan Two;

5 (B) service as a judge of a statutory county
6 court, multicounty statutory county court, or statutory probate
7 court; or

8 (C) combined contributing service credit and
9 service as provided by Paragraphs (A) and (B); and

10 (3) 130 percent of the state base salary paid in
11 accordance with Subsection (a) for the judge's or justice's
12 position, beginning with the pay period that begins after the judge
13 or justice accrues 12 years of:

14 (A) contributing service credit in the Judicial
15 Retirement System of Texas Plan One or the Judicial Retirement
16 System of Texas Plan Two;

17 (B) service as a judge of a statutory county
18 court, multicounty statutory county court, or statutory probate
19 court; or

20 (C) combined contributing service credit and
21 service as provided by Paragraphs (A) and (B).

22 SECTION 2. Section 659.0445(b), Government Code, is amended
23 to read as follows:

24 (b) The monthly amount of longevity pay under this section
25 to which a judge or justice described by Subsection (a) is entitled:

26 (1) is equal to the product of 0.05 multiplied by the
27 amount of the judge's or justice's current monthly state salary; and

1 (2) becomes payable beginning with the month following
2 the month in which the judge or justice completes 14 [~~12~~] years of
3 service for which credit is established in the applicable
4 retirement system.

5 SECTION 3. Sections 814.103(a) and (a-1), Government Code,
6 are amended to read as follows:

7 (a) Except as provided by Subsection (a-1) or (b), the
8 standard service retirement annuity for service credited in the
9 elected class of membership is an amount equal to the number of
10 years of service credit in that class, times 2.3 percent of the
11 state base salary, excluding longevity pay payable under Section
12 659.0445 [~~and as adjusted from time to time~~], being paid to a
13 district judge as set by the General Appropriations Act in
14 accordance with Section 659.012(a).

15 (a-1) Except as provided by Subsection (b), the standard
16 service retirement annuity for service credited in the elected
17 class of membership for a member of the class under Section
18 812.002(a)(3) whose effective date of retirement is on or after
19 September 1, 2019, is an amount equal to the number of years of
20 service credit in that class, times 2.3 percent of the state salary,
21 excluding longevity pay payable under Section 659.0445 [~~and as~~
22 ~~adjusted from time to time~~], being paid in accordance with Section
23 659.012 to a district judge who has the same number of years of
24 contributing service credit as the member on the member's last day
25 of service as a district or criminal district attorney, as
26 applicable.

27 SECTION 4. Section 834.102(a), Government Code, is amended

1 to read as follows:

2 (a) The base service retirement annuity for a person whose
3 effective date of retirement is:

4 (1) before September 1, 2019, is an amount equal to 50
5 percent of the state base salary[~~, as adjusted from time to time,~~]
6 being paid in accordance with Section 659.012(a) to a judge of a
7 court of the same classification as the court on which the retiree
8 last served before retirement; or

9 (2) on or after September 1, 2019, is an amount equal
10 to 50 percent of the state salary[~~, as adjusted from time to time,~~]
11 being paid in accordance with Section 659.012(b)(2) to a judge of a
12 court of the same classification as the court on which the retiree
13 last served before retirement.

14 SECTION 5. This Act takes effect September 1, 2023.

ADOPTED

MAY 24 2023

FLOOR AMENDMENT NO. 1

Lacey Law
Secretary of the Senate

BY: *Joan Huffman*

1 Amend C.S.H.B. No. 2779 (senate committee report) as
2 follows:

3 (1) In SECTION 4 of the bill, amend Section 834.102(a),
4 Government Code, as follows:

5 (A) In Subdivision (1) (page 2, line 53), strike "or"
6 and substitute "~~or~~".

7 (B) In Subdivision (2) (page 2, line 54), between
8 "2019," and "is", insert "and before September 1, 2023,".

9 (C) In Subdivision (2) (page 2, line 58), between
10 "retirement" and the period, insert the following:

11 ; or

12 (3) on or after September 1, 2023, is an amount equal
13 to 50 percent of the state salary being paid in accordance with
14 Section 659.012(b)(3) to a judge of a court of the same
15 classification as the court on which the retiree last served before
16 retirement

17 (2) Add the following appropriately numbered SECTIONS to
18 the bill and renumber subsequent SECTIONS of the bill accordingly:

19 SECTION _____. Sections 74.051(b) and (c), Government Code,
20 are amended to read as follows:

21 (b) Except as provided by Subsection (c), a presiding judge
22 shall receive a salary in an amount not to exceed 40 [~~30~~] percent of
23 the state base salary paid to a district judge as set by the General
24 Appropriations Act in accordance with Section 659.012(a). The
25 Texas Judicial Council shall set the salary biennially and, in
26 arriving at the amount of the salary, shall consider whether the
27 presiding judge is active in administrative duties, performs part
28 time, or is a retired judge. The salary set by the Texas Judicial
29 Council shall be apportioned to each county in the region according

1 to the population of the counties in the region and shall be paid
2 through the county budget process.

3 (c) A presiding judge who is a retired or former district
4 judge or a retired appellate judge and who presides over an
5 administrative region with 30 or more district courts, statutory
6 county courts, and retired and former judges named on the list
7 maintained under Section 74.055 for the administrative region is
8 entitled to an annual salary for each fiscal year in an amount equal
9 to:

10	Number of Courts and Judges	Salary
11	30 to 49	<u>40</u> [30] percent of the state base salary
12		paid to a district judge as set by the General Appropriations Act in
13		accordance with Section 659.012(a)
14	50 to 69	<u>45</u> [35] percent of the state base salary
15		paid to a district judge as set by the General Appropriations Act in
16		accordance with Section 659.012(a)
17	70 to 89	<u>50</u> [40] percent of the state base salary
18		paid to a district judge as set by the General Appropriations Act in
19		accordance with Section 659.012(a)
20	90 or more	<u>55</u> [45] percent of the state base salary
21		paid to a district judge as set by the General Appropriations Act in
22		accordance with Section 659.012(a)

23 SECTION _____. (a) Subject to Subsection (b) of this
24 section, Section 659.012(b), Government Code, is amended to read as
25 follows:

26 (b) A judge or justice for whom the amount of a state base
27 salary is prescribed by Subsection (a) is entitled to an annual
28 salary from the state in the amount equal to:

29 (1) 110 percent of the state base salary paid in
30 accordance with Subsection (a) for the judge's or justice's
31 position, beginning with the pay period that begins after the judge

1 or justice accrues four years of:

2 (A) contributing service credit in the Judicial
3 Retirement System of Texas Plan One or the Judicial Retirement
4 System of Texas Plan Two;

5 (B) service as a judge of a statutory county
6 court, multicounty statutory county court, or statutory probate
7 court; or

8 (C) combined contributing service credit and
9 service as provided by Paragraphs (A) and (B); ~~and~~

10 (2) 120 percent of the state base salary paid in
11 accordance with Subsection (a) for the judge's or justice's
12 position, beginning with the pay period that begins after the judge
13 or justice accrues eight years of:

14 (A) contributing service credit in the Judicial
15 Retirement System of Texas Plan One or the Judicial Retirement
16 System of Texas Plan Two;

17 (B) service as a judge of a statutory county
18 court, multicounty statutory county court, or statutory probate
19 court; or

20 (C) combined contributing service credit and
21 service as provided by Paragraphs (A) and (B); and

22 (3) 130 percent of the state base salary paid in
23 accordance with Subsection (a) for the judge's or justice's
24 position, beginning with the pay period that begins after the judge
25 or justice accrues 12 years of:

26 (A) contributing service credit in the Judicial
27 Retirement System of Texas Plan One or the Judicial Retirement
28 System of Texas Plan Two;

29 (B) service as a judge or a full-time associate
30 judge of a district court, statutory county court, multicounty
31 statutory county court, or statutory probate court or as a district

1 attorney, criminal district attorney, or county attorney; or

2 (C) combined contributing service credit and
3 service as provided by Paragraphs (A) and (B).

4 (b) If H.B. No. 3474, Acts of the 88th Legislature, Regular
5 Session, 2023, relating to the operation and administration of and
6 practices and procedures regarding proceedings in the judicial
7 branch of state government becomes law, Subsection (a) of this
8 section takes effect on the effective date of this Act and Section 1
9 of this Act, also amending Section 659.012(b), Government Code, has
10 no effect. If H.B. No. 3474 does not take effect, this section has
11 no effect.

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 25, 2023

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2779 by Leach (Relating to the compensation and retirement benefits of certain elected state officials.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2779, As Passed 2nd House : a negative impact of (\$27,536,375) 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>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2024	(\$22,845,483)
2025	(\$4,690,892)
2026	(\$5,238,350)
2027	(\$5,322,983)
2028	(\$6,010,105)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from General Revenue Fund 1
2024	(\$22,845,483)
2025	(\$4,690,892)
2026	(\$5,238,350)
2027	(\$5,322,983)
2028	(\$6,010,105)

Fiscal Analysis

The bill would amend the Government Code to make the salary of a judge or justice described by the bill with at least 12 years of qualifying service equal to 130 percent of the state base salary for that position. The bill would also make the monthly longevity pay for a judge described by the bill begin after 14 years of service instead of 12 years. The bill would allow qualifying service to include individual or combined contributing service credit from the Judicial Retirement System of Texas Plan One (JRS-1); the Judicial Retirement System of Texas Plan Two (JRS-2); as well as service as a judge of a statutory county court, multicounty statutory county court, or statutory probate court. The bill would also allow contributing service as a district attorney, criminal district attorney, or county attorney to be included as qualifying service contingent on the enactment

of House Bill 3474.

The bill would increase the salary of regional presiding judges by 10.0 percent.

The bill would amend the Government code to change the annuity calculation for members in the elected class so that the annuity would no longer be calculated on the base salary of a district judge as adjusted from time to time and would instead remain static regardless of any increase to the state base salary of a district judge. The bill would also amend the Government Code to make a similar change to the retirement annuities of judges in the JRS-1 (Sec. 834.102) so that their annuities would also remain unchanged going forward.

Methodology

Amounts in the table above reflect costs assuming the enactment of House Bill 3474, Eighty-eighth Legislature, Regular Session, 2023. If House Bill 3474 does not become enacted, costs in the table above would be reduced by \$6,500 each fiscal year in General Revenue in JRS-1 anticipated costs. Costs reflected in the table above include the following:

According to information provided by the Comptroller of Public Accounts (CPA) and the Office of Court Administration (OCA), the estimated cost of the bills provisions total \$4,030,727 in fiscal year 2024, \$4,117,703 in fiscal year 2025, \$4,665,161 in fiscal year 2026, \$4,749,794 in fiscal year 2027, and \$5,436,916 in fiscal year 2028. This analysis includes the estimated impact of the bill's provisions on all affected positions; however, it does not include any increase to retirement annuity disbursements. This analysis also assumes existing FTEs will not incur new costs associated with healthcare benefits provided to new employees.

The OCA and the Comptroller's Judiciary Section do not have data on state judges' prior service as an associate judge or as a district, criminal district, or county attorney. In order to obtain this information, the Comptroller's Judiciary section would need to send inquiry affidavits to each judge to determine their prior years of qualifying service. Accordingly, the cost to the state for the increased qualifying service allowed by the bill for this purpose cannot be determined due to this lack of data; however, the CPA does not anticipate a significant fiscal impact due to this change in qualifying service.

According to the Employees Retirement System (ERS), the increase in judicial salaries impacts the benefits provided by JRS-2, as well as the unfunded liability of the JRS 2 plan. The JRS-2 plan is currently actuarially unsound. According to information previously provided by ERS, an appropriation of approximately \$111.5 million would be required to make the fund sound as of August 31, 2024. This analysis assumes these funds would be appropriated in House Bill 1. The increased unfunded liability to the JRS-2 plan resulting from the provisions of the bill would be \$18,241,567 in fiscal year 2024, and the additional contributions needed for the JRS-1 and JRS-2 plans would be \$439,856 in fiscal year 2024 and subsequent years. According to ERS, implementing the provisions of the bill would also result in an annual cost of \$133,333 to the ERS plan for the annuities of district attorneys.

The 10.0 percent increase for regional presiding judges would not have any fiscal impact to the state because these costs are paid by counties.

Local Government Impact

According to information provided by the OCA, increasing the salary of the regional presiding judges by 10.0 percent would result in a fiscal impact to local governments of \$308,000 each year. This amount would vary by region depending on whether the presiding judge would be an active or retired judge.

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 304 Comptroller of Public Accounts, 327 Employees Retirement System, 356 Texas Ethics Commission

LBB Staff: JMc, MW, JPa, SD, KK, JPO

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 21, 2023

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2779 by Leach (relating to the compensation and retirement benefits of certain elected state officials.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2779, Committee Report 2nd House, Substituted : a negative impact of (\$27,523,375) 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>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2024	(\$22,838,983)
2025	(\$4,684,392)
2026	(\$5,231,850)
2027	(\$5,316,483)
2028	(\$6,003,605)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from General Revenue Fund 1
2024	(\$22,838,983)
2025	(\$4,684,392)
2026	(\$5,231,850)
2027	(\$5,316,483)
2028	(\$6,003,605)

Fiscal Analysis

The bill would amend the Government Code to make the salary of a judge or justice described by the bill with at least 12 years of qualifying service equal to 130 percent of the state base salary for that position. The bill would also make the monthly longevity pay for a judge described by the bill begin after 14 years of service instead of 12 years.

The bill would clarify who is ineligible for retirement benefits, including those convicted of certain felonies or persons who have been expelled by the legislature under Section 11, Art III. The bill would also allow the reinstatement of benefits if a felony or expulsion described by this chapter were overturned on appeal.

The bill would amend the Government code to change the annuity calculation for members in the elected class so that the annuity would no longer be calculated on the base salary of a district judge as adjusted from time to time and would instead remain static regardless of any increase to the state base salary of a district judge. The bill would also amend the Government Code to make a similar change to the retirement annuities of judges in the Judicial Retirement System 1 (JRS 1) (Sec. 834.102) so that their annuities would also remain unchanged going forward.

Methodology

According to information provided by the Comptroller of Public Accounts and the Office of Court Administration, the estimated cost of the bills provisions total \$4,030,727 in fiscal year 2024, \$4,117,703 in fiscal year 2025, \$4,665,161 in fiscal year 2026, \$4,749,794 in fiscal year 2027, and \$5,436,916 in fiscal year 2028. This analysis includes the estimated impact of the bill's provisions on all affected positions; however, it does not include any increase to retirement annuity disbursements. This analysis also assumes existing FTEs will not incur new costs associated with healthcare benefits provided to new employees.

According to the Employees Retirement System (ERS), the increase in judicial salaries impacts the benefits provided by Judicial Retirement System Plan 2 (JRS 2), as well as the unfunded liability of the JRS 2 plan. The JRS 2 plan is currently actuarially unsound. According to information previously provided by ERS, an appropriation of approximately \$111.5 million would be required to make the fund sound as of August 31, 2024. This analysis assumes these funds would be appropriated in House Bill 1. The increased unfunded liability to the JRS 2 plan resulting from the provisions of the bill is \$18.2 million, and the additional contributions needed for the plan are \$433,356 in fiscal year 2024 and subsequent years. According to ERS, implementing the provisions of the bill would also result in an annual cost of \$133,333 to the ERS plan for the annuities of district attorneys.

Local Government Impact

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

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 304 Comptroller of Public Accounts, 327 Employees Retirement System, 356 Texas Ethics Commission

LBB Staff: JMc, KK, MW, JPa, JPO

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 17, 2023

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2779 by Leach (Relating to the compensation and retirement benefits of certain elected state officials.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2779, As Engrossed : a negative impact of (\$96,688,533) 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>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2024	(\$45,230,966)
2025	(\$51,457,567)
2026	(\$51,354,116)
2027	(\$51,231,880)
2028	(\$51,107,680)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from General Revenue Fund 1
2024	(\$45,230,966)
2025	(\$51,457,567)
2026	(\$51,354,116)
2027	(\$51,231,880)
2028	(\$51,107,680)

Fiscal Analysis

The bill would amend the Government Code to increase salaries for district court judges, court of appeals justices, supreme court justices, and court of criminal appeals justices by increasing the annual base salary of a district court judge from \$140,000 to \$172,494. According to the provisions of the bill, the base salary would increase to \$155,400 in fiscal year 2024 and \$172,494 in fiscal year 2025. The bill would also increase a county judge salary equal to 18 percent of the annual salary paid to a district judge.

The bill would clarify who is ineligible for retirement benefits, including those convicted of certain felonies or persons who have been expelled by the legislature under Section 11, Art III. The bill would also allow the

reinstatement of benefits if a felony or expulsion described by this chapter were overturned on appeal.

The bill would also amend the Government Code to retain the salary at which the elected class membership annuity (except district and criminal attorneys) is based at the current state salary of a district court judge of \$140,000 and any additional increases determined by the Texas Ethics Commission to reflect inflation or any other relevant factors. The annuity would no longer be adjusted with future increases in the state salary of a district court judge. The annuities for certain district and criminal attorneys would be based on the salary of a district judge who has the same number of years of contributing service credit and would no longer be adjusted with future increases in the state salary of a district court judge.

Methodology

Judicial Salaries: OCA has data reflecting the length of state service that a judge/justice has, which permits OCA to determine the salary for every judge/justice in the state under this bill. Assuming no turnover between January 1 and the end of the FY2022-2023 biennium, the biennial cost of salaries is \$33,658,772 (including the 1% payroll health contribution and 0.5% agency retirement contribution).

Associate Judge Salary Increases: OCA currently employs 73 associate judges for the child support and child protection courts. Increasing the salary for these judges to 90 percent of a district judge's salary would cost \$3,193,836 (including the 1% payroll health contribution and 0.5% agency retirement contribution) beginning in the 2024-2025 biennium. However, the federal government reimburses 66% of all eligible expenses for the IV-D (child support) program. Judicial salaries are an eligible expense. Thus, the increase would be offset by \$1,155,031 over the 2024-2025 biennium.

Regional Presiding Judge Salary Increases: The salary for the regional presiding judges is apportioned to the counties that comprise the region. Under current law, the judges of the 1st, 2nd, 3rd, 5th, 9th, and 10th AJRs who are active judges make \$42,000; the judges of the 4th, 8th and 11th AJRs make \$63,000; the judges of the 6th and 7th AJRs make \$49,000. Under the bill, in the first year, the active judges would make \$46,620 (30% of \$155,400), an increase per judge of \$4,620, or a total of \$27,720 (\$55,440 for the biennium). The judges of the 4th, 8th, and 11th AJRs would make \$69,930 (45% of \$155,400), an increase of \$6,930 per judge, or \$20,790 (\$41,580 for the biennium). The judges of the 6th and 7th AJRs would make \$54,390 (35% of \$155,400), an increase of \$5,390 per judge, or \$10,780 (\$21,560 for the biennium). In the second year, the active judges would make \$51,748 (30% of \$172,494), an increase per judge of \$9,748, or a total of \$58,489 (\$116,978 for the biennium). The judges of the 4th, 8th, and 11th AJRs would make \$77,622 (45% of \$172,494), an increase of \$14,622 per judge, or \$43,867 (\$87,734 for the biennium). The judges of the 6th and 7th AJRs would make \$60,373 (35% of \$172,494), an increase of \$11,373 per judge, or \$22,746 (\$45,492 for the biennium). The total statewide biennial impact to counties would be \$368,784.

Prosecutor Salaries: OCA has the service credit for prosecutors as of June 2022, and is able to calculate the biennial cost of salaries (including the 1% payroll health contribution and 0.5% agency retirement contribution). The increased biennial cost to the state would be \$9,150,799.

County Attorney Supplements: Each county that has a county prosecutor is entitled to receive state supplemental salary compensation and are based on a formula and the number of counties served. A county prosecutor is entitled to no less than 1/6th of the base salary. The increased biennial cost for the county attorney supplements would be \$2,071,588.

Statutory County Court Judge Reimbursement: The state reimburses counties for 60% of the state base salary of a district judge for each statutory county court judge. The increased reimbursement due to the recalculated salary would be \$9,240 in the first year and \$19,496 in the second year per judge. With 258 statutory county court judges, the increased biennial cost to the state would be \$7,413,888.

Statutory Probate Court Judge Reimbursement: The state reimburses counties for 60% of the state base salary of a district judge for each statutory county court judge. The increased reimbursement due to the recalculated salary would be \$9,240 in the first year and \$19,496 in the second year per judge. With 19 statutory county court judges, the increased biennial cost to the state would be \$545,984.

1st Multicounty Court at Law Judge: The increased reimbursement due to the recalculated salary would be

\$15,400 in the first year and \$32,494 in the second year for an increased biennial cost to the state would of \$47,894.

Visiting Judges: Visiting judges are paid a daily rate that is based on the District Judge's state based salary. The daily rate would increase from \$622 per day to \$691 per day for a biennial increase of \$1,301,171.

The salary of the state prosecuting attorney, including the 1% payroll health contribution and .5% agency retirement contribution) would increase by \$32,480 in the first year and \$52,993 in the second year, or \$86,755, per biennium. The state prosecuting attorney will be at the highest salary tier by September 1, 2025.

The cost of the increased supplement to be paid to certain constitutional county court judges who perform judicial functions is estimated to be \$2,224,197. For purposes of this calculation, OCA assumed all constitutional county court judges who are currently receiving the supplement have more than 8 years of service.

According to the Employees Retirement System (ERS), the increase in judicial salaries impacts the benefits provided by Judicial Retirement System Plan 2 (JRS 2), as well as the unfunded liability of the JRS 2 plan. The JRS 2 plan is currently actuarially unsound. According to information previously provided by ERS, an appropriation of approximately \$111.5 million would be required to make the fund sound as of August 31, 2024. This analysis assumes these funds would be appropriated in House Bill 1. The increased unfunded liability to the JRS 2 plan resulting from the provisions of the bill is \$19.8 million, and the additional contributions needed for the plan are \$1.9 million in fiscal year 2024 and \$2.1 million in fiscal year 2025 and subsequent years.

According to ERS, the additional cost to Judicial Retirement System Plan 1 (JRS 1), from the provisions of the bill is \$1.7 million in fiscal year 2024, \$3.3 million in fiscal year 2025, \$3.2 million in fiscal year 2026, \$3.1 million in fiscal year 2027, and \$3.0 million in fiscal year 2028. The costs on potential increases determined by the Texas Ethics Commission for elected class annuities cannot be determined, but they would result in some actuarial cost to the ERS plan.

Local Government Impact

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

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 304 Comptroller of Public Accounts, 327 Employees Retirement System, 356 Texas Ethics Commission

LBB Staff: JMc, KK, MW, JPa, JPO

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 27, 2023

TO: Honorable Jeff Leach, Chair, House Committee on Judiciary & Civil Jurisprudence

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2779** by Leach (relating to the compensation of a district judge and the associated retirement benefits of certain other elected state officials.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2779, Committee Report 1st House, Substituted : a negative impact of (\$91,347,529) 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>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2024	(\$43,457,760)
2025	(\$47,889,769)
2026	(\$47,889,769)
2027	(\$47,889,769)
2028	(\$47,889,769)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from General Revenue Fund 1
2024	(\$43,457,760)
2025	(\$47,889,769)
2026	(\$47,889,769)
2027	(\$47,889,769)
2028	(\$47,889,769)

Fiscal Analysis

The bill would amend the Government Code to increase salaries for district court judges, court of appeals justices, supreme court justices, and court of criminal appeals justices by increasing the annual base salary of a district court judge from \$140,000 to \$172,494. According to the provisions of the bill, the base salary would increase to \$155,400 in fiscal year 2024 and \$172,494 in fiscal year 2025.

The bill would also amend the Government Code to retain the salary at which the elected class membership annuity is based at the current state salary of a district court judge of \$140,000 and would no longer adjust for future increases in the state salary of a district court judge. The annuities for certain

district and criminal attorneys would be based on the salary of a district judge who has the same number of years of contributing service credit and would no longer be adjusted with future increases in the state salary of a district court judge. The bill would also amend the Government Code so that the annuity of members of Judicial Retirement System - Plan 1 would no longer be adjusted with future increases in the state base salary of a district court judge.

Methodology

Judicial Salaries: The Office of Court Administration (OCA) has data reflecting the length of state service that a judge/justice has, which permits OCA to determine the salary for every judge/justice in the state under this bill. Assuming no turnover between January 1 and the end of the FY2026-2027 biennium, the biennial cost of salaries is \$33,658,772 (including the 1% payroll health contribution and 0.5% agency retirement contribution).

Associate Judge Salary Increases: OCA currently employs 73 associate judges for the child support and child protection courts. Increasing the salary for these judges to 90 percent of a district judge's salary would cost \$3,193,836 (including the 1% payroll health contribution and 0.5% agency retirement contribution) beginning in the 2026-2027 biennium. However, the federal government reimburses 66% of all eligible expenses for the IV-D (child support) program. Judicial salaries are an eligible expense. Thus, the increase would be offset by \$1,155,031 over the 2026-2027 biennium.

Regional Presiding Judge Salary Increases: The salary for the regional presiding judges is apportioned to the counties that comprise the region. Under current law, the judges of the 1st, 2nd, 3rd, 5th, 9th, and 10th AJRs who are active judges make \$42,000; the judges of the 4th, 8th and 11th AJRs make \$63,000; the judges of the 6th and 7th AJRs make \$49,000. Under the bill, the active judges would make \$46,620 (30% of \$155,400), an increase per judge of \$4,620, or a total of \$27,720 (\$55,440 for the biennium). The judges of the 4th, 8th, and 11th AJRs would make \$69,930 (45% of \$155,400), an increase of \$6,930 per judge, or \$20,790 (\$41,580 for the biennium). The judges of the 6th and 7th AJRs would make \$54,390 (35% of \$155,400), an increase of \$5,390 per judge, or \$10,780 (\$21,560 for the biennium). The total statewide biennial impact to counties would be \$118,580.

Prosecutor Salaries: OCA has the service credit for prosecutors as of June 2022 and is able to calculate the biennial cost of salaries (including the 1% payroll health contribution and 0.5% agency retirement contribution). The increased biennial cost to the state would be \$9,150,799.

County Attorney Supplements: Each county that has a county prosecutor is entitled to receive state supplemental salary compensation and are based on a formula and the number of counties served. A county prosecutor is entitled to no less than 1/6th of the base salary. The increased biennial cost for the county attorney supplements would be \$2,071,588.

Constitutional County Judge Supplements: As of 2022, 215 county judges were receiving the county judge supplement. Under current law, the total supplement is \$25,200. Under the bill, that supplement would be \$27,972 in the first year and \$31,049 in the second year. Therefore, the biennial cost to the state would be \$1,853,498.

Statutory County Court Judge Reimbursement: The state reimburses counties for 60% of the state base salary of a district judge for each statutory county court judge. The increased reimbursement due to the recalculated salary would be \$9,240 in the first year and \$19,496 in the second year per judge. With 258 statutory county court judges, the increased biennial cost to the state would be \$7,413,888.

Statutory Probate Court Judge Reimbursement: The state reimburses counties for 60% of the state base salary of a district judge for each statutory county court judge. The increased reimbursement due to the recalculated salary would be \$9,240 in the first year and \$19,496 in the second year per judge. With 19 statutory county court judges, the increased biennial cost to the state would be \$545,984.

1st Multicounty Court at Law Judge: The increased reimbursement due to the recalculated salary would be \$15,400 in the first year and \$32,494 in the second year for an increased biennial cost to the state would of \$47,894.

Visiting Judges: Visiting judges are paid a daily rate that is based on the District Judge's state based salary. The daily rate would increase from \$622 per day to \$691 per day for a biennial increase of \$1,301,171.

The salary of the state prosecuting attorney (including the 1% payroll health contribution and 0.5% agency retirement contribution) would increase by \$32,480 in the first year and \$52,993 in the second year, or \$86,755, per biennium. The state prosecuting attorney will be at the highest salary tier by September 1, 2025.

According to the Employees Retirement System (ERS), the increase in judicial salaries impacts the benefits provided by Judicial Retirement System Plan 2 (JRS 2), as well as the unfunded liability of the JRS 2 plan. The JRS 2 plan is currently actuarially unsound. According to information previously provided by ERS, an appropriation of approximately \$111.5 million would be required to make the fund sound as of August 31, 2024. This analysis assumes these funds would be appropriated in House Bill 1.

The increased unfunded liability to the JRS 2 plan resulting from the provisions of the bill is \$19.8 million, and the additional contributions needed for the plan are \$1.9 million in fiscal year 2024 and \$2.1 million in fiscal year 2025 and subsequent years.

Local Government Impact

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

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 304 Comptroller of Public Accounts, 327 Employees Retirement System

LBB Staff: JMc, KDw, MW, JPa, JPO

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

Revision 1

March 29, 2023

TO: Honorable Jeff Leach, Chair, House Committee on Judiciary & Civil Jurisprudence

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2779 by Leach (Relating to the compensation of a district judge and the associated retirement benefits of certain other elected state officials.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2779, As Introduced : a negative impact of (\$165,079,060) 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>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2024	(\$119,387,124)
2025	(\$45,691,936)
2026	(\$45,588,485)
2027	(\$45,466,249)
2028	(\$45,342,049)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from General Revenue Fund 1
2024	(\$119,387,124)
2025	(\$45,691,936)
2026	(\$45,588,485)
2027	(\$45,466,249)
2028	(\$45,342,049)

Fiscal Analysis

The bill would amend the Government Code to increase salaries for district court judges, court of appeals justices, supreme court justices, and court of criminal appeals justices by increasing the annual base salary of a district court judge from \$140,000 to \$172,494. According to the provisions of the bill, the base salary would increase to \$155,400 in fiscal year 2024 and \$172,494 in fiscal year 2025.

The bill also amends the Government Code to retain the salary at which the elected class membership annuity (except district and criminal attorneys) is based at the current state salary of a district court judge of \$140,000

and no longer adjusts for future increases in the state salary of a district court judge. The bill states the provision basing annuities on the salary of \$140,000 only applies to a member of the elected class that retires on or after the effective date of this bill, meaning annuities for current retirees of the elected class would be recalculated based on the increased salaries for fiscal year 2024 and fiscal year 2025.

Methodology

Judicial Salaries: The Office of Court Administration (OCA) has data reflecting the length of state service that a judge/justice has, which permits OCA to determine the salary for every judge/justice in the state under this bill. Assuming no turnover between January 1 and the end of the FY2026-2027 biennium, the biennial cost of salaries is \$33,658,772 (including the 1% payroll health contribution and 0.5% agency retirement contribution).

Associate Judge Salary Increases: OCA currently employs 73 associate judges for the child support and child protection courts. Increasing the salary for these judges to 90 percent of a district judge's salary would cost \$3,193,836 (including the 1% payroll health contribution and 0.5% agency retirement contribution) beginning in the 2026-2027 biennium. However, the federal government reimburses 66% of all eligible expenses for the IV-D (child support) program. Judicial salaries are an eligible expense. Thus, the increase would be offset by \$1,155,031 over the 2026-2027 biennium.

Regional Presiding Judge Salary Increases: The salary for the regional presiding judges is apportioned to the counties that comprise the region. Under current law, the judges of the 1st, 2nd, 3rd, 5th, 9th, and 10th AJRs who are active judges make \$42,000; the judges of the 4th, 8th and 11th AJRs make \$63,000; the judges of the 6th and 7th AJRs make \$49,000. Under the bill, the active judges would make \$46,620 (30% of \$155,400), an increase per judge of \$4,620, or a total of \$27,720 (\$55,440 for the biennium). The judges of the 4th, 8th, and 11th AJRs would make \$69,930 (45% of \$155,400), an increase of \$6,930 per judge, or \$20,790 (\$41,580 for the biennium). The judges of the 6th and 7th AJRs would make \$54,390 (35% of \$155,400), an increase of \$5,390 per judge, or \$10,780 (\$21,560 for the biennium). The total statewide biennial impact to counties would be \$118,580.

Prosecutor Salaries: OCA has the service credit for prosecutors as of June 2022, and is able to calculate the biennial cost of salaries (including the 1% payroll health contribution and 0.5% agency retirement contribution). The increased biennial cost to the state would be \$9,150,799.

County Attorney Supplements: Each county that has a county prosecutor is entitled to receive state supplemental salary compensation and are based on a formula and the number of counties served. A county prosecutor is entitled to no less than 1/6th of the base salary. The increased biennial cost for the county attorney supplements would be \$2,071,588.

Constitutional County Judge Supplements: As of 2022, 215 county judges were receiving the county judge supplement. Under current law, the total supplement is \$25,200. Under the bill, that supplement would be \$27,972 in the first year and \$31,049 in the second year. Therefore, the biennial cost to the state would be \$1,853,498.

Statutory County Court Judge Reimbursement: The state reimburses counties for 60% of the state base salary of a district judge for each statutory county court judge. The increased reimbursement due to the recalculated salary would be \$9,240 in the first year and \$19,496 in the second year per judge. With 258 statutory county court judges, the increased biennial cost to the state would be \$7,413,888.

Statutory Probate Court Judge Reimbursement: The state reimburses counties for 60% of the state base salary of a district judge for each statutory county court judge. The increased reimbursement due to the recalculated salary would be \$9,240 in the first year and \$19,496 in the second year per judge. With 19 statutory county court judges, the increased biennial cost to the state would be \$545,984.

1st Multicounty Court at Law Judge: The increased reimbursement due to the recalculated salary would be \$15,400 in the first year and \$32,494 in the second year for an increased biennial cost to the state would of \$47,894.

Visiting Judges: Visiting judges are paid a daily rate that is based on the District Judge's state based salary. The daily rate would increase from \$622 per day to \$691 per day for a biennial increase of \$1,301,171.

The salary of the state prosecuting attorney (including the 1% payroll health contribution and 0.5% agency retirement contribution) would increase by \$32,480 in the first year and \$52,993 in the second year, or \$86,755, per biennium. The state prosecuting attorney will be at the highest salary tier by September 1, 2025.

According to the Employees Retirement System (ERS), the increase in judicial salaries impacts the benefits provided by Judicial Retirement System - Plan 1 (JRS 1) and Judicial Retirement System - Plan 2 (JRS 2), as well as the unfunded liabilities of the ERS and JRS 2 plans. Specifically, the bill would increase the unfunded liability of the ERS plan by \$76.9 million in fiscal year 2024. The JRS 2 plan is currently actuarially unsound. According to information previously provided by ERS, an appropriation of approximately \$111.5 million would be required to make the fund sound as of August 31, 2024. This analysis assumes these funds would be appropriated in House Bill 1.

The increased unfunded liability to the JRS 2 plan resulting from the provisions of the bill is \$19.8 million, and the additional contributions needed for the plan are \$1.9 million in fiscal year 2024 and \$2.1 million in fiscal year 2025 and subsequent years. According to ERS, the additional contributions needed to JRS 1 as a result of the increases in salary are \$1.7 million in fiscal year 2024 and \$3.3 million in fiscal year 2025. The total costs to ERS, JRS 2, and JRS 1 are estimated to be \$105.8 million for the biennium.

The original projections by OCA included costs associated with ERS Health Insurance. These amounts include \$7,193,218 for fiscal year 2026, \$7,193,218 for fiscal year 2027, and \$7,193,218 for fiscal year 2028. Since the bill does not require new FTE's, the adopted methodology removes the respective percentage. Thus, employee retirement costs, not including ERS, JRS1, and JRS2 amounts included by ERS, total \$4,067,381 for fiscal year 2026, \$4,067,381 for fiscal year 2027, and \$4,067,381 for fiscal year 2028.

Local Government Impact

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

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 304 Comptroller of Public Accounts, 327 Employees Retirement System

LBB Staff: JMc, KDw, MW, JPa, SD, JPO

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 29, 2023

TO: Honorable Jeff Leach, Chair, House Committee on Judiciary & Civil Jurisprudence

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2779 by Leach (Relating to the compensation of a district judge and the associated retirement benefits of certain other elected state officials.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2779, As Introduced : a negative impact of (\$105,754,875) through the biennium ending August 31, 2025.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2024	(\$100,311,202)
2025	(\$5,443,673)
2026	(\$39,066,592)
2027	(\$38,944,356)
2028	(\$38,820,156)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from General Revenue Fund 1
2024	(\$100,311,202)
2025	(\$5,443,673)
2026	(\$39,066,592)
2027	(\$38,944,356)
2028	(\$38,820,156)

Fiscal Analysis

The bill would amend the Government Code to increase salaries for district court judges, court of appeals justices, supreme court justices, and court of criminal appeals justices by increasing the annual base salary of a district court judge from \$140,000 to \$172,494. According to the provisions of the bill, the base salary would increase to \$155,400 in fiscal year 2024 and \$172,494 in fiscal year 2025.

The bill also amends the Government Code to retain the salary at which the elected class membership annuity (except district and criminal attorneys) is based at the current state salary of a district court judge of \$140,000 and no longer adjusts for future increases in the state salary of a district court judge. The bill states the provision basing annuities on the salary of \$140,000 only applies to a member of the elected class that retires on or after the effective date of this bill, meaning annuities for current retirees of the elected class would be recalculated based on the increased salaries for fiscal year 2024 and fiscal year 2025.

Methodology

Judicial Salaries: The Office of Court Administration (OCA) has data reflecting the length of state service that a judge/justice has, which permits OCA to determine the salary for every judge/justice in the state under this bill. Assuming no turnover between January 1 and the end of the FY2026-2027 biennium, the biennial cost of salaries is \$33,658,772 (including the 1% payroll health contribution and 0.5% agency retirement contribution).

Associate Judge Salary Increases: OCA currently employs 73 associate judges for the child support and child protection courts. Increasing the salary for these judges to 90 percent of a district judge's salary would cost \$3,193,836 (including the 1% payroll health contribution and 0.5% agency retirement contribution) beginning in the 2026-2027 biennium. However, the federal government reimburses 66% of all eligible expenses for the IV-D (child support) program. Judicial salaries are an eligible expense. Thus, the increase would be offset by \$1,137,962 over the 2026-2027 biennium.

Regional Presiding Judge Salary Increases: The salary for the regional presiding judges is apportioned to the counties that comprise the region. Under current law, the judges of the 1st, 2nd, 3rd, 5th, 9th, and 10th AJRs who are active judges make \$42,000; the judges of the 4th, 8th and 11th AJRs make \$63,000; the judges of the 6th and 7th AJRs make \$49,000. Under the bill, the active judges would make \$46,620 (30% of \$155,400), an increase per judge of \$4,620, or a total of \$27,720 (\$55,440 for the biennium). The judges of the 4th, 8th, and 11th AJRs would make \$69,930 (45% of \$155,400), an increase of \$6,930 per judge, or \$20,790 (\$41,580 for the biennium). The judges of the 6th and 7th AJRs would make \$54,390 (35% of \$155,400), an increase of \$5,390 per judge, or \$10,780 (\$21,560 for the biennium). The total statewide biennial impact to counties would be \$118,580.

Prosecutor Salaries: OCA has the service credit for prosecutors as of June 2022, and is able to calculate the biennial cost of salaries (including the 1% payroll health contribution and 0.5% agency retirement contribution). The increased biennial cost to the state would be \$9,144,592.

County Attorney Supplements: Each county that has a county prosecutor is entitled to receive state supplemental salary compensation and are based on a formula and the number of counties served. A county prosecutor is entitled to no less than 1/6th of the base salary. The increased biennial cost for the county attorney supplements would be \$2,071,588.

Constitutional County Judge Supplements: As of 2022, 215 county judges were receiving the county judge supplement. Under current law, the total supplement is \$25,200. Under the bill, that supplement would be \$27,972 in the first year and \$31,049 in the second year. Therefore, the biennial cost to the state would be \$1,853,498.

Statutory County Court Judge Reimbursement: The state reimburses counties for 60% of the state base salary of a district judge for each statutory county court judge. The increased reimbursement due to the recalculated salary would be \$9,240 in the first year and \$19,496 in the second year per judge. With 258 statutory county court judges, the increased biennial cost to the state would be \$7,413,888.

Statutory Probate Court Judge Reimbursement: The state reimburses counties for 60% of the state base salary of a district judge for each statutory county court judge. The increased reimbursement due to the recalculated salary would be \$9,240 in the first year and \$19,496 in the second year per judge. With 19 statutory county court judges, the increased biennial cost to the state would be \$545,984.

1st Multicounty Court at Law Judge: The increased reimbursement due to the recalculated salary would be \$15,400 in the first year and \$32,494 in the second year for an increased biennial cost to the state would of \$47,894.

Visiting Judges: Visiting judges are paid a daily rate that is based on the District Judge's state based salary. The daily rate would increase from \$622 per day to \$691 per day for a biennial increase of \$1,301,171.

The salary of the state prosecuting attorney (including the 1% payroll health contribution and 0.5% agency retirement contribution) would increase by \$32,480 in the first year and \$52,993 in the second year, or

\$86,755, per biennium. The state prosecuting attorney will be at the highest salary tier by September 1, 2025.

According to the Employees Retirement System (ERS), the increase in judicial salaries impacts the benefits provided by Judicial Retirement System - Plan 1 (JRS 1) and Judicial Retirement System - Plan 2 (JRS 2), as well as the unfunded liabilities of the ERS and JRS 2 plans. Specifically, the bill would increase the unfunded liability of the ERS plan by \$76.9 million in fiscal year 2024. The JRS 2 plan is currently actuarially unsound. According to information previously provided by ERS, an appropriation of approximately \$111.5 million would be required to make the fund sound as of August 31, 2024. This analysis assumes these funds would be appropriated in House Bill 1.

The increased unfunded liability to the JRS 2 plan resulting from the provisions of the bill is \$19.8 million, and the additional contributions needed for the plan are \$1.9 million in fiscal year 2024 and \$2.1 million in fiscal year 2025 and subsequent years. According to ERS, the additional contributions needed to JRS 1 as a result of the increases in salary are \$1.7 million in fiscal year 2024 and \$3.3 million in fiscal year 2025. The total costs to ERS, JRS 2, and JRS 1 are estimated to be \$105.8 million for the biennium.

The original projections by OCA included costs associated with ERS Health Insurance. These amounts \$7,193,218 for fiscal year 2026, \$7,193,218 for fiscal year 2027, and \$7,193,218 for fiscal year 2028. Since the bill does not require new FTE's, the adopted methodology removes the respective percentage. Thus, employee retirement costs, not including ERS, JRS1, and JRS2 amounts included by ERS, total \$4,067,381 for fiscal year 2026, \$4,067,381 for fiscal year 2027, and \$4,067,381 for fiscal year 2028.

Local Government Impact

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

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 304 Comptroller of Public Accounts, 327 Employees Retirement System

LBB Staff: JMc, KDw, MW, JPa, JPO

LEGISLATIVE BUDGET BOARD

Austin, Texas

ACTUARIAL IMPACT STATEMENT

88TH LEGISLATIVE REGULAR SESSION

May 25, 2023

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2779 by Leach (Relating to the compensation and retirement benefits of certain elected state officials.), **As Passed 2nd House**

COST ESTIMATE

Based on the February 28, 2023, Actuarial Valuation projected to August 31, 2023.

Judicial Retirement System of Texas - Plan 1 (JRS-1)	Current	HB 2779	Difference
Actuarial Liability (AL) (in millions)	\$164.7	\$160.4	(\$4.3)

Based on the February 28, 2023, Actuarial Valuation projected to August 31, 2023.

Judicial Retirement System of Texas - Plan 2 (JRS-2)	Current	HB 2779	Difference
Long Term Total Normal Cost (% of payroll)	26.81%	27.79%	0.98%
Contribution Rate to Fund by 8/31/2054 (as a % of pay)*	23.63%	25.58%	1.95%
Unfunded Actuarial Accrued Liability (UAAL) (in millions)	\$95.2	\$113.4	\$18.2
Funded Ratio	85.8%	83.5%	- 2.30%
Actuarial Soundness	Unsound	Unsound	N/A

*Contribution Rate to Fund by 8/31/2054 - for the Current column, the employer contribution rate equals 33.01 percent of total contribution rate less 9.38 percent for employees, and for the HB 2779 column, the employer contribution rate equals 34.96 percent of total contribution less 9.38 percent for employees.

Based on the February 28, 2023, Actuarial Valuation projected to August 31, 2023.

Employees Retirement System of Texas (ERS)	Current	HB 2779	Difference
Long Term Total Normal Cost (% of payroll)	13.62%	13.61%	-0.01%
Unfunded Actuarial Accrued Liability (UAAL) (in millions)	\$14,502.1	\$14,473.4	(\$28.7)
Funded Ratio	69.2%	69.2%	0.0%
Actuarial Soundness	Sound	Sound	N/A

ACTUARIAL EFFECTS

The actuarial analysis (AA) estimates the bill would decrease the JRS-1 actuarial liability by \$4.3 million, increase the JRS-2 unfunded actuarial accrued liability (UAAL) by \$18.2 million, and decrease the ERS UAAL by \$28.7 million. The increase in retirement benefits under the bill are due to pay increases only, not direct changes in benefits.

The actuarial review states under the current Pension Review Board (PRB) Pension Funding Guidelines, funding should be sufficient to cover the normal cost and to amortize the UAAL over as brief a period as possible, but not to exceed 30 years, with 10 to 25 years being the preferable target range.

ERS and JRS-2 statutes define actuarial soundness, for purposes of making modifications to benefit and contribution levels, as less than 31 years. Benefits would be reduced for ERS elected class and JRS-1 members and have a positive impact on actuarial soundness. JRS-2 would become more unsound without taking into consideration benefit changes passed in other legislation.

SYNOPSIS OF PROVISIONS

The bill would add a new tier of salary for a district court judge of 130 percent after 12 years of service. Currently there are only two tiers (100 percent after four years of service and 120 percent after eight years of service). Already retired elected class and JRS-1 retiree benefits would no longer be adjusted from time to time. The bill would increase the supplemental salary of a presiding judge in administrative regions from 30 percent to 40 percent. The bill would also increase supplemental judge pay for a retired presiding judge or retired appellate judge by 10 percent for each administrative region with 30 or more district courts, statutory county courts, and retired former judges.

FINDINGS AND CONCLUSIONS

According to the actuarial review, judges would receive higher salaries after 12 years of service, which would translate to higher projected pension benefits for members of JRS-1, JRS-2 and ERS. JRS-1 retirees and some elected class members of ERS would no longer receive benefit adjustments from time to time.

METHODOLOGY AND STANDARDS

The JRS-1, JRS-2 and ERS analysis relies on the participant data, financial information, benefit structure and actuarial assumptions and methods used in the JRS-1, JRS-2 and ERS actuarial valuations for February 28, 2023.

According to the PRB actuary, the actuarial assumptions, methods and procedures are reasonable for the purpose of this analysis. All actuarial projections have a degree of uncertainty because they are based on the probability of occurrence of future contingent events. Accordingly, actual results will be different from the results contained in the analysis to the extent actual future experience varies from the experience implied by the assumptions. This analysis is based on the assumption that no other legislative changes affecting the funding or benefits of ERS, JRS-1, and JRS-2 will be adopted. It should be noted that when several proposals are adopted, the effect of each may be compounded, resulting in a cost that is greater (or less) than the sum of each proposal considered independently.

SOURCES

Actuarial Analysis by Dana Woolfrey, FSA, EA, MAAA, Joe Newton, FSA, EA, MAAA, May 25, 2023.

Actuarial Review by David Fee, ASA, EA, Staff Actuary, Pension Review Board, May 25, 2023.

GLOSSARY

Actuarial Accrued Liability (AAL) -The current value of benefits attributed to past years.

Actuarial Value of Assets (AVA) - The value of assets used for the actuarial valuation. The AVA can be either the market value (MVA) or a smoothed value of assets.

Amortization Payments - The portion of the total contribution used to reduce the unfunded actuarial accrued liability (UAAL).

Amortization Period - The specified length of time used when calculating the amortization payment portion of an actuarially determined contribution, or as the time it would theoretically take to fully fund the UAAL or fully recognize a surplus. The State Pension Review Board recommends that funding should be sufficient to cover the normal cost and to amortize the UAAL over as brief a period as possible, but not to exceed 30 years, with 10-25 years being the preferable target range.

Actuarial Cost Method -An actuarial cost method is a way to allocate pieces of a participant's total expected benefit to each year of their working career. In other words, it is a technique to determine how much of the present value of future benefits (PVFB) to assign to past service (AAL) vs. future service (present value of future normal costs, or PVFNC).

Funded Ratio (FR) - The ratio of actuarial assets to the actuarial accrued liabilities.

Market Value of Assets (MVA) - The fair market value of the system's assets.

Normal Cost (NC) - Computed differently under different actuarial cost methods, the normal cost generally represents the current value of benefits attributed to the present year. The employer normal cost equals the total normal cost of the plan reduced by employee contributions.

Present Value of Future Benefits (PVFB) - The current value of all benefits expected to be paid from the plan to current plan participants.

Present Value of Future Normal Costs (PVFNC) - The current value of benefits attributed to the present year and all future years (includes the normal cost as the first year).

Unfunded Actuarial Accrued Liability (UAAL) - The difference between the actuarial accrued liability and the actuarial value of assets; therefore, the UAAL is the amount that is still owed to the fund for past obligations.

Source 338 Pension Review Board
Agencies:
LBB Staff: JMc, LCO, JPO, SD

LEGISLATIVE BUDGET BOARD
Austin, Texas

ACTUARIAL IMPACT STATEMENT

88TH LEGISLATIVE REGULAR SESSION

May 21, 2023

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2779 by Leach (relating to the compensation and retirement benefits of certain elected state officials.), **Committee Report 2nd House, Substituted**

ACTUARIAL EFFECTS

The actuarial review notes the actuarial analysis provided by the Employees Retirement System (ERS) includes the combined effect of the current versions of House Bill 1, Senate Bill 1245, and House Bill 2779. The combined effect of these bills represents an overall decrease in pension costs.

According to the actuarial review, the effect of House Bill 2779 alone would be a minimal increase in pension costs, but the cost cannot be precisely determined because the actuarial analysis does not provide information on the impact of House Bill 2779 in isolation. Actuarial impact statements are generally provided to evaluate the impact of a single legislative proposal in isolation, not multiple bills combined.

The bill would add a new tier of salary for a district court judge of 130 percent after 12 years of service. Currently there are only two tiers: 110 percent after four years of service and 120 percent after eight years of service. It would also change the salaries for any other positions with salaries calculated based on the pay for a district judge. Already retired elected class and Judicial Retirement System Plan 1 retiree benefits would no longer be adjusted from time to time. The bill would also change longevity pay to be payable after 14 years instead of 12 years.

SOURCES

Actuarial Analysis by Dana Woolfrey, FSA, EA, MAAA, Joe Newton, FSA, EA, MAAA, May 19, 2023.
Actuarial Review by David Fee, ASA, EA, Staff Actuary, Pension Review Board, May 19, 2023.

Source
Agencies: 338 Pension Review Board

LBB Staff: JMc, CMA, JPO

LEGISLATIVE BUDGET BOARD

Austin, Texas

ACTUARIAL IMPACT STATEMENT

88TH LEGISLATIVE REGULAR SESSION

May 17, 2023

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2779 by Leach (Relating to the compensation and retirement benefits of certain elected state officials.), **As Engrossed**

COST ESTIMATE

Based on the February 28, 2023, Actuarial Valuation projected to August 31, 2023.

Judicial Retirement System - Plan 1 (JRS-1)	Current	If Bill Enacted	Difference
Actuarial Accrued Liability (millions)	\$159.4	\$192.4	\$33
Funded Ratio	0.0%	0.0%	0.0%

Based on the February 28, 2023, Actuarial Valuation projected to August 31, 2023.

Judicial Retirement System - Plan 2 (JRS-2)	Current	If Bill Enacted	Difference
Normal Cost (% of Payroll)	26.81%	26.81%	0.00%
30 1-Year Contribution Rate (as a % of pensionable pay)	33.01%	33.40%	0.39%
Unfunded Actuarial Accrued Liability (millions)	\$95.2	\$118.80	\$23.6
Funded Ratio	85.8%	82.9%	-2.9%
Amortization Period (years)	Infinite	Infinite	N/A
Actuarial Soundness	Unsound	Unsound	N/A

Based on the February 28, 2023, Actuarial Valuation projected to August 31, 2023.

Employees Retirement System (ERS)	Current	If Bill Enacted	Difference
Normal Cost (% of Payroll)	13.62%	13.60%	-0.02%
Unfunded Actuarial Accrued Liability (millions)	\$14,502.1	\$14,470.7	(\$31.4)
Funded Ratio	69.20%	69.20%	0.00%
Amortization Period (years)	31	31	0
Actuarial Soundness	Sound	Sound	N/A

ACTUARIAL EFFECTS

The ERS analysis shows an increase in the JRS-1 actuarial accrued liability (AAL), and an increase in the JRS-2 unfunded actuarial accrued liability (UAAL), which translates to a lower funded ratio for JRS-2. The analysis does not include the effect of the inflation adjustments and salary supplement.

The actuarial review states under the current Pension Review Board (PRB) Pension Funding Guidelines, funding should be sufficient to cover the normal cost and to amortize the UAAL over as brief a period as possible, but not to exceed 30 years, with 10 to 25 years being the preferable target range.

ERS and JRS-2 statutes define actuarial soundness, for purposes of making modifications to benefit and contribution levels, as less than 31 years. Benefits would be reduced under the bill, having a positive impact on actuarial soundness. Any increases to the UAAL or amortization period are due to pay increases only. ERS is projected to be actuarially sound as of September 1, 2023. Under the bill, ERS would remain actuarially sound. JRS-2 would remain actuarially unsound.

SYNOPSIS OF PROVISIONS

The bill would increase the minimum annual base salary of a district court judge from \$140,000 to \$155,400 in fiscal year 2024 and \$172,494 in fiscal year 2025. The bill would also change the salaries for any other positions with salaries calculated based on pay for a district judge. It would change the standard service retirement annuity for elected class members of ERS to be based on a salary of \$140,000 adjusted for inflation and other factors as determined by the Texas Ethics Commission, and the elected class benefit would no longer be tied to the base pay for a district court judge. County judges would be entitled to an annual salary supplement from the state in an amount equal to 18 percent of the annual salary paid to a district judge with comparable years of service. The assumed salaries are as follows:

Judge	State Base Salary (current through FY 2023)	State Base Salary (FY 2024)	State Base Salary (FY 2025)
Supreme Court Chief Justice/Court of Appeals Presiding Judge	\$204,600	\$226,776	\$251,391
Supreme Court Justice / Court of Criminal Appeals Judge	\$168,800	\$186,480	\$206,993
Court of Appeals Chief Justice	\$156,500	\$173,440	\$192,243
Court of Appeals Justice	\$154,000	\$170,940	\$189,743
District Court Judge	\$140,000	\$155,400	\$172,494

FINDINGS AND CONCLUSIONS

According to the actuarial review, judges would receive higher salaries, which would translate to higher projected pension benefits for members of JRS-1, JRS-2 and ERS. Some elected class members of ERS would no longer receive benefit adjustments from time to time.

METHODOLOGY AND STANDARDS

The JRS-1, JRS-2, and ERS analysis relies on the participant data, financial information, benefit structure and actuarial assumptions and methods used in the JRS-1, JRS-2, and ERS actuarial valuations for February 28, 2023.

According to the PRB actuary, the actuarial assumptions, methods and procedures are reasonable for the purpose of this analysis. All actuarial projections have a degree of uncertainty because they are based on the probability of occurrence of future contingent events. Accordingly, actual results will be different from the results contained in the analysis to the extent actual future experience varies from the experience implied by

the assumptions. This analysis is based on the assumption that no other legislative changes affecting the funding or benefits of ERS, JRS-1 and JRS-2 will be adopted. It should be noted that when several proposals are adopted, the effect of each may be compounded, resulting in a cost that is greater (or less) than the sum of each proposal considered independently.

SOURCES

ERS Cost Estimate May 17, 2023.

Actuarial Review by David Fee, ASA, EA, Staff Actuary, Pension Review Board, May 17, 2023.

GLOSSARY

Actuarial Accrued Liability (AAL) -The current value of benefits attributed to past years.

Actuarial Value of Assets (AVA) - The value of assets used for the actuarial valuation. The AVA can be either the market value (MVA) or a smoothed value of assets.

Amortization Payments - The portion of the total contribution used to reduce the unfunded actuarial accrued liability (UAAL).

Amortization Period - The specified length of time used when calculating the amortization payment portion of an actuarially determined contribution, or as the time it would theoretically take to fully fund the UAAL or fully recognize a surplus. The State Pension Review Board recommends that funding should be sufficient to cover the normal cost and to amortize the UAAL over as brief a period as possible, but not to exceed 30 years, with 10-25 years being the preferable target range.

Actuarial Cost Method -An actuarial cost method is a way to allocate pieces of a participant's total expected benefit to each year of their working career. In other words, it is a technique to determine how much of the present value of future benefits (PVFB) to assign to past service (AAL) vs. future service (present value of future normal costs, or PVFNC).

Funded Ratio (FR) - The ratio of actuarial assets to the actuarial accrued liabilities.

Market Value of Assets (MVA) - The fair market value of the system's assets.

Normal Cost (NC) - Computed differently under different actuarial cost methods, the normal cost generally represents the current value of benefits attributed to the present year. The employer normal cost equals the total normal cost of the plan reduced by employee contributions.

Present Value of Future Benefits (PVFB) - The current value of all benefits expected to be paid from the plan to current plan participants.

Present Value of Future Normal Costs (PVFNC) - The current value of benefits attributed to the present year and all future years (includes the normal cost as the first year).

Unfunded Actuarial Accrued Liability (UAAL) - The difference between the actuarial accrued liability and the actuarial value of assets; therefore, the UAAL is the amount that is still owed to the fund for past obligations.

Source 338 Pension Review Board

Agencies:

LBB Staff: JMc, KK, LCO, JPO, KDw, NV

LEGISLATIVE BUDGET BOARD

Austin, Texas

ACTUARIAL IMPACT STATEMENT

88TH LEGISLATIVE REGULAR SESSION

April 27, 2023

TO: Honorable Jeff Leach, Chair, House Committee on Judiciary & Civil Jurisprudence

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2779** by Leach (relating to the compensation of a district judge and the associated retirement benefits of certain other elected state officials.), **Committee Report 1st House, Substituted**

COST ESTIMATE

Based on the February 28, 2023, Actuarial Valuation projected to August 31, 2023.

Judicial Retirement System - Plan 1 (JRS-1)	Current	If Bill Enacted	Difference
Actuarial Accrued Liability (AAL)	\$164.80	\$160.10	(\$4.70)
Funded Ratio	0.00%	0.00%	0.00%

Based on the February 28, 2023, Actuarial Valuation projected to August 31, 2023.

Judicial Retirement System - Plan 2 (JRS-2)	Current	If Bill Enacted	Difference
Normal Cost (% of Payroll)	26.81%	26.81%	0.00%
30 1-Year Contribution Rate (as a % of pensionable pay)	33.01%	33.40%	0.39%
Unfunded Actuarial Accrued Liability (UAAL)	\$95.20	\$118.80	\$23.60
Funded Ratio	85.80%	82.90%	-2.90%
Amortization Period (years)	Infinite	Infinite	N/A
Actuarial Soundness	Unsound	Unsound	N/A

Based on the February 28, 2023, Actuarial Valuation projected to August 31, 2023.

Employees Retirement System (ERS)	Current	If Bill Enacted	Difference
Normal Cost (% of Payroll)	13.62%	13.60%	-0.02%
UAAL	\$14,502.10	\$14,470.70	(\$31.40)
Funded Ratio	69.20%	69.20%	0.00%
Amortization Period (years)	31	31	0
Actuarial Soundness	Sound	Sound	N/A

ACTUARIAL EFFECTS

The actuarial analysis (AA) shows a decrease in the JRS-1 actuarial accrued liability (AAL), a large increase in the JRS-2 unfunded actuarial accrued liability (UAAL), which translated to a lower funded ratio, and a slight decrease to the ERS funded ratio. JRS-1 does not have any assets and no advance funding.

The analysis also notes Texas Government Code 811.006 requires that any legislation that reduces the rate of contributions or interest rates, credits additional service, or provides benefit improvements that increase the actuarial costs of ERS require a state contribution sufficient to cover the normal cost and amortize the UAAL over a 31-year period. Given the bill does not attempt to modify benefits or contributions, it is the actuary's opinion the bill is not subject to the requirements of Texas Government Code 811.006.

The actuarial review states under the current Pension Review Board (PRB) Pension Funding Guidelines, funding should be sufficient to cover the normal cost and to amortize the UAAL over as brief a period as possible, but not to exceed 30 years, with 10 to 25 years being the preferable target range.

ERS and JRS-2 statutes define actuarial soundness, for purposes of making modifications to benefit and contribution levels, as less than 31 years. Benefits would be reduced under the bill, having a positive impact on actuarial soundness. Any increases to the UAAL or amortization period are due to pay increases only. ERS is projected to be actuarially sound as of September 1, 2023. Under the bill, ERS would remain actuarially sound. JRS-2 would remain actuarially unsound.

SYNOPSIS OF PROVISIONS

This bill would increase the minimum annual base salary of a district court judge \$140,000 to \$155,400 in fiscal year 2024 and \$172,494 in fiscal year 2025. This would also change the salaries for any other positions with salaries calculated based on pay for a district judge. It would change the standard service retirement annuity for elected class members of ERS to be based on a salary of \$140,000, and the elected class benefit would no longer be tied to the base pay for a district court judge. District Attorneys and JRS-1 retiree benefits will no longer be adjusted from time to time. The assumed salaries are as follows:

Judge	State Base Salary (current through FY 2023)	State Base Salary (FY 2024)	State Base Salary (FY 2025)
Supreme Court Chief Justice/Court of Appeals Presiding Judge	\$204,600	\$226,776	\$251,391
Supreme Court Justice / Court of Criminal Appeals Judge	\$168,800	\$186,480	\$206,993
Court of Appeals Chief Justice	\$156,500	\$173,440	\$192,243
Court of Appeals Justice	\$154,000	\$170,940	\$189,743
District Court Judge	\$140,000	\$155,400	\$172,494

FINDINGS AND CONCLUSIONS

According to the actuarial review, judges would receive higher salaries, which would translate to higher projected pension benefits for members of JRS-1, JRS-2 and ERS. JRS-1 retirees and some elected class members of ERS would no longer receive benefit adjustments from time to time.

METHODOLOGY AND STANDARDS

The JRS1, JRS-2, and ERS analysis relies on the participant data, financial information, benefit structure and actuarial assumptions and methods used in the JRS-1, JRS-2, and ERS actuarial valuations for February 28, 2023.

According to the PRB actuary, the actuarial assumptions, methods and procedures are reasonable for the

purpose of this analysis. All actuarial projections have a degree of uncertainty because they are based on the probability of occurrence of future contingent events. Accordingly, actual results will be different from the results contained in the analysis to the extent actual future experience varies from the experience implied by the assumptions. This analysis is based on the assumption that no other legislative changes affecting the funding or benefits of ERS and JRS-2 will be adopted. It should be noted that when several proposals are adopted, the effect of each may be compounded, resulting in a cost that is greater (or less) than the sum of each proposal considered independently.

SOURCES

Actuarial Analysis by Dana Woolfrey, FSA, EA, MAAA, Joe Newton, FSA, EA, MAA, and Thomas J. Bevins, ASA, MAAA, Gabriel, Roeder, Smith & Company, April 25, 2023.

Actuarial Review by David Fee, ASA, EA, Staff Actuary, Pension Review Board, April 25, 2023.

GLOSSARY

Actuarial Accrued Liability (AAL) - The current value of benefits attributed to past years.

Actuarial Value of Assets (AVA) - The value of assets used for the actuarial valuation. The AVA can be either the market value (MVA) or a smoothed value of assets.

Amortization Payments - The portion of the total contribution used to reduce the unfunded actuarial accrued liability (UAAL).

Amortization Period - The specified length of time used when calculating the amortization payment portion of an actuarially determined contribution, or as the time it would theoretically take to fully fund the UAAL or fully recognize a surplus. The State Pension Review Board recommends that funding should be sufficient to cover the normal cost and to amortize the UAAL over as brief a period as possible, but not to exceed 30 years, with 10-25 years being the preferable target range.

Actuarial Cost Method - An actuarial cost method is a way to allocate pieces of a participant's total expected benefit to each year of their working career. In other words, it is a technique to determine how much of the present value of future benefits (PVFB) to assign to past service (AAL) vs. future service (present value of future normal costs, or PVFNC).

Funded Ratio (FR) - The ratio of actuarial assets to the actuarial accrued liabilities.

Market Value of Assets (MVA) - The fair market value of the system's assets.

Normal Cost (NC) - Computed differently under different actuarial cost methods, the normal cost generally represents the current value of benefits attributed to the present year. The employer normal cost equals the total normal cost of the plan reduced by employee contributions.

Present Value of Future Benefits (PVFB) - The current value of all benefits expected to be paid from the plan to current plan participants.

Present Value of Future Normal Costs (PVFNC) - The current value of benefits attributed to the present year and all future years (includes the normal cost as the first year).

Unfunded Actuarial Accrued Liability (UAAL) - The difference between the actuarial accrued liability and the actuarial value of assets; therefore, the UAAL is the amount that is still owed to the fund for past obligations.

Source 338 Pension Review Board

Agencies:

LBB Staff: JMc, KDw, LCO, JPO, NV

LEGISLATIVE BUDGET BOARD
Austin, Texas

ACTUARIAL IMPACT STATEMENT

88TH LEGISLATIVE REGULAR SESSION

March 29, 2023

TO: Honorable Jeff Leach, Chair, House Committee on Judiciary & Civil Jurisprudence

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2779 by Leach (Relating to the compensation of a district judge and the associated retirement benefits of certain other elected state officials.), **As Introduced**

COST ESTIMATE

Based on the August 31, 2022, Actuarial Valuation projected to August 31, 2023.

Judicial Retirement System of Texas Plan 1 (JRS I)	No Pay Increase	If Bill Enacted	Difference
Unfunded Actuarial Accrued Liability (millions)	\$159.4	\$192.4	\$33.0
Funded Ratio	0.0%	0.0%	0.0%

Based on the February 28, 2023, Actuarial Valuation projected to August 31, 2023.

Judicial Retirement System of Texas Plan 2 (JRS II)	No Pay Increase	If Bill Enacted	Difference
Normal Cost (% of payroll)	26.81%	26.81%	0.0%
30/1-Year Contribution Rate (as % of pensionable pay)	31.60%	33.40%	1.80%
Unfunded Actuarial Accrued Liability (millions)	\$70.5	\$118.8	\$48.4
Funded Ratio	89.1%	82.9%	-6.20%
Amortization Period (years)	Infinite	Infinite	N/A
Actuarial Soundness	Unsound	Unsound	N/A

Based on the February 28, 2023, Actuarial Valuation projected to August 31, 2023.

Employees Retirement System of Texas (ERS)	No Pay Increase	If Bill Enacted	Difference
Normal Cost (% of payroll)	13.62%	13.61%	0.01%
Unfunded Actuarial Accrued Liability (millions)	\$14,481.5	\$14,558.4	\$76.9
Funded Ratio	69.2%	69.1%	-0.1%
Level Dollar Contribution Rate Through 2054	\$0	\$5.7	\$5.7
Amortization Period (years)	31	31	N/A
Actuarial Soundness	Sound	Sound	N/A

Figures in the No Pay Increase column are calculated assuming there is no legislation to increase salaries.

ACTUARIAL EFFECTS

The actuarial review states under the current Pension Review Board (PRB) Pension Funding Guidelines, funding should be sufficient to cover the normal cost and to amortize the unfunded actuarial accrued liability (UAAL) over as brief a period as possible, but not to exceed 30 years, with 10 to 25 years being the preferable target range.

Employees Retirement System (ERS) and JRS II statutes define actuarial soundness, for purposes of making modifications to benefit and contribution levels, as no more than 31 years. This bill would not affect benefits, it would only affect pay. ERS is projected to be actuarially sound as of September 1, 2023. Under the bill, ERS would remain actuarially sound but would require increased contributions. JRS II would remain actuarially unsound.

The actuarial analysis notes that given the bill does not attempt to modify benefits or contributions, it is the actuary's opinion the bill is not subject to the JRS II statutory requirements under Section 840.106, Texas Government Code, and could be enacted without an increase to the JRS II employer contribution.

SYNOPSIS OF PROVISIONS

This bill would increase the minimum annual base salary of a district court judge from \$140,000 to \$155,400 in fiscal year 2024 and \$172,494 in fiscal year 2025. The bill would also change the salaries for any other positions with salaries calculated based on pay for a district judge. The assumed salaries are as follows:

Judge	State Base Salary, current through FY 2023	State Base Salary, FY 2024	State Base Salary, FY 2025
Supreme Court Chief Justice/Court of Appeals Presiding Judge	\$204,600	\$226,776	\$251,391
Supreme Court Justice / Court of Criminal Appeals Judge	\$168,800	\$186,480	\$206,993
Court of Appeals Chief Justice	\$156,500	\$173,440	\$192,243
Court of Appeals Justice	\$154,000	\$170,940	\$189,743
District Court Judge	\$140,000	\$155,400	\$172,494

The bill would change the standard service retirement annuity for elected class members of ERS to be based on a salary of \$140,000, and the elected class benefit would no longer be tied to the base pay for a district court judge.

FINDINGS AND CONCLUSIONS

According to the actuarial review, judges would receive higher salaries, which would translate to higher projected pension benefits for members of JRS I, JRS II and ERS. If financed with a one-time immediate contribution, the cost would be \$33 million for JRS I, \$48.4 million for JRS II and \$76.9 million for ERS. Alternatively, the ERS legacy payment could be increased by \$5.7 million each year through 2054.

METHODOLOGY AND STANDARDS

The ERS and JRS II analysis relies on the participant data, financial information, benefit structure and actuarial assumptions and methods used in the ERS and JRS II actuarial valuations for February 28, 2023. The JRS I analysis relies on the participant data, financial information, benefit structure, and actuarial assumptions and methods used in the JRS I actuarial valuation for August 31, 2022.

According to the PRB actuary, the actuarial assumptions, methods and procedures are reasonable for the purpose of this analysis. All actuarial projections have a degree of uncertainty because they are based on the probability of occurrence of future contingent events. Accordingly, actual results will be different from the results contained in the analysis to the extent actual future experience varies from the experience implied by the assumptions. This analysis is based on the assumption that no other legislative changes affecting the funding or benefits of ERS, JRS I, and JRS II will be adopted. It should be noted that when several proposals are

adopted, the effect of each may be compounded, resulting in a cost that is greater (or less) than the sum of each proposal considered independently.

SOURCES

Actuarial Analysis by R. Ryan Falls, FSA, EA, MAAA, and Dana Woolfrey, FSA, EA, MAA, Gabriel, Roeder, Smith & Company, March 27, 2023.

Actuarial Review by David Fee, ASA, EA, Staff Actuary, Pension Review Board, March 27, 2023.

GLOSSARY

Actuarial Accrued Liability (AAL) - The current value of benefits attributed to past years.

Actuarial Value of Assets (AVA) - The value of assets used for the actuarial valuation. The AVA can be either the market value (MVA) or a smoothed value of assets.

Amortization Payments - The portion of the total contribution used to reduce the unfunded actuarial accrued liability (UAAL).

Amortization Period - The specified length of time used when calculating the amortization payment portion of an actuarially determined contribution, or as the time it would theoretically take to fully fund the UAAL or fully recognize a surplus. The State Pension Review Board recommends that funding should be sufficient to cover the normal cost and to amortize the UAAL over as brief a period as possible, but not to exceed 30 years, with 10-25 years being the preferable target range.

Actuarial Cost Method - An actuarial cost method is a way to allocate pieces of a participant's total expected benefit to each year of their working career. In other words, it is a technique to determine how much of the present value of future benefits (PVFB) to assign to past service (AAL) vs. future service (present value of future normal costs, or PVFNC).

Funded Ratio (FR) - The ratio of actuarial assets to the actuarial accrued liabilities.

Market Value of Assets (MVA) - The fair market value of the system's assets.

Normal Cost (NC) - Computed differently under different actuarial cost methods, the normal cost generally represents the current value of benefits attributed to the present year. The employer normal cost equals the total normal cost of the plan reduced by employee contributions.

Present Value of Future Benefits (PVFB) - The current value of all benefits expected to be paid from the plan to current plan participants.

Present Value of Future Normal Costs (PVFNC) - The current value of benefits attributed to the present year and all future years (includes the normal cost as the first year).

Unfunded Actuarial Accrued Liability (UAAL) - The difference between the actuarial accrued liability and the actuarial value of assets; therefore, the UAAL is the amount that is still owed to the fund for past obligations.

Source

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Agencies:

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