

- SUBJECT:** Increasing retirement annuity multiplier for Judicial Retirement System
- COMMITTEE:** Pensions and Investments — committee substitute recommended
- VOTE:** 4 ayes — Truitt, Burnam, Macias, Rodriguez
0 nays
3 absent — Villarreal, McClendon, Keffer
- WITNESSES:** For — Larry Meyers, Texas Court of Criminal Appeals; Lynn Nabers, Alliance for Judicial Funding, Inc.; Linda Thomas, Fifth District Court of Appeals
Against — None
- BACKGROUND:** The Employees Retirement System (ERS) administers two retirement plans for judges: the Judicial Retirement System Plan One (JRS Plan One) and the Judicial Retirement System Plan Two (JRS Plan Two). JRS Plan Two was established in 1985 as an actuarially funded retirement plan for judges who became members of the system on or after September 1, 1985. JRS Plan One provides retirement benefits on a pay-as-you-go basis for judges who became members before that date.
- Annuity benefits for retired judges are established under Government Code, sec. 834.102(c) (JRS Plan One) and Government Code, sec. 839.102(d) and (f) (JRS Plan Two). The service retirement annuity of a member qualifying for retirement is 50 percent of the salary of a judge in the same court on which the judge served at retirement plus the product of 2 percent multiplied by the number of years of service credit. If the judge has been out of office for less than a year or served as a visiting judge within the first year after retirement, the annuity is increased by 10 percent.
- The service retirement annuity may not be greater than 80 percent of the salary being paid a judge of a court of the same classification as the court on which the retiree last served before retirement.

DIGEST: CSHB 2882 would increase the multiplier for determining the annuity for retired judges in JRS Plan One and JRS Plan Two from 2 percent to 3 percent and specify that an annuity could not be more than 90 percent of the salary being paid a judge of a court of the same classification as the court on which the retiree last served before retirement.

The bill would take effect on September 1, 2007, and would apply to judges who retired on or after that date.

SUPPORTERS SAY: CSHB 2882 would encourage judges to stay on the bench rather than retiring when they were first eligible by increasing the multiplier on which retirement annuities would be calculated and raising the maximum annuity amount to 90 percent of a sitting judge's salary. This change would provide a stronger incentive for judges to continue to serve in order to qualify for a higher pension benefit.

OPPONENTS SAY: Increasing the multiplier to 3 percent would be too generous. Increasing the cap for annuity payments to 90 percent should provide a sufficient incentive for judges to postpone their retirement.

NOTES: According to the Legislative Budget Board, CSHB 2882 would cost the state \$150,000 in general revenue-related funds in fiscal 2008-09. By fiscal 2012, the annual cost would be \$190,000. These projections assume increased state funding for annuities of judges who would qualify for retirement after September 1, 2007 and beyond.

The committee substitute expanded the provisions of the bill to apply to judges participating in JRS Plan One as well as JRS Plan Two and would increase the cap for annuity payments from 80 to 90 percent of a current judge's salary.

The companion bill, SB 1298 by Wentworth, was reported favorably, as substituted, by the Senate State Affairs Committee on April 30 and was recommended for the Senate Local and Uncontested Calendar.