

GOVERNMENT CODE

TITLE 8. PUBLIC RETIREMENT SYSTEMS

SUBTITLE E. JUDICIAL RETIREMENT SYSTEM OF TEXAS PLAN TWO

CHAPTER 840A. CASH BALANCE BENEFIT

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 840A.001. DEFINITION. In this chapter, "accumulated account balance" means the total of amounts in a member's individual account in the retirement system, including:

(1) amounts deducted from the compensation of the member;

(2) other member deposits required to be placed in the member's individual account; and

(3) interest credited to amounts in the member's individual account, including interest and gain sharing interest credited in accordance with Sections [840A.103](#) and [840A.104](#), respectively.

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. [1245](#)), Sec. 16, eff. June 18, 2023.

Sec. 840A.002. APPLICABILITY. This chapter applies only to a member who:

(1) took office on or after September 1, 2024; and

(2) was not a member on the date the member took office.

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. [1245](#)), Sec. 16, eff. June 18, 2023.

Sec. 840A.003. CONFLICT OF LAW. To the extent of a conflict between this chapter, including a rule adopted by the retirement system under authority of this chapter, and any other law, this chapter prevails.

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. [1245](#)), Sec. 16, eff. June 18, 2023.

Sec. 840A.004. RULES. The board of trustees may adopt

rules necessary to implement this chapter.

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. [1245](#)), Sec. 16, eff. June 18, 2023.

SUBCHAPTER B. CASH BALANCE BENEFITS

Sec. 840A.051. APPLICATION FOR CASH BALANCE BENEFIT.

(a) A member may apply for a cash balance annuity by filing an application for retirement with the board of trustees.

(b) An application for a cash balance annuity may not be made:

(1) after the date the member wishes to retire; or

(2) more than 90 days before the date the member wishes to retire.

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. [1245](#)), Sec. 16, eff. June 18, 2023.

Sec. 840A.052. ELIGIBILITY FOR CASH BALANCE BENEFIT. A member is eligible to retire and receive a cash balance annuity if the member:

(1) is at least 60 years old and has at least eight years of service credited in the retirement system; or

(2) is at least 50 years old and has at least 12 years of service credited in the retirement system.

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. [1245](#)), Sec. 16, eff. June 18, 2023.

Sec. 840A.053. STANDARD CASH BALANCE BENEFITS FOR MEMBERS.

(a) The state match for the cash balance benefit is an amount computed by multiplying the member's accumulated account balance by 150 percent.

(b) The retirement system shall compute a member's standard cash balance annuity under this section by taking the sum of the member's accumulated account balance and the state match computed under Subsection (a) and annuitizing that amount over the life expectancy of the member as of the effective date of the member's retirement using mortality and other tables adopted by the board of

trustees for that purpose under Section 840.005.

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. 1245), Sec. 16, eff. June 18, 2023.

Sec. 840A.054. OPTIONAL CASH BALANCE BENEFITS.

(a) Instead of the standard cash balance annuity payable under Section 840A.053, a retiring member may elect to receive an optional cash balance annuity under this section.

(b) A person who selects an optional lifetime cash balance annuity must designate, before the selection becomes effective, one beneficiary to receive the annuity on the death of the person making the selection. A person who selects an optional cash balance annuity payable for a guaranteed period may designate, before or after retirement, one or more beneficiaries to receive the annuity on the death of the person making the selection.

(c) A person eligible to select an optional cash balance annuity under this section may select an option which provides that:

(1) after the retiree's death, the reduced annuity is payable in the same amount throughout the life of the beneficiary designated by the retiree before retirement;

(2) after the retiree's death, one-half of the reduced annuity is payable throughout the life of the beneficiary designated by the retiree before retirement;

(3) if the retiree dies before 60 monthly annuity payments have been made, the remainder of the 60 payments are payable to one or more beneficiaries or, if one does not exist, to the retiree's estate;

(4) if the retiree dies before 120 monthly annuity payments have been made, the remainder of the 120 payments are payable to one or more beneficiaries or, if one does not exist, to the retiree's estate; or

(5) after the retiree's death, three-fourths of the reduced annuity is payable throughout the life of the beneficiary designated by the retiree before retirement.

(d) If a beneficiary designated by a retiree under Subsection (b) predeceases the retiree and the retiree has elected

an optional lifetime annuity, the reduced annuity shall be increased to the standard cash balance annuity that the retiree would have been entitled to receive if the retiree had not selected the optional annuity. The standard cash balance annuity shall be adjusted as appropriate for post-retirement increases in retirement benefits authorized by law since the date of retirement.

(e) Any increase in an annuity under Subsection (d) begins with the payment for the month following the month in which the designated beneficiary dies, and the increased annuity is payable to the retiree for the remainder of the retiree's life.

(f) The computation of an optional cash balance annuity must be made without regard to the gender of the annuitant or designated beneficiary.

(g) Except as provided by Section [840A.055](#), a person who selected an optional cash balance annuity described by Subsection (c)(1), (2), or (5) may not change or revoke a beneficiary designation after the person's effective date of retirement.

(h) A beneficiary designation that names a former spouse as a beneficiary for a guaranteed optional cash balance annuity described by Subsection (c)(3) or (4) is invalid unless the designation is made after the date of the divorce.

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. [1245](#)), Sec. 16, eff. June 18, 2023.

Sec. 840A.055. CHANGE IN OPTIONAL CASH BALANCE ANNUITY SELECTION. (a) A person who retired and selected an optional cash balance annuity described by Section [840A.054](#)(c)(1), (2), or (5) may change the optional annuity to a standard cash balance annuity only if:

(1) pursuant to a divorce decree, a court orders the change in the annuity to a standard cash balance annuity; or

(2) the retiree files with the retirement system a request to change the annuity and, in connection with a divorce between the retiree and the beneficiary designated by the retiree under Section [840A.054](#)(b), the beneficiary has executed a written, notarized instrument that:

(A) releases the system from any claim to the

annuity by the beneficiary; and

(B) transfers all of the beneficiary's interest in the annuity to the retiree.

(b) If a retiree files a request as provided by Subsection (a), the retirement system shall recompute the annuity as a standard cash balance annuity. The increase in the annuity under this section begins with the monthly payment made to the retiree for the month following the month in which a request is filed as provided by Subsection (a).

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. 1245), Sec. 16, eff. June 18, 2023.

Sec. 840A.056. PARTIAL LUMP-SUM CASH BALANCE OPTION.

(a) A member who is eligible for a cash balance annuity may select a standard cash balance annuity under Section 840A.053 or an optional cash balance annuity under Section 840A.054, together with a partial lump-sum distribution.

(b) The amount of the lump-sum distribution under this section may not exceed the sum of 36 months of a standard cash balance annuity computed without regard to this section.

(c) The cash balance annuity selected by the member shall be actuarially reduced to reflect the lump-sum option selected by the member and shall be actuarially equivalent to a standard or optional cash balance annuity, as applicable, without the partial lump-sum distribution. The annuity and lump sum shall be computed to result in no actuarial loss to the retirement system.

(d) The lump-sum distribution shall be made as a single payment payable at the time that the first monthly annuity payment is paid.

(e) The amount of the lump-sum distribution shall be deducted from any amount otherwise payable under this chapter.

(f) The partial lump-sum option under this section may be elected only once by a member and may not be elected by a retiree. A member retiring under the proportionate retirement program under Chapter 803 is not eligible for the partial lump-sum option.

(g) Before a retiring member selects a partial lump-sum

distribution under this section:

(1) the retirement system shall provide written notice to the member of the amount by which the member's annuity will be reduced because of the selection; and

(2) the member must acknowledge receipt of the notice in writing.

(h) The board of trustees may adopt rules for the implementation of this section and may authorize the option to be used for a death benefit annuity. This section does not apply to a disability retirement annuity.

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. [1245](#)), Sec. 16, eff. June 18, 2023.

Sec. 840A.057. DEATH AND DISABILITY BENEFITS.

(a) Notwithstanding any other law, a member subject to this chapter, a retiree receiving a cash balance annuity under this chapter, or the beneficiary of a member or retiree described by this subsection, who qualifies for a death or survivor benefit annuity or a disability retirement annuity under Chapter [839](#) is entitled to a cash balance annuity under this subchapter instead of the annuity otherwise provided under Chapter [839](#).

(b) The board of trustees may enter into contracts to provide additional death and disability benefits under this chapter.

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. [1245](#)), Sec. 16, eff. June 18, 2023.

SUBCHAPTER C. CONTRIBUTIONS AND INTEREST

Sec. 840A.101. COLLECTION OF MEMBER CONTRIBUTIONS. Each payroll period, each department or agency of the state shall cause to be deducted from the compensation of a member subject to this chapter a contribution of six percent of the compensation of the member.

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. [1245](#)), Sec. 16, eff. June 18, 2023.

Sec. 840A.102. STATE CONTRIBUTIONS FOR MILITARY SERVICE.

(a) The state shall contribute for military service established under Section [838.1031](#) an amount in the same ratio to the member's contribution for the service as the state's contribution bears to the contribution for current service required of a member of the retirement system who is subject to this chapter at the time the service is established under this subchapter.

(b) The state's contribution under Subsection (a) shall be paid from the fund from which the member receives compensation at the time the service is established or, if the member does not hold a position at the time the service is established, from the fund from which the member received compensation when the member most recently held a position.

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. [1245](#)), Sec. 16, eff. June 18, 2023.

Sec. 840A.103. ANNUAL INTEREST ADJUSTMENT. Each fiscal year, the retirement system shall deposit for a member subject to this chapter an amount equal to four percent of the member's accumulated account balance deposited into the member's individual account in the retirement system.

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. [1245](#)), Sec. 16, eff. June 18, 2023.

Sec. 840A.104. GAIN SHARING INTEREST ADJUSTMENT. (a) Each fiscal year and subject to Subsection (b), the retirement system shall compute the gain sharing interest rate by:

(1) determining the average return on the investment of the system's cash and securities during the preceding five fiscal years, expressed as a percentage rate;

(2) subtracting four percentage points from the percentage rate determined under Subdivision (1); and

(3) multiplying the resulting difference under Subdivision (2) by 50 percent.

(b) Subject to Subsection (c), each fiscal year, the retirement system shall:

(1) in addition to the amount deposited under Section

[840A.103](#), deposit into each member's individual account in the retirement system an amount equal to the gain sharing interest rate determined under Subsection (a) for the fiscal year multiplied by the member's accumulated account balance as of the end of the preceding fiscal year; and

(2) recalculate the annuity payment of a retiree or annuitant under this chapter by:

(A) multiplying the annuity payment amount as of the end of the preceding fiscal year by the gain sharing interest rate determined under Subsection (a); or

(B) if the retiree or annuitant was not entitled to an annuity payment as of the end of the preceding fiscal year, multiplying the retiree's or annuitant's first annuity payment amount by the gain sharing interest rate determined under Subsection (a).

(c) The gain sharing interest rate applied under Subsection (b) may not be less than zero or more than three percent.

(d) Subsection (b) applies only to a retiree or annuitant who is receiving a cash balance annuity under Section [840A.053](#) or [840A.054](#), including an alternate payee under Section [804.005](#).

Added by Acts 2023, 88th Leg., R.S., Ch. 1092 (S.B. [1245](#)), Sec. 16, eff. June 18, 2023.