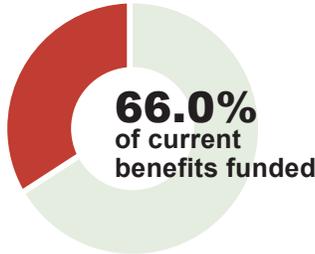
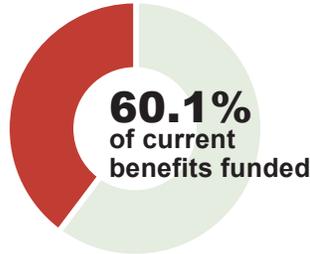


ERS
Employees Retirement System
of Texas



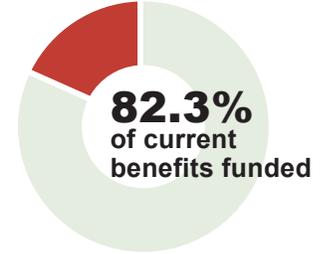
- State employees
- Elected officials
- District attorneys
- LECOSRF members

LECOSRF
Law Enforcement and Custodial Officers
Supplemental Retirement Fund



- Law enforcement and custodial officers (DPS, TABC, TPWD, TDCJ)

JRS 2
Judicial Retirement System
of Texas Plan 2



- Judges, justices and certain court commissioners (after September 1, 1985)

“The current financial outlook for ERS is very poor. It is important to understand that the currently scheduled contributions are not expected to accumulate sufficient assets in order to pay all of the currently scheduled benefits when due.”

- GRS Consulting Actuaries

Plan Funding Status

- Based on current contributions and assumptions, **all** funds are projected to run out of money.
- Despite past reduced benefits for new hires and positive investment returns, the funding status of all three plans is declining. Additional contributions, benefit cost reductions or some combination of the two must occur.
- When pension funds deplete, the plans convert to pay-as-you-go status making annual benefit costs significantly more expensive for the state. At the time the funds run out of money, the cost to the state for the ERS plan would be 4x more.

Actuarial Valuation Results as of August 31, 2020			
	ERS	LECOSRF	JRS 2
Actuarial Accrued Liability	\$43.2 B	\$1.61 B	\$591 M
Actuarial Value of Assets	\$28.5 B	\$968 M	\$487 M
Unfunded Accrued Liability	\$14.7 B	\$642 M	\$104 M
Funded Ratio	66.0%	60.1%	82.3%
Funding Period (Years)	Never	Never	Never
Projected Depletion Date	2061	2041	2059

Road to Actuarial Soundness

- The Pension Funding Priorities and Guidelines policy laid out a multi-level funding period goal to gradually achieve funding on sound actuarial principles:
 1. Fund normal costs,
 2. Avoid trust fund depletion,
 3. Meet current statutory standard to finance cost of benefits over 31 years, and
 4. Match funding period to the average years of service at retirement once a 31-year funding period is achieved, and closed.
- Delays in addressing the unfunded liabilities will increase the cost of returning to actuarial soundness.

Breakdown of Contribution Funding Gap (% of payroll)			
	ERS	LECOSRF	JRS 2
Normal Cost			
Base benefits	14.16%	1.96%	26.26%
Unfunded Liability Plan Cost			
Pay off unfunded liability in 31 years	11.32%	2.26%	7.03%
Actuarially Sound Contribution (ASC)			
Set by Texas Government Code 811.006 / 840.106	25.48%	4.22%	33.29%
Current Contributions			
State, agency and member rates	19.50%	1.79%*	25.08%
FY 2021 Contribution Shortfall	5.98%	2.43%	8.21%

*Includes court cost fees estimated to be \$17.1 million each year that decreases as a percent of payroll moving forward.

Investments

- Investment returns are the largest funding component of retirement benefits and represent about 60% of the ERS Fund's value.
- ERS lowered its assumed rate of return from 7.5% to 7.0% based on results of an experience study conducted in Fiscal Year 2020.

ERS Investment Performance (period ending August 31, 2020)						
Period	30-Year	20-Year	10-Year	5-Year	3-Year	1-Year
Annualized Return (Net)	N/A	5.70%	8.12%	7.30%	6.42%	6.82%
Annualized Return (Gross)	7.84%	5.79%	8.22%	7.34%	6.46%	6.85%

Largest Contributing Agencies

(based on membership)

25%

TX Health & Human Services Commission

23%

TX Department of Criminal Justice

9%

TX Department of Transportation

9%

TX Department of Family and Protective Services

Retirement Plan Demographics as of August 31, 2020			
	ERS	LECOSRF	JRS 2
Active Contributing Members	142,062	35,230	570
Average Age	43.6	41.1	56.9
Average Entry Age	35.3	33.3	47.8
Average Years of Service	8.3	7.8	9.1
Average Annual Salary	\$50,834	\$46,250	\$157,563
Non-contributing Members – Vested	15,109	124	42
Non-contributing Members – Non-vested	119,800	25,387	145
Retirees and Beneficiaries	117,996	14,697	484
Service Retirements	106,631	13,788	435
Average Age*	69.4	63.1	70.5
Average Age at Retirement*	58.4	54.0	63.3
Average Years of Service*	22.1	23.6	15.1
Disability Retirements	2,170	90	<10
Beneficiaries	9,195	819	47
Average Annual Annuity	\$20,957	\$5,554	\$65,916

* Based on service retirements only

State contributions to the ERS pension plan represent less than 1% of the state's budget.

Contributions have increased over time but have not met plan funding needs

