



LEGISLATIVE BUDGET BOARD

Overview of the Employees Retirement System (ERS)

PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE

LEGISLATIVE BUDGET BOARD STAFF

FEBRUARY 2021

Retirement Programs

- ERS administers four retirement systems:
 - ERS Retirement for state employees and elected state officials
 - Law Enforcement and Correctional Officers Supplement (LECOS)
 - Judicial Retirement Systems (JRS) for state judicial officers
 - JRS II for those who took office on or after September 1, 1985
 - JRS I for those who took office prior to September 1, 1985
- ERS, LECOS, and JRSII are pre-funded. JRS I is pay-as-you-go.

Retirement Funding

Recommendations in the House Introduced General Appropriations Bill maintain current contribution structures and include:

- \$1.4 billion in All Funds (\$1.1 billion in General Revenue-Related) for ERS Retirement
- \$17.4 million in All Funds (\$17.3 million in General Revenue-Related) for LECOS
- \$28.5 million in All Funds (\$20.1 million in General Revenue-Related) for JRS II
- \$38.9 million in General Revenue-Related Funds for JRS I

Retirement Contribution Structures

	State	Member	Other	Total Contributions	FY 2020 Actuarially Sound Contribution Rate
ERS	9.5%	9.5%	0.5% agency	19.5%	26.13%
LECOS	0.5%	0.5%	\$17.1M / yr court fees	1.0% + \$17.1 million	3.57%
JRS II	15.663%	9.42%*		25.083%	33.94%

Percentages represent the percent of payroll contributed.

*This is the effective member rate. The official member contribution rate is 9.5%, but some members elect to cease contributions and cease to accrue additional benefits.

Article XVI of the Texas Constitution says the maximum contributed by the state towards retirement cannot exceed 10%.

Actuarial Assumptions and Valuations

- Statute defines actuarial soundness as having contributions that are sufficient to amortize the unfunded accrued liability during no more than 31 years.
- Annual valuations are based upon actuarial assumptions and methods and provide the funding period, funded ratio, assets, and liabilities of a defined benefit system.
- In May 2020, the ERS Board decreased the investment return assumption from 7.5 to 7.0 percent.

Projected Depletion Dates and Exceptional Items

	Projected Depletion Date	Exceptional Item Request
ERS	2061	\$952.5 million
LECOS	2041	\$89.4 million
JRS II	2059	\$16.1 million

Total Exceptional Item Request: \$1.1 billion in All Funds

Group Insurance

- ERS administers the Group Benefits Program (GBP), which provides health insurance for state employees, higher education employees, and others.
- The Contingency Reserve Fund receives all revenues for the Group Benefits Program (GBP) and makes expenditures to cover claims costs. Chapter 1551.211(a) of the Texas Insurance Code requires ERS to maintain funds in the reserve to cover expenditures for an average 60 day period.
- This fund totaled \$2.7 billion at the end of FY 2020 and is expected to have ending balances of \$2.9 billion at the end of FY 2021; \$3.0 billion at the end of FY 2022; and \$3.0 billion at the end of FY 2023. The fund is projected to be fully depleted during FY 2027, mostly due to the projected increases in health care expenditures.

Group Insurance Funding

- Recommendations include \$4.2 billion in All Funds (\$3.4 billion General Revenue-Related) for the state's contribution to the GBP for state employees.
- Recommendations assume the state will continue to contribute the full cost of member only insurance and 50% of family coverage, and that agencies will continue to contribute 1% of payroll.
- ERS has not asked for an exceptional item for this program.

Other ERS Programs

Public Safety Death Benefits: This provides a lump sum death benefit to the survivors of public law enforcement or firefighting personnel who are killed in the line of duty.

- Recommendations include \$27.6 million in All Funds

Retiree Death Benefits: This provides a lump sum death benefit to the survivor or estate of a person retired under any of the retirement programs administered by ERS.

- Recommendations include \$27.5 million in All Funds



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Contact the LBB

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