

# 88<sup>th</sup> Legislative Session Update

## State Employee Pension Plans - status as of 8/31/22



Funded Status	ERS	LECOS	JRS 2
Unfunded Liability	\$14.2 B	\$715 M	\$89 M
Funded Ratio	68.9%	58.6%	86.2%
Projected Depletion Date	None	2045	2069

	Meets ERS Funding Policy Guidelines & Priorities		
Cover Normal Cost	✓	✗	✗
Avoid Trust Fund Depletion	✓	✗	✗
Meet Statutory Funding Period	8/31/24	✗	✗
Address Unfunded Liability	LEGACY PAYMENTS \$510m per year	✗	✗
Meet Additional Funding Standards	Fully Funded by 2054	✗	✗

# 88<sup>th</sup> Legislative Session Update

## State Employee Pension Plans – House Bill 1 (88R)

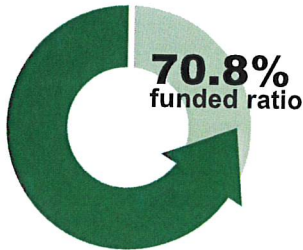


	Meets ERS Funding Policy Guidelines and Priorities		
	ERS	LECOS	JRS 2
Cover Normal Cost	✓	+1.25% ✓	+3.587 ✓
Avoid Trust Fund Depletion	✓	✓	✓
Meet Statutory Funding Period	8/31/2024	✓	✓
Address Unfunded Liability	<p>LEGACY PAYMENTS  <b>\$165.6m</b>                      FY 23 settle-up                      +  <b>\$510m per year</b>                      (FY 24-25)</p> <div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p><b>\$900m</b> one-time payment</p> </div>	<p><u>ELIMINATE LIABILITY</u>  <b>\$772m</b>                      one-time payment</p>	<p><u>ELIMINATE LIABILITY</u>  <b>\$99m</b>                      one-time payment</p>
Meet Additional Funding Standards	Fully funded by 2054	✓	✓

# ACTUARIAL VALUATIONS

Funding for State of Texas Pension Plans Administered by ERS  
As of Aug. 31, 2023

**ERS**  
Employees Retirement System  
of Texas

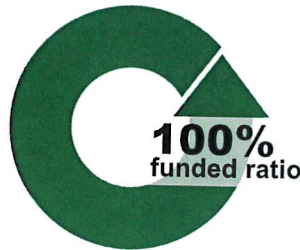


Fully funded  
by Aug. 31, 2054

“With the recent commitment from the State to make consistent adequate contributions, the sustainability of ERS has been materially improved.”

- GRS Consulting Actuaries

**LECOS**  
Law Enforcement and Custodial Officer  
Supplemental Retirement Fund



Fully funded

“House Bill 1 significantly changed the outlook for LECOS from being on a path to insolvency to being fully funded...”

- GRS Consulting Actuaries

**JRS 2**  
Judicial Retirement System  
of Texas Plan 2



Fully funded

“House Bill 1 significantly changed the outlook for JRS 2 from being on a path to insolvency to being fully funded...”

- GRS Consulting Actuaries

In 2021, the Legislature established an annual Legacy Payment to eliminate the ERS Plan’s unfunded liability by Aug. 31, 2054. This payment structure is designed to maintain a path to full funding by adjusting the actuarially determined amount each biennium. In 2023, the Legislature sustained the baseline \$510M per year Legacy Payment amount, provided a special one-time \$900M amount to further address the existing ERS liabilities and appropriated lump sums to LECOS and JRS 2 that entirely eliminates those plans’ unfunded liabilities. These historic funding decisions have materially changed the trajectory of all three pension plans and will provide billions of savings to future state budgets.

As of Aug. 31, 2023	ERS	LECOS	JRS 2
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	\$14B	(\$0.1M)	(\$7.8M)
<b>Funded Ratio</b>	70.8%	100%	101.2%
<b>Funding Period (Years)</b>	31 years	-	-
<b>Projected Depletion Date</b>	None	None	None
<b>Recommended Legacy Payment</b>	\$510M	-	-
<b>Contributions Sufficient to Pay Ongoing Cost</b>	✓	✓	✓

January 24, 2024

The Honorable Terry Wilson,

I want to personally thank you for both your military and State service. I went to work for the State of Texas in 1964 after graduating from college. When I graduated from college, I had a target on my back called the "DRAFT". I joined the Texas Air National Guard receiving an Honorable Discharge in 1971. I retired from the Texas Department of Insurance in August 1999 with a total of 35 years of State service with the same State Agency.

Since my retirement with the Employees Retirement System (ERS), the last adjustment to my pension check was a COLA authorized by the Legislature in 2001. That is now 23 plus years without any adjustment. Inflation has certainly affected ERS State retirees like every other Texan since that time.

More than 120,000 State retirees, like myself, are currently receiving a monthly pension check through ERS, which operates under a similar funding structure as the Teacher Retirement System (TRS). We have contributed to ERS throughout our careers. It is disheartening to note our pension checks have not changed since 2001. What makes it more disappointing is the last Legislative Session began its work with a \$32 billion surplus.

I had hoped to live out my retirement years in dignity and respect. However, it is becoming more of a challenge with high inflation and a flat retirement annuity to make ends meet. I spent my entire career trying to make Texas a great place to live and work for all Texans.

With the Regular and Special Sessions now over, it will be at least two years before we can expect any relief. At my current 81 years of age, I don't have too many more years to wait. With over 4,000 active and retired State workers in your District, you would be doing us a "HUGE" favor by encouraging your fellow budget writers to provide appropriate funding to ERS to help relieve the financial burdens your state retirees are experiencing today. I would be happy to meet with you, at your convenience, to further discuss this issue.

Thank you for being our State Representative and responding to the needs of your constituents. Best of luck on your re-election to House District 20. Please have your campaign office contact me if I can be of any assistance.

Regards,

Carroll G. Fuchs

*(\*Contact Information)*