

During the 87th Texas legislative session, ERS staff tracked more than 262 pieces of legislation that could have had a direct impact on our members, benefits programs or operations. We also worked to educate lawmakers about the value of our insurance and retirement benefits—to employees and retirees, as well as the Texas economy. The ERS pension plan faced an estimated depletion date of 2061, due to the growing \$14.7 billion unfunded liability.

This session, lawmakers committed to returning the ERS pension plan to actuarial soundness and took significant steps to achieve that goal. Legislators also passed bills that positively affect participants in ERS insurance programs.

Please see below and on the next page for more information about upcoming changes to ERS benefits, based on laws passed during the 2021 Texas legislative session.

For current state agency employees contributing to State of Texas Retirement and current state agency retirees:

There are no changes to retirement eligibility or benefits for current employees, or payments to current retirees. The Legislature committed to an unfunded liability payment schedule with annual payments addressing the current \$14.7 billion unfunded liability within 33 years. Retirement actuaries will calculate the amount of the payments prior to each legislative session. This commitment to paying off the unfunded liability will ensure current and future retirees get the lifelong annuities they earned over their careers. ERS retirement plans will continue to be pre-funded at the existing state and employer contribution rates: 9.5% of payroll from the state, with an additional 0.5% from each agency employer. Employees in Groups 1, 2 and 3 (hired before September 1, 2022) will continue to contribute 9.5% of salary.

For state agency employees hired after August 31, 2022 (Group 4):

Beginning September 1, 2022, new employees will be enrolled in a different type of defined benefit retirement structure known as a cash balance benefit. ERS is calling future employees in the cash balance benefit structure “Group 4.” Features of the new benefit include:

- a lower employee contribution (6% of pay),
- a five-year vesting period,
- a state match equal to 150% of the account balance at retirement,
- a lifetime annuity in retirement, based on the balance in the employee’s account at retirement (including the state match), accrued over their lifetime,
- guaranteed earnings of at least 4% annually
- up to 3% per year more in gain-share, when the ERS Trust Fund has investment earnings (or “gain”) of more than 4% over a five-year average, and
- the possibility of annuity increases in retirement, when the gain-sharing benefit is achieved.

Members of the Law Enforcement and Custodial Officers Supplemental (LECOS) plan will continue to have access to an enhanced benefit.

For Texas Employees Group Benefits Program (GBP) participants:

The Legislature maintains funding levels for eligible employees', retirees' and dependents' health coverage. The appropriation, along with continued cost-saving activities by ERS, means we should not have to raise premium rates or make any coverage changes in any of the GBP health insurance plans for fiscal years 2023 and 2024.

The following table provides information on the most significant legislative actions related to ERS-administered benefits from the 87th Texas Legislature.

Bill	Legislative Action and ERS' Plans	Who could be affected?	When does it start?
Retirement Benefits and Funding			
SB 321	Begins to pay down the current unfunded liability for existing retirement structures without raising contribution rates, ensuring that future retirees receive benefits	Retirees promised benefits beyond previously projected depletion date of 2061	September 1, 2021
	Creates a different defined benefit structure for new state employees with lower (6%) employee contributions and guaranteed growth	Employees hired after August 31, 2022 will be enrolled as Group 4 in the new cash balance benefit structure	September 1, 2022
HB 3898	Requires ERS to provide updated funding policies to employees and retirees, and defines additional information to be included in governance review reports	ERS operations	September 1, 2021
SB 1071	Adjusts the formula to determine the amount of the occupational disability retirement annuity for certain state agency peace officers and recalculates the annuity for current members with occupational retirement benefits	Certain peace officers receiving an occupational disability retirement annuity	September 1, 2021
Investments			
SB 483	Requires ERS to include additional information related to investment returns in the actuarial valuation every biennium	ERS operations	September 1, 2021
SB 13	Prohibits state entities (including ERS) from contracting with or investing in companies that boycott certain energy companies	ERS operations	September 1, 2021
Insurance			
SB 1065	Requires ERS health plans to cover diagnostic imaging (mammograms, ultrasound and MRI) to detect breast cancer and abnormalities in the breast for those with a personal history of breast cancer and those with dense breast tissue	Participants enrolled in an ERS health plan	September 1, 2022
SB 827	Limits insulin co-pays to \$25 per month	Participants in HealthSelect of Texas (<i>ERS is reviewing the impact on Consumer Directed HealthSelect participants.</i>)	September 1, 2022
Governance			
HB 917	Permits one of the three elected board members to be a retired state employee	ERS membership	September 1, 2021