

As a State of Texas agency employee, you will have access to valuable benefits that include comprehensive health coverage and a defined benefit retirement plan that provides a lifetime annuity after you retire. These benefits are as good as or better than those offered by most private-sector employers. Retirement plans like the State of Texas' are especially hard to find in the private sector.

The cash balance retirement benefit described below, called Group 4, is for employees who start on or after September 1, 2022 at agencies that participate in the Employees Retirement System of Texas' (ERS') retirement plan. It not only provides the secure lifetime monthly benefit of a traditional pension, but also includes the opportunity for increases in retirement.

Please note: If you were previously employed by an ERS-participating agency in a benefits-eligible position, didn't withdraw your retirement contributions when you left state employment and return to state employment after September 1, 2022, you will stay in your prior ERS retirement group and will not be in Group 4.

The State of Texas Retirement cash balance benefit

State of Texas agency employees starting on or after September 1, 2022 are automatically enrolled in the state's Group 4 benefit. The Group 4 benefit is a defined benefit retirement structure, or pension, that provides a retiree with a guaranteed monthly payment for the rest of their life. Because they provide a guaranteed benefit for life, defined benefit retirement plans are especially valuable. They are also increasingly rare. The State of Texas is proud to offer this benefit to employees as part of their overall compensation package.

The Group 4 benefit is **not** a 401(k), although it has some similarities to both a 401(k) and a traditional pension.

The State of Texas cash balance retirement benefit combines the advantages of both a traditional pension and a 401(k) to help provide lifelong financial security after your career.

How the Group 4 retirement benefit works

- **Employee contributions:** During your career with the state, you will contribute 6% of your salary to your retirement account each month. Your contributions come out of your monthly salary before taxes, helping to lower the amount you pay in income taxes.
- **Investment earnings and gain sharing:** Your contributions will go into your personal account. Your account will be included in the Employees Retirement System of Texas' (ERS') Retirement Trust Fund. ERS' experienced investment professionals invest the entire Trust Fund for steady growth at an acceptable level of risk. Your account will grow by a guaranteed 4% interest each year. In years when the five-year average of ERS' total Trust Fund investment returns exceeds 4%, your account will also get half of the excess return percent as a percentage increase to your account balance—up to 3% additional per year. This possible additional interest is called a "gain share." The gain share is never less than 0% or more than 3% annually. That means your account could grow by as much as 7% per year, but never less than 4% per year. This growth continues even if you stop working for the state.
- **Vesting and retirement eligibility:** You will be fully vested in your retirement account after contributing to it for five years while you work for a participating state agency. "Vested" means that you can begin receiving pension benefits after five years if you meet retirement eligibility. The years and months you contribute to your retirement account while working for the state are called "service credit."

Once you're vested, you will be eligible to retire and start getting an annuity when you either:

- meet the Rule of 80, when your age (in years and months) plus your years and months of service credit equal 80, or
- are age 65 and have at least five years of service credit.

For example, if you begin working for the state at age 32, you could retire at age 56 with 24 years of service credit under the Rule of 80. If you begin working for the state at age 60, you could retire with a monthly annuity at age 65.

- *State match*: The state will match 150% of your account balance (including the interest earned and any gain sharing) throughout your career. You cannot withdraw the state's match, but you will receive it as part of your monthly annuity in retirement.
- *Lifetime annuity payments with opportunities for increases*: When you reach retirement eligibility and decide to retire, ERS will add up the money in your account plus the state's final match to determine how much you have in your account at the time of retirement. ERS then uses the total to calculate the amount of your monthly retirement annuity. Because this is a defined benefit plan, you will get at least that annuity amount every month for the rest of your life, even if you deplete the money in your account.

After you retire, your annuity can continue to grow. That means you could receive a permanent annuity increase of up to 3% per year, when ERS' investment returns allow. These increases are not guaranteed, but once you receive them, your annuity will never be reduced.

The Group 4 retirement benefit structure is not new to Texas. Texas Municipal Retirement Program (TMRS) and Texas County and District Retirement System (TCDRS) have offered this successful type of retirement plan to their members for decades. ERS began offering it to State of Texas employees in September 2022.

Other benefits in retirement

If you retire with at least 10 years of state service in a benefits-eligible position, you are eligible for health insurance through the Texas Employees Group Benefits Program (GBP) when you retire. Currently, the state pays 50% to 100% of the premium for retirees from full-time state employment and 25% to 50% of their eligible dependents' premiums, depending on the retiree's length of service with the state. It's important to know that insurance benefits are funded biannually by the Texas Legislature, and the state's contribution for health premiums is not guaranteed.

Retirees also have access to group dental, vision and term life insurance through ERS. Participants in these plans pay the full cost—there is no contribution from the state—but due to the large group of participants, monthly premiums are reasonable.

The Employees Retirement System of Texas (ERS)

ERS manages retirement benefits for employees and retirees of Texas agencies, as well as the Texas Employees Group Benefits Program (GBP) for employees and retirees of Texas agencies and most state higher education institutions. Learn more about ERS and state employee and retiree benefits at ers.texas.gov.