

- Employees Retirement System of Texas (ERS)
- Law Enforcement and Custodial Officers Supplemental Retirement Fund (LECOSRF)
- Judicial Retirement System of Texas Plan 2 (JRS 2)

Actuarial Valuation Results as of August 31, 2015			
	ERS	LECOSRF	JRS2
Actuarial Accrued Liability	\$33.9 B	\$1.3 B	\$404.0 M
Actuarial Value of Assets	\$25.9 B	\$909.2 M	\$372.6 M
Unfunded Accrued Liability	\$ 8.0 B	\$ 353.1 M	\$ 31.4 M
Funded Ratio	76.3%	72.0%	92.2%
Funding Period (years)*	33	Never	Never

*The funding period defines when a plan can expect to be fully funded based on current benefits, plan experience and contribution rates. A funding period of never indicates that at the current contribution rates, these plans will never be fully funded, meaning that they will not have enough money to pay all the current and promised benefits. Plans that are not fully funded have a funding gap, referred to as an unfunded liability. The Texas Pension Review Board and actuarial standard groups recommend that any unfunded liability be amortized, or paid off, over a period of no more than 15-25 years, with a maximum of 40 years. The Texas Government Code 811.006 requires that any unfunded liability be paid off within a 31-year period.

The financial health of a defined benefit plan depends on an equal balance between assets and liabilities so that:

Investment Returns + Contributions = Benefits + Expenses

Long-term investment performance, benefit cost reductions in 2009 and 2013, and gradual contribution increases have helped all of the plans. While the long-term outlook for ERS has improved due to further contributions changes during the 2015 legislative session, the LECOSRF and JRS2 plans will require additional contributions to pay off the existing liability.

State appropriations to the ERS retirement plan continue to represent
less than 0.6% of the state's budget.

Breakdown of Contribution Funding Gap (% of payroll)			
	ERS	LECOSRF	JRS2
Normal Cost (Base Benefit)	12.27%	1.77%	21.40%
FY 2016 Contribution	19.50%	2.20%	22.82%
Actuarially Sound Contribution (ASC) <i>(Covers normal cost + paying off unfunded liability)</i>	19.62%	3.01%	23.79%
Contribution Shortfall*	(0.12%)	(0.81%)	(0.97%)

*Through a combination of state, employer and member contributions, the shortfall represents the additional contribution the plans need to receive the actuarially sound contribution rate.

CONTRIBUTIONS

- For the ERS plan total contributions cover the normal cost to provide benefits and to pay off the unfunded liabilities in 33 years. For the LECOSRF and JRS2 plans, the contributions are not enough to pay down the unfunded liabilities.
- For FY 2016, ERS' state contribution of 9.50% is an increase of 2.0% from FY 2015; the employer contribution of 0.50% is the same as the prior three years. Member contributions for FY 2016 increased by 2.60% to 9.50% and are scheduled to stay at that level indefinitely.

ERS Investment Performance – Period ending August 31, 2015					
Period	30-Year	10-Year	5-Year	3-Year	1-Year
Annualized Return (gross)	8.29%	6.18%	9.10%	8.26%	0.49%

INVESTMENTS

- Investment returns are the largest funding component of retirement benefits and represent about two-thirds of the value of the ERS Trust.
- The FY 2015 return is 0.49% gross of fees and 0.44% net of fees.
- The 30-year gross return is 8.29%.

Demographic Summary Results of Actuarial Valuations as of August 31, 2015

	ERS	LECOSRF*	JRS II
Member metrics	State Employees Elected Officials District Attorneys	Law enforcement and custodial officers (DPS, TABC, TPWD, TDCJ)	Judges, justices and certain court commissioners
Active Contributing Members**	142,409	38,526	563
Average Age (as of 8/31/15)	43.6	41.7	56.9
Average Entry Age	34.8	33.3	47.6
Average Years of Service	8.8	8.4	9.3
Average Annual Salary	\$44,990	\$41,957	\$142,721
Non-contributing members, vested	16,673	79	14
Non-contributing members, non-vested	84,449	12,883	134
Annuitants			
Retirees and beneficiaries	100,003	10,845	322
Average annual annuity	\$19,402	\$5,291	\$63,599
Service Retirements	89,464	10,121	289
Disability Retirements	2,462	103	1
Beneficiaries	8,077	621	32
Average Years of Service***	22.2	23.8	15.2
Average Age at Retirement***	58.3	53.9	62.7
Average Age as of 8/31/15***	68.3	61.9	68.4

*Members of LECOSRF are also members of ERS.

**The active member count for ERS and LECOSRF show one-time increases due to the elimination of the 90-day waiting period for retirement plan contributions. These include 7,188 actives for ERS and 1,476 actives for LECOSRF.

***Annuitant demographics are based only on service retirements.