

SUMMARY OF LEGISLATIVE ACTION ON ERS PROGRAMS AND OPERATIONS

NOTE: This document is based on information available on the date of printing (May 26, 2023).

The 88th Texas Legislature recently took actions that, if approved by the governor, will have an impact on benefits administered by the Employees Retirement System of Texas (ERS) and the state agency and higher education institution employees, retirees and others who participate in those benefits.

With a significant surplus in the state budget, Texas lawmakers took historic actions to ensure the actuarial soundness of all three retirement plans administered by ERS. This commitment will continue to reduce the unfunded liability in the ERS Retirement Plan, and meaningfully address the unfunded liabilities for the Law Enforcement and Custodial Officer (LECO) Supplemental Retirement Fund and Judicial Retirement System - Plan 2 (JRS 2) Fund. Combined with the state’s regular annual payments to the retirement plans, the additional appropriations will help the ERS Retirement Plan return to fully funded status by 2054, saving the state millions of dollars in interest payments.

Thanks to the state’s strong commitment to state agency employees and retirees, ERS remains on track to pay a cost-of-living adjustment (COLA) in January 2025 to ERS retirees who have been retired for at least 20 years.

The State of Texas continues to fully fund employee health insurance and provide health insurance premium contributions for eligible retirees and family members of employees and retirees. This continued support of health benefits has protected participating employees, retirees and their families from health care price inflation.

ERS-administered benefits remain very competitive and continue to be important factors in recruiting and retaining employees for state service. They also have a significant economic impact in communities throughout the state.

Insurance

| | Action taken by the Legislature | Who is affected? | When does it start? |
|---------------|---|---|--------------------------------------|
| HB 1 | Maintains 100% state contribution for eligible full-time employees and retirees, and 50% dependent contribution. | All GBP health insurance participants | Sept. 1, 2023 |
| HB 916 | Requires health plans, including those offered through the Texas Employees Group Benefits Program, to cover a 12-month supply of contraceptive drugs when the participant refills the prescription. | Employees, retirees and dependents participating in GBP health plan | ERS Plan Year starting Sept. 1, 2024 |
| SB 222 | Establishes paid parental leave for the birth or adoption of a child by state agency employees. Note: Although ERS doesn’t establish or administer employee leave benefits, it could affect some state agency employees’ decision to enroll in short-term disability insurance administered by ERS. | State agency employees who meet eligibility requirements | Effective Sept. 1, 2023 |

Retirement

| | Action taken by the legislature | Who is affected? | When does it start? |
|---------|--|--|---------------------|
| HB 1 | <p>ERS Retirement Plan</p> <ul style="list-style-type: none"> • Maintains state and employee contribution rates for Fiscal Years 2024–2025 • Continues legacy payments of approximately \$500 million each in FY24 and FY25 • Appropriates an additional one-time payment which is predicted to help the state avoid over \$5 billion in interest over the legacy payment schedule <p>LECO Supplemental Retirement Fund</p> <ul style="list-style-type: none"> • Increases state contribution to cover the costs of the benefits and maintains employee contribution level • Appropriates one-time \$772 million payment to eliminate the unfunded liability <p>JRS 2</p> <ul style="list-style-type: none"> • Increases state contribution rate to cover the cost of the benefits • Appropriates a one-time \$99 million payment to address the existing unfunded liability | All contributing ERS plan members | Sept. 1, 2023 |
| HB 1393 | Increases retirement annuity flexibility by creating a new option in which a new retiree may start annuity payments at a lower amount than the standard annuity and increase payment amounts over time. This defers a portion of a member’s annuity to help adjust for inflation throughout their retirement. The annuity will be calculated so that it is cost neutral to the plan. | Employees retiring on or after Sept. 1, 2024 | Sept. 1, 2024 |
| SB 729 | Allows members in ERS Retirement Group 4 to establish or purchase previously withdrawn service credit to use toward retirement eligibility. Employee must purchase the withdrawn service within 24 months of rehire or, if already rehired on the bill’s effective date, by May 19, 2025. | State agency employees in Group 4 (started on or after Sept. 1, 2022) who previously worked for the state and withdrew their retirement accounts | Effective now |