



2022 Schedules of Employer Allocation and Collective Pension Amounts

Employees Retirement System of Texas | A Component Unit of the State of Texas
Fiscal Year Ended August 31, 2022



The mission of the Employees Retirement System of Texas supports the state workforce by offering competitive benefits at a reasonable cost.

Published September 2023

2022
Schedules of Employer Allocation and
Collective Pension Amounts

Porter Wilson, Executive Director

Prepared by: Finance Division



A Component Unit of the State of Texas
Fiscal Year Ended August 31, 2022



Table of Contents

Introduction	1
Independent Auditors' Report	2
Schedule of Employer Allocation — Employees Retirement System Fund	5
Schedule of Employer Allocation — Law Enforcement and Custodial Officer Supplemental Retirement Fund	8
Schedule of Employer Allocation — Judicial Retirement System, Plan Two Fund	9
Schedule of Collective Pension Amounts	10
Notes to the Schedules of Employer Allocation and Collective Pension Amounts	11
GASB Reporting and Disclosure Information from Actuary	14



Introduction

The schedules and accompanying information presented in this document are provided to assist employers participating in the Employees Retirement System of Texas Fund (ERS), the Law Enforcement and Custodial Officers Supplemental Retirement Fund (LECOSRF), and the Judicial Retirement System of Texas Plan Two (JRS, Plan 2). These plans are single employer, retirement plans, which are prepared and presented in compliance with the requirements of the Governmental Accounting Standards Board (GASB). Additional information about the retirement plans can be found in the System's 2022 Annual Comprehensive Financial

Report, which is published on the website at www.ers.texas.gov.

The Schedule of Employer Allocation, Schedule of Collective Pension Amounts, as well as the accompanying notes have been prepared in conformity with generally accepted accounting principles (GAAP) as established by the GASB and audited by CliftonLarsonAllen, LLP in conformance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INDEPENDENT AUDITORS' REPORT



CliftonLarsonAllen LLP
CLAconnect.com

Board of Trustees
Employees Retirement System of Texas
Austin, Texas

Report on the Audit of the Schedules

Opinions

We have audited the following of the Employees Retirement System Fund (ERS), the Law Enforcement and Custodial Officers Supplementary Retirement Fund (LECOSRF), and the Judicial Retirement System, Plan 2 Fund (JRS, Plan 2) of the Employees Retirement System (System) of Texas, a component unit of the State of Texas, as of and for the year ended August 31, 2022:

- a. the accompanying schedules of employer allocation,
- b. the rows titled net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense (specified row amounts) included in the accompanying schedule of collective pension amounts,
- c. and the respective related notes

(Collectively referred to herein as the “GASB 68 Schedules”).

In our opinion, the GASB 68 Schedules referred to above present fairly, in all material respects, the employer allocation, net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense of the ERS, LECOSRF, and JRS, Plan 2, as of and for the year ended August 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of the GASB 68 Schedules in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the GASB 68 Schedules that are free from material misstatement, whether due to fraud or error.

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://www.claglobal.com/disclaimer)

Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the GASB 68 Schedules are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the GASB 68 Schedules.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the GASB 68 Schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the GASB 68 Schedules.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the GASB 68 Schedules.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the GASB 68 Schedules. The other information comprises the GASB Reporting and Disclosure Information from Actuary, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the GASB 68 Schedules. Our opinion on the GASB 68 Schedules do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the GASB 68 Schedules, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the GASB 68 Schedules, or the other information appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Matter

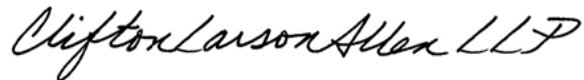
We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the System as of and for the year ended August 31, 2022, and our report thereon, dated December 15, 2022, expressed an unmodified opinion on those financial statements. The System is reported as a blended component unit of the State of Texas.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2023, on our consideration of the System’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System’s internal control over financial reporting and compliance.

Restriction on Use

Our report is intended solely for the information and use of System, the Board of Trustees, the participating employer and their auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Boston, Massachusetts
September 21, 2023

**Schedule of Employer Allocation
— Employees Retirement System Fund**

As of and for the Year Ended August 31, 2022

Agency No.	Agency Name	Fiscal Year 2022 Allocation	Allocation Percentage
0101	Senate	\$2,942,353.08	0.23354170 %
0102	House of Representatives	3,218,876.43	0.25549003 %
0103	Texas Legislative Council	2,755,565.41	0.21871591 %
0104	Legislative Budget Board	1,115,410.05	0.08853280 %
0105	Legislative Reference Library	130,776.25	0.01038003 %
0116	Sunset Advisory Commission	207,229.80	0.01644833 %
0201	Supreme Court	531,378.60	0.04217681 %
0202	State Bar of Texas	2,071,956.24	0.16445619 %
0203	Board of Law Examiners	130,184.32	0.01033305 %
0211	Court of Criminal Appeals	480,770.67	0.03815993 %
0212	Office of Court Administration	2,288,449.87	0.18163981 %
0213	State Prosecuting Attorney	42,233.32	0.00335216 %
0215	Office of Capital and Forensic Writs	182,458.17	0.01448215 %
0221	Court of Appeals - First Court of Appeals District	269,035.78	0.02135402 %
0222	Court of Appeals - Second Court of Appeals District	231,198.90	0.01835082 %
0223	Court of Appeals - Third Court of Appeals District	206,091.28	0.01635797 %
0224	Court of Appeals - Fourth Court of Appeals District	209,864.60	0.01665746 %
0225	Court of Appeals - Fifth Court of Appeals District	384,593.79	0.03052614 %
0226	Court of Appeals - Sixth Court of Appeals District	110,382.39	0.00876132 %
0227	Court of Appeals - Seventh Court of Appeals District	119,022.25	0.00944709 %
0228	Court of Appeals - Eighth Court of Appeals District	99,387.99	0.00788867 %
0229	Court of Appeals - Ninth Court of Appeals District	116,024.39	0.00920914 %
0230	Court of Appeals - Tenth Court of Appeals District	97,884.23	0.00776931 %
0231	Court of Appeals - Eleventh Court of Appeals District	95,312.76	0.00756521 %
0232	Court of Appeals - Twelfth Court of Appeals District	111,155.70	0.00882270 %
0233	Court of Appeals - Thirteenth Court of Appeals District	190,913.78	0.01515329 %
0234	Court of Appeals - Fourteenth Court of Appeals District	305,797.92	0.02427192 %
0241	Comptroller - Judiciary Section	2,561,641.10	0.20332367 %
0242	State Commission on Judicial Conduct	99,766.36	0.00791870 %
0243	State Law Library	51,156.31	0.00406040 %
0300	Governor - Fiscal	889,068.82	0.07056755 %
0301	Governor - Executive	1,141,925.04	0.09063736 %
0302	Attorney General	25,284,606.20	2.00690050 %
0303	Texas Facilities Commission	2,180,966.48	0.17310860 %
0304	Comptroller of Public Accounts	17,582,849.73	1.39559341 %
0305	General Land Office	6,075,644.71	0.48223865 %
0306	Texas State Library and Archives Commission	779,092.80	0.06183848 %
0307	Secretary of State	1,042,486.38	0.08274467 %
0308	State Auditor	1,610,484.60	0.12782807 %
0312	State Securities Board	595,915.16	0.04729923 %
0313	Department of Information Resources	1,996,365.61	0.15845638 %
0320	Texas Workforce Commission	22,729,688.62	1.80411049 %
0326	Texas Emergency Services Retirement System	40,484.78	0.00321338 %
0327	Employees Retirement System of Texas	3,519,028.07	0.27931379 %
0329	Texas Real Estate Commission – Semi-Independent	936,110.10	0.07430133 %

**Schedule of Employer Allocation
— Employees Retirement System Fund (Continued)**

As of and for the Year Ended August 31, 2022

Agency No.	Agency Name	Fiscal Year 2022 Allocation	Allocation Percentage
0332	Texas Department of Housing and Community Affairs	\$2,516,313.54	0.19972591 %
0338	State Pension Review Board	84,799.76	0.00673076 %
0347	Texas Public Finance Authority	133,672.79	0.01060993 %
0352	Bond Review Board	76,725.45	0.00608989 %
0356	Texas Ethics Commission	177,071.52	0.01405460 %
0359	Office of Public Insurance Counsel	83,072.88	0.00659370 %
0360	State Office of Administrative Hearings	864,494.86	0.06861705 %
0362	Texas Lottery Commission	2,119,887.66	0.16826062 %
0364	Health Professions Council	50,649.61	0.00402018 %
0401	Texas Military Department	3,028,765.53	0.24040046 %
0403	Texas Veterans Commission	2,247,956.04	0.17842572 %
0405	Department of Public Safety	68,778,358.63	5.45910508 %
0407	Texas Commission on Law Enforcement	327,016.57	0.02595610 %
0409	Commission on Jail Standards	110,999.27	0.00881028 %
0411	Texas Commission on Fire Protection	156,129.96	0.01239241 %
0448	Office of Injured Employee Counsel – Administered by 454	719,286.39	0.05709151 %
0450	Department of Savings and Mortgage Lending – Semi-Independent	457,679.03	0.03632709 %
0451	Texas Department of Banking – Semi-Independent	1,759,180.14	0.13963039 %
0452	Texas Department of Licensing and Regulation	3,045,175.91	0.24170300 %
0454	Texas Department of Insurance	8,036,402.08	0.63786872 %
0455	Railroad Commission of Texas	6,091,673.34	0.48351088 %
0456	Texas State Board of Plumbing Examiners	179,553.91	0.01425163 %
0457	Texas State Board of Public Accountancy – Semi-Independent	232,584.42	0.01846079 %
0458	Texas Alcoholic Beverage Commission	3,707,688.42	0.29428822 %
0459	Texas Board of Architectural Examiners – Semi-Independent	160,889.84	0.01277022 %
0460	Texas Board of Professional Engineers and Land Surveyors –	272,703.71	0.02164516 %
0466	Office of Consumer Credit Commissioner – Semi-Independent	455,918.76	0.03618738 %
0469	Credit Union Department – Semi-Independent	249,448.25	0.01979931 %
0473	Public Utility Commission of Texas	1,567,767.65	0.12443752 %
0475	Office of Public Utility Counsel	98,744.57	0.00783760 %
0476	Texas Racing Commission	235,008.08	0.01865316 %
0477	Commission on State Emergency Communications	155,370.06	0.01233210 %
0479	State Office of Risk Management	637,031.15	0.05056271 %
0481	Texas Board of Professional Geoscientists	32,732.03	0.00259802 %
0503	Texas Medical Board	1,047,056.13	0.08310738 %
0504	State Board of Dental Examiners	265,986.40	0.02111199 %
0507	Texas Board of Nursing	742,553.28	0.05893825 %
0508	Texas Board of Chiropractic Examiners	69,182.82	0.00549121 %
0510	Texas Behavioral Health Executive Council	291,022.56	0.02309917 %
0513	Texas Funeral Service Commission	48,252.43	0.00382991 %
0514	Texas Optometry Board	32,482.21	0.00257819 %
0515	Texas State Board of Pharmacy	556,649.78	0.04418264 %
0529	Health and Human Services Commission	151,975,434.78	12.06265872 %

**Schedule of Employer Allocation
— Employees Retirement System Fund (Concluded)**

As of and for the Year Ended August 31, 2022

Agency No.	Agency Name	Fiscal Year 2022 Allocation	Allocation Percentage
0530	Department of Family and Protective Services	\$66,233,774.16	5.25713524 %
0533	Executive Council of Physical and Occupational Therapy Examiners	104,655.07	0.00830673 %
0537	Department of State Health Services	18,768,026.55	1.48966377 %
0542	Cancer Prevention and Research Institute of Texas	383,311.88	0.03042439 %
0551	Department of Agriculture	3,855,219.68	0.30599813 %
0554	Texas Animal Health Commission	872,156.93	0.06922521 %
0578	State Board of Veterinary Medical Examiners	97,185.25	0.00771383 %
0580	Texas Water Development Board	2,648,441.04	0.21021319 %
0582	Texas Commission on Environmental Quality	16,542,600.38	1.31302630 %
0592	Soil and Water Conservation Board	416,444.08	0.03305418 %
0601	Texas Department of Transportation	76,776,850.11	6.09396474 %
0608	Texas Department of Motor Vehicles	4,258,768.18	0.33802876 %
0644	Texas Juvenile Justice Department	8,674,159.28	0.68848905 %
0696	Texas Department of Criminal Justice	133,708,742.14	10.61278704 %
0701	Texas Education Agency	9,605,500.41	0.76241186 %
0723	University of Texas Medical Branch at Galveston	55,668.12	0.00441851 %
0771	Texas School for the Blind and Visually Impaired	2,112,353.65	0.16766263 %
0772	Texas School for the Deaf	2,498,232.79	0.19829079 %
0781	Texas Higher Education Coordinating Board	2,186,730.01	0.17356606 %
0802	Parks and Wildlife Department	17,510,237.61	1.38983001 %
0808	Texas Historical Commission	1,699,921.97	0.13492693 %
0809	State Preservation Board	863,823.92	0.06856380 %
0813	Texas Commission on the Arts	93,424.94	0.00741536 %
0851	Texas Cooperative Inspection Program	393,612.47	0.03124198 %
0897	Reserved - Employees Retirement System	66,936.22	0.00531289 %
0907	Comptroller - State Energy Conservation Office	20,613.18	0.00163612 %
0930	Texas Treasury Safekeeping Trust Company	928,432.57	0.07369194 %
	Total Contributions from State Agencies	\$743,016,783.63	—
N/A	State of Texas - Legacy Payment	\$516,866,616.00	41.02495645 %
	Grand Total	\$1,259,883,399.63	100.00000000 %

The contributions for Fiscal Year 2022 are based on ERS records of actual contributions from each of the agencies as shown above.

To the best of our knowledge, the information contained within this schedule is accurate and fairly presented in conformity with GASB 67 and 68.

In FY21 Senate Bill 321 was passed, in which the State will provide ERS with additional funding to pay off the unfunded accrued actuarial pension liability no later than 2054.

Additional related documents available on the ERS website:

Annual Comprehensive Financial Report for FY2022

Actuarial Valuation for FY2022

GASB Reporting and Disclosure Information for ERS FY2022

Schedule of Employer Allocation
— Law Enforcement and Custodial Officer Supplemental Retirement Fund
As of and for the Year Ended August 31, 2022

Agency No.	Agency Name	Fiscal Year 2022 Allocation	Allocation Percentage
0405	Department of Public Safety	1,728,158.15	19.60042154 %
0458	Texas Alcoholic Beverage Commission	89,594.07	1.01615789 %
0644	Texas Juvenile Justice Department	13,880.13	0.15742564 %
0696	Texas Department of Criminal Justice	6,179,086.42	70.08195319 %
0723	University of Texas Medical Branch at Galveston	2,571.10	0.02916090 %
0802	Parks and Wildlife Department	281,048.92	3.18760022 %
	Total Contributions from State Agencies	8,294,338.79	— %
	Contingency Appropriation ¹	522,605.00	5.92728061 %
	Grand Total	\$8,816,943.79.	100.00000000 %

Reconciliation of State Agencies Contributions Reported in the Schedule:

Employer Contributions Reported (Above)	\$8,294,338.79
Court Fee	\$12,610,562.13
Total Employer Contributions as reported in Exhibit IX of the 2022 ERS ACFR	<u>\$20,904,900.92</u>

¹In FY21 Senate Bill 1071 was passed, in which the State provided ERS with additional funding to pay disability related retirement benefits for certain peace officers. This was a contingency appropriation granted for one biennium.

The contributions for Fiscal Year 2022 are based on ERS records of actual contributions from each of the agencies as shown above.

To the best of our knowledge, the information contained within this schedule is accurate and fairly presented in conformity with GASB 67 and 68.

Additional related documents available on the ERS website:

Annual Comprehensive Financial Report for FY2022

Actuarial Valuation for FY2022

GASB Reporting and Disclosure Information for ERS FY2022

Schedule of Employer Allocation
— Judicial Retirement System Plan Two Fund
As of and for the Year Ended August 31, 2022

Agency No.	Agency Name	Fiscal Year 2022 Allocation	Allocation Percentage
0201	Supreme Court	\$202,795.76	1.40977534 %
0211	Court of Criminal Appeals	240,247.28	1.67012708 %
0221	Court of Appeals - First Court of Appeals District	222,382.80	1.54593857 %
0222	Court of Appeals - Second Court of Appeals District	159,668.40	1.10996686 %
0223	Court of Appeals - Third Court of Appeals District	159,668.40	1.10996686 %
0224	Court of Appeals - Fourth Court of Appeals District	195,849.96	1.36149022 %
0225	Court of Appeals - Fifth Court of Appeals District	343,148.74	2.38546719 %
0226	Court of Appeals - Sixth Court of Appeals District	99,987.29	0.69508167 %
0227	Court of Appeals - Seventh Court of Appeals District	104,496.56	0.72642877 %
0228	Court of Appeals - Eighth Court of Appeals District	98,159.97	0.68237869 %
0229	Court of Appeals - Ninth Court of Appeals District	110,745.21	0.76986751 %
0230	Court of Appeals - Tenth Court of Appeals District	87,305.52	0.60692181 %
0231	Court of Appeals - Eleventh Court of Appeals District	82,481.28	0.57338514 %
0232	Court of Appeals - Twelfth Court of Appeals District	84,893.40	0.59015347 %
0233	Court of Appeals - Thirteenth Court of Appeals District	166,904.76	1.16027187 %
0234	Court of Appeals - Fourteenth Court of Appeals District	205,659.04	1.42968001 %
0241	Comptroller - Judiciary Section	11,820,575.63	82.17309894 %
Grand Total		\$14,384,970.00	100.00000000 %

The contributions for Fiscal Year 2022 are based on ERS records of actual contributions from each of the agencies as shown above.

To the best of our knowledge, the information contained within this schedule is accurate and fairly presented in conformity with GASB 67 and 68.

Additional related documents available on the ERS website:

Annual Comprehensive Financial Report for FY2022

Actuarial Valuation for FY2022

GASB Reporting and Disclosure Information for ERS FY2022

Schedule of Collective Pension Amounts
As of and for the Year Ended August 31, 2022

	ERS	LECOSRF	JRS Plan 2
Net Pension Liability	13,876,394,301	1,360,330,255	153,786,942
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	394,770,148	47,460,510	—
Changes of Assumptions	630,962,689	155,001,768	23,021,333
Net Difference Between Projected and Actual Investment Earning on Pension Plan Investments	<u>\$2,781,528,292</u>	<u>\$76,485,590</u>	<u>\$41,229,204</u>
Total Deferred Outflows of Resources Excluding Employer Specific Amounts*	<u>\$3,807,261,129</u>	<u>\$278,947,868</u>	<u>\$64,250,537</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	284,671,146	22,276,788	6,840,438
Changes of Assumptions	8,688,947,614	532,086,055	65,115,220
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>3,015,366,947</u>	<u>101,235,310</u>	<u>52,297,409</u>
Total Deferred Inflows of Resources Excluding Employer Specific Amounts*	<u>\$11,988,985,707</u>	<u>\$655,598,153</u>	<u>\$124,253,067</u>
Pension Expense *	(\$3,370,350,002)	\$669,945	\$20,143,850
Amortization Period for Recognition of Deferred Outflow and Deferred Inflow of Resources**	3.08 years	3.57 years	3.67 years

* Employer specific amounts that are excluded from this schedule are the changes in proportion and differences between employer contributions and proportionate share of contributions as well as the related amortization as defined in paragraphs 54 and 55 of GASB Statement No. 68, Accounting and Financial Reporting for Pensions

** GASB 68, paragraph 33 prescribes the amortization period for recognition of deferred outflow and deferred inflow of resources. Specifically, the difference between the expected and actual experience and changes in assumption are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining lives of all employees that are provided with pensions through the pension plan determined at the beginning of the measurement period.

Notes to the Schedules of Employer Allocation and Collective Pension Amounts

For the Fiscal Year Ended August 31, 2022

Note A — General Plan Descriptions

The Employees Retirement System of Texas was created by the Texas Legislature in 1947 and is administered in accordance with the Texas Constitution. The System provides a retirement and disability pension system for state employees, law enforcement and custodial officers, elected state officials and two classes of judges.

The Employees Retirement System of Texas Fund, the Law Enforcement and Custodial Officers Supplemental Retirement Fund, and the Judicial Retirement System of Texas Plan Two are single employer defined pension plans.

Note B — Employer Contributions

Employer contributions were taken from the ERS PeopleSoft Financials system. Employer contribution information is provided to ERS through the Texas Comptroller of Public Accounts and the State of Texas Financial Network. For the Employees Retirement System plan, contributions include:

- State contributions for active employees, service purchases, and return to work employees, and
- Agency contributions for active employees and return to work employees.

For the Law Enforcement and Custodial Officers Supplemental Retirement Plan, contributions include:

- State contributions for active employees, service purchases and return to work employees, and
- Agency contributions for return to work employees.

For the Judicial Retirement System of Texas Plan 2, contributions include state contributions for active employees and service purchases.

Note C — Other information

Basis of Accounting

The underlying financial information used to prepare the pension allocation schedules is based on the ERS financial statements. The ERS financial statements are prepared using the accrual basis of accounting and are prepared in accordance with

accounting principles generally accepted (GAAP) in the United States of America that apply to governmental accounting for fiduciary funds.

Annual Comprehensive Financial Report 2022

ERS Issues an Annual Comprehensive Financial Report that includes financial statements, notes and required supplementary information for the pension plans. That report is also audited by CliftonLarsonAllen, LLP and available online at <https://www.ers.texas.gov/About-ERS/Reports-and-Studies>. This report may also be obtained by writing to ERS at:

Employees Retirement System of Texas
200 East 18th Street, Austin Texas 78701

Please refer to the ERS Annual Comprehensive Financial Report referenced above for these items:

- Investment related information including earning and asset allocation appears in Note 2.
- Plan descriptions and information on contributions, fund status, single discount rate assumptions and sensitivity, membership, and reserves are included in Note 3.
- The benefits information is presented in the Summary of Plan Provisions.

GASB Reporting and Disclosure Information

Gabriel Roeder Smith & Company has provided information required by the governmental employers participating in ERS in connection with GASB Statement 68 "Accounting and Financial Reporting for Pensions." These reports are presented immediately after these notes.

The Schedule of Collective Pension Amounts complements the actuarial valuation report as of August 31, 2022 and the GASB Reporting and Disclosure Information for the Fiscal year Ended August 31, 2022, which should be considered together as a complete report for the plan year ended August 31, 2022.

Please see the actuarial valuation report as of August 31, 2022 for additional discussion of the nature of calculations and more information related to participant data, economic and demographic assumptions and benefit provisions. This schedule is to be used for governmental employer reporting for Fiscal Years ending on or before August 31, 2023.

Notes to the Schedules of Employer Allocation and Collective Pension Amounts (Concluded)

For the Fiscal Year Ended August 31, 2022

Note D — Subsequent Events

In 2023, the Texas 88th Legislative Session passed Senate Bill 30, in which the State provided additional one-time funding to the ERS Pension fund for the purpose of amortizing the plan's unfunded actuarial liability. The funding was provided in two parts, \$165,600,000 and \$900,000,000. Both amounts were received in June of fiscal year 2023.

Additionally, in the 88th Legislative Session, House Bill 1 was passed, in which the State provided

additional one-time funding to the LECOS and JRS 2 Pension funds for the purpose of amortizing the plans' unfunded actuarial liabilities. The funding amounted to \$772,000,000 for LECOS and \$99,000,000 for JRS 2. Both amounts were received in September of fiscal year 2024. Please refer to the Texas Legislative Budget Board 88th Session Adopted Decision Documents - Senate Finance Committee (March 2023) for further information on this funding.



Employees Retirement System of Texas

GASB Reporting and Disclosure Information for ERS Fiscal
Year Ending August 31, 2022





November 1, 2022

Board of Trustees
Employees Retirement System of Texas
200 East 18th Street
Austin, TX 78701

Subject: GASB Reporting and Disclosure Information for ERS Fiscal Year Ending August 31, 2022

Members of the Board,

This report provides information required by the Employees Retirement System of Texas (ERS) in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." Additionally, this report provides information required by the governmental employers participating in ERS in connection with the GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." It is our understanding this information will be used by governmental employers in financial reporting for the fiscal year ending August 31, 2023. The information provided herein was prepared for the purpose of assisting ERS and the governmental employers in the compliance with the financial reporting and disclosure requirements of GASB Statement Nos. 67 and 68.

The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than ERS only in its entirety and only with the permission of ERS.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of August 31, 2022. It is our opinion that the recommended assumptions are internally consistent, reasonable, and comply with the requirements under GASB Statement Nos. 67 and 68.

We have not determined whether the Collective Pension Amounts under GASB Statement No. 68 should be allocated to any of the governmental employers participating in ERS. It is our understanding that these allocations will be determined by another state agency, if necessary.

This report is based upon information, furnished to us by ERS, which include benefit provisions, membership information, and financial data. We did not audit this data and information, but we did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided to us by ERS.

Certain tables included in the Required Supplementary Information should include a 10-year history of information. As provided for in GASB Statement Nos. 67 and 68, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB Statement Nos. 67 and 68. The historical information in this report will begin with the information presented for the measurement period ending August 31, 2014.

Paragraph 57 of GASB Statement No. 68 indicates that contributions to the pension plan subsequent to the measurement date of the Net Pension Liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources related to pensions. The information contained in this report does not incorporate any contributions reported to ERS subsequent to August 31, 2022.

This report complements the actuarial valuation report as of August 31, 2022, provided for plan funding purposes, which was also provided to ERS and should be considered together as a complete report for the plan year ending August 31, 2022. Please see the actuarial valuation report as of August 31, 2022 for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

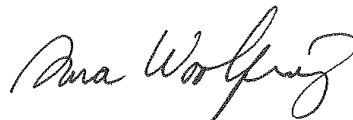
To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of the Employees Retirement System of Texas. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Mr. Falls and Ms. Woolfrey are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Gabriel, Roeder, Smith & Company



R. Ryan Falls, FSA, EA, MAAA
Senior Consultant



Dana Woolfrey, FSA, EA, MAAA
Senior Consultant



Summary of Population Statistics

The total pension liability described in this report is based on the ERS plan membership as of August 31, 2022:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	122,720
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	155,148
Active Plan Members	<u>133,751</u>
Total Plan Members	411,619

Measurement of the Net Pension Liability

The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 7.00% was used to measure the total pension liability as of August 31, 2021. This single discount rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 1.95%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance all projected future benefit payments of current plan members. This was due to the Legacy Payment contribution structure provided by Senate Bill 321 from the 2021 Legislative session. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

A single discount rate of 7.00% was used to measure the total pension liability as of August 31, 2022. This single discount rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.91%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance all projected future benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The source of the municipal bond rate as of August 31, 2022 is the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." In describing this index, Fidelity notes that the municipal curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities. The rate shown is as of the last date available on or before the measurement date.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory and appropriated levels and remain a level percentage of payroll.

Actuarially Determined Contribution

This report presents the new level dollar contribution, called Legacy Payments, Actuarially Determined Contribution (ADC) for the fiscal year ending August 31, 2022. Consistent with the provisions of Section 815.407 of the Texas Government Code that were in effect for the year ending August 31, 2022, new level



dollar contributions, called Legacy Payments, have been introduced as part of the funding policy. These Legacy Payments are the amounts necessary, in addition to the statutory 10.00% of payroll contributions, to fund the normal cost and fully amortize the UAAL as required before the end of fiscal year 2054. The provisions of the Legacy Payment structure adopted during the 2021 Legislative session were first reflected in the disclosures for the year ending August 31, 2022.

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate as of August 31, 2022. In particular, the table presents the plan’s net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

	Current Single Discount		
	1% Decrease	Rate Assumption	1% Increase
	6.00%	7.00%	8.00%
	\$ 19,386,260,895	\$ 13,876,394,301	\$ 9,293,605,207

Reconciliation of Plan Net Assets

for Fiscal Year Ending August 31, 2022

Employees Retirement System of Texas

	<u>Year Ending August 31, 2022</u>
1. Market value of assets at beginning of year	\$ 33,608,244,434
2. Revenue for the year	
a. Contributions for the year	
i. State (including membership fees)	\$ 1,259,883,400
ii. Member (including penalty interest)	721,520,247
iii. Total	<u>\$ 1,981,403,647</u>
b. Net investment income	\$ (728,035,727)
c. Total revenue	\$ 1,253,367,920
3. Disbursements for the year	
a. Benefit payments and refunds	\$ 2,940,512,598
b. Net transfers from TRS	(96,633,848)
c. Administrative expenses	31,641,814
d. Total expenditures	<u>\$ 2,875,520,564</u>
4. Increase in net assets (Item 2c - Item 3d)	\$ (1,622,152,644)
5. Market value of assets at end of year (Item 1 + Item 4)	\$ 31,986,091,790

This reconciliation only includes the items needed to reconcile the changes in Net Pension Liability during the fiscal year. The Reconciliation of Fiduciary Net Position required by GASB No. 67 may require additional detail regarding the changes throughout the year.



Schedules of Required Supplementary Information

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

Employees Retirement System of Texas

Fiscal year ending August 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost	\$ 985,243,572	\$ 2,146,247,214	\$ 1,827,863,722	\$ 1,346,986,248	\$ 1,445,557,335	\$ 1,457,262,512	\$ 1,146,791,195	\$ 1,231,202,917	\$ 1,139,451,280
Interest on the Total Pension Liability	3,027,805,870	2,376,688,275	2,516,723,521	2,694,082,718	2,559,722,952	2,510,128,243	2,522,625,345	2,373,849,426	2,324,179,507
Benefit Changes	0	0	0	0	0	0	0	(87,834,605)	0
Difference between expected and actual experience of the Total Pension Liability	509,628,233	(747,551,060)	510,656,816	(578,195,062)	91,880,914	115,632,392	133,557,078	(284,750,930)	(252,966,720)
Assumption Changes	0	(22,817,317,720)	6,366,987,163	8,469,458,024	(1,982,913,797)	2,219,672,343	5,301,965,235	(3,429,167,539)	1,199,067,392
Benefit Payments and Refunds	(2,843,878,750)	(2,711,256,371)	(2,621,737,410)	(2,540,261,957)	(2,406,361,818)	(2,288,824,789)	(2,147,307,029)	(2,049,290,909)	(1,963,481,455)
Net Change in Total Pension Liability	1,678,798,925	(21,753,189,662)	8,600,493,812	9,392,069,971	(292,114,414)	4,013,870,701	6,957,631,824	(2,245,991,640)	2,446,250,004
Total Pension Liability - Beginning	44,183,687,166	65,936,876,828	57,336,383,016	47,944,313,045	48,236,427,459	44,222,556,758	37,264,924,934	39,510,916,574	37,064,666,570
Total Pension Liability - Ending	\$ 45,862,486,091	\$ 44,183,687,166	\$ 65,936,876,828	\$ 57,336,383,016	\$ 47,944,313,045	\$ 48,236,427,459	\$ 44,222,556,758	\$ 37,264,924,934	\$ 39,510,916,574
Plan Fiduciary Net Position									
Contributions - Employer	\$ 1,259,883,400	\$ 739,572,907	\$ 735,855,712	\$ 712,647,639	\$ 697,189,414	\$ 700,078,188	\$ 686,763,354	\$ 500,394,986	\$ 482,239,018
Contributions - Member	721,520,247	718,357,239	713,985,036	694,788,598	683,932,829	685,461,587	674,677,886	462,159,534	430,594,897
Pension Plan Net Investment Income	(728,035,727)	6,937,214,844	1,791,061,478	758,466,709	2,430,297,025	2,832,627,596	1,273,413,421	56,940,707	3,252,416,986
Benefit Payments and Refunds	(2,843,878,750)	(2,711,256,371)	(2,621,737,410)	(2,540,261,957)	(2,406,361,818)	(2,288,824,789)	(2,147,307,029)	(2,049,290,909)	(1,963,481,455)
Pension Plan Administrative Expense	(31,641,814)	(21,850,725)	(24,182,433)	(27,751,616)	(23,549,964)	(23,095,408)	(20,448,669)	(21,839,626)	(20,194,988)
Other	0	0	0	0	0	0	0	0	0
Net Change in Plan Fiduciary Net Position	(1,622,152,644)	5,662,037,894	594,982,383	(402,110,627)	1,381,507,486	1,906,247,174	467,098,963	(1,051,635,308)	2,181,574,458
Plan Fiduciary Net Position - Beginning	33,608,244,434	27,946,206,540	27,351,224,157	27,753,334,784	26,371,827,298	24,465,580,124	23,998,481,161	25,050,116,469	22,868,542,011
Plan Fiduciary Net Position - Ending	\$ 31,986,091,790	\$ 33,608,244,434	\$ 27,946,206,540	\$ 27,351,224,157	\$ 27,753,334,784	\$ 26,371,827,298	\$ 24,465,580,124	\$ 23,998,481,161	\$ 25,050,116,469
Net Pension Liability - Ending	13,876,394,301	10,575,442,732	37,990,670,288	29,985,158,859	20,190,978,261	21,864,600,161	19,756,976,634	13,266,443,773	14,460,800,105
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.74 %	76.06 %	42.38 %	47.70 %	57.89 %	54.67 %	55.32 %	64.40 %	63.40 %
Covered Employee Payroll	\$ 7,205,607,848	\$ 7,188,367,590	\$ 7,158,435,103	\$ 6,947,624,737	\$ 6,811,925,525	\$ 6,859,706,582	\$ 6,742,143,036	\$ 6,150,194,660	\$ 5,955,460,705
Net Pension Liability as a Percentage of Covered Employee Payroll	192.58 %	147.12 %	530.71 %	431.59 %	296.41 %	318.74 %	293.04 %	215.71 %	242.82 %

Notes to Schedule:

The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.

The change in the Total Pension Liability due to the change in the Single Discount Rate is included as an assumption change.

Assumption changes for FY2017 include the impact of the new assumptions adopted by the Board effective August 31, 2017.

Assumption changes for FY2020 include the impact of the new assumptions adopted by the Board effective August 31, 2020.



Schedules of Required Supplementary Information

Schedule of Employer Contributions Employees Retirement System of Texas

FY Ending August 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 727,892,157	\$ 482,239,018	\$ 245,653,139	\$ 5,955,460,705	8.10%
2015	737,111,059	500,394,986	236,716,073	6,150,194,660	8.14%
2016	679,806,017	686,763,354	(6,957,337)	6,742,143,036	10.19%
2017	713,527,832	700,078,188	13,449,644	6,859,706,582	10.21%
2018	933,914,990	697,189,414	236,725,576	6,811,925,525	10.23%
2019	946,266,489	712,647,639	233,618,850	6,947,624,737	10.26%
2020	985,000,670	735,855,712	249,144,958	7,158,435,103	10.28%
2021	1,148,701,141	739,572,907	409,128,234	7,188,367,590	10.29%
2022	1,259,883,400	1,259,883,400	0	7,205,607,848	17.48%

Notes to Schedule of Contributions

Employees Retirement System of Texas

Valuation Date: Actuarially determined contribution rates are calculated as of August 31. Members and employers contribute based on statutorily fixed rates. Provisions of the Legacy Payment structure adopted during the 2021 legislative session were reflected in disclosures for the 2022 fiscal year.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll plus Level Dollar Legacy Payment
Remaining Amortization Period	UAAL to be eliminated by 2054
Asset Valuation Method	Marked to market as of August 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.
Inflation	2.30%
Salary Increases	0.00% to 8.80%
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the class of employee. Updated for the 2020 valuation pursuant to an experience study of the 5-year period from September 1, 2014 through August 31, 2019.
Mortality	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020. Rates for male LECO members are set forward one year.

Other Information:

Notes Members and employers contribute based on statutorily fixed rates. The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.



Governmental Employer Financial Statements

Pension Expense for Fiscal Year Ending August 31, 2022

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2023

Employees Retirement System of Texas

1. Service Cost	\$ 985,243,572
2. Interest on the Total Pension Liability	3,027,805,870
3. Current-Period Benefit Changes	0
4. Member Contributions	(721,520,247)
5. Projected Earnings on Plan Investments	(2,321,283,018)
6. Pension Plan Administrative Expense	31,641,814
7. Other Changes in Plan Fiduciary Net Position	0
8. Recognition of deferred outflows resulting from differences between expected and actual experience	22,369,974
9. Recognition of deferred outflows resulting from assumption changes	(4,199,989,307)
10. Recognition of deferred outflows resulting from differences between projected and actual earnings on plan investments	<u>(194,618,660)</u>
11. Total Pension Expense	\$ (3,370,350,002)

Recognition of Deferred Outflows and Inflows of Resources

According to paragraph 33 of GASB No. 68, *differences between expected and actual experience and changes in assumptions* are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the 2022 measurement period, the expected remaining service lives of all employees was 1,237,272 years for ERS. Additionally, the ERS plan membership (active employees and inactive employees) was 402,070. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2022 measurement period is 3.08 years.

Additionally, *differences between projected and actual earnings on pension plan investments* should be recognized in pension expense using a systematic and rational method over a closed five-year period.

For this purpose, the deferred outflows and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period identified above.



Governmental Employer Financial Statements

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods For Fiscal Year Ending August 31, 2022

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2023

A. New Deferred Outflows and Inflows of Resources by Source Established in Fiscal Year

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 509,628,233	\$ 0	\$ 509,628,233
2. Assumption Changes	0	0	0
3. Net Difference between projected and actual earnings on pension plan investments	3,049,318,745	0	3,049,318,745
4. Total	\$ 3,558,946,978	\$ 0	\$ 3,558,946,978

B. Outflows and Inflows of Resources by Source to be recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 318,814,109	\$ 296,444,135	\$ 22,369,974
2. Assumption Changes	2,864,195,746	7,064,185,053	(4,199,989,307)
3. Net Difference between projected and actual earnings on pension plan investments	908,851,573	1,103,470,233	(194,618,660)
4. Total	\$ 4,091,861,428	\$ 8,464,099,421	\$ (4,372,237,993)

C. Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 394,770,148	\$ 284,671,146	\$ 110,099,002
2. Assumption Changes	630,962,689	8,688,947,614	(8,057,984,925)
3. Net Difference between projected and actual earnings on pension plan investments	2,781,528,292	3,015,366,947	(233,838,655)
4. Total	\$ 3,807,261,129	\$ 11,988,985,707	\$ (8,181,724,578)

D. Deferred Outflows and Deferred Inflows of Resources by Year to be recognized in Future Pension Expenses

ERS Fiscal Year Ending	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
2023	\$ 1,755,883,603	\$ 8,300,747,326	\$ (6,544,863,723)
2024	818,412,934	2,683,116,066	(1,864,703,132)
2025	623,100,843	1,005,122,315	(382,021,472)
2026	609,863,749	0	609,863,749
2027	0	0	0
Thereafter	0	0	0
Total	\$ 3,807,261,129	\$ 11,988,985,707	\$ (8,181,724,578)



Governmental Employer Financial Statements

Recognition of Deferred Outflows and Inflows of Resources

For Fiscal Year Ending August 31, 2022

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2023

Year Established	Initial Amount	Initial Recognition Period	Current Year Recognition	Remaining Recognition	Remaining Recognition Period
Deferred Outflow (Inflow) due to Differences Between Expected and Actual Experience on Liabilities					
2018	91,880,914	3.46	0	0	0.00
2019	(578,195,062)	3.38	(65,004,178)	0	0.00
2020	510,656,816	3.33	153,350,396	50,605,628	0.33
2021	(747,551,060)	3.23	(231,439,957)	(284,671,146)	1.23
2022	509,628,233	3.08	165,463,713	344,164,520	2.08
Total			22,369,974	110,099,002	
Deferred Outflow (Inflow) due to Assumption Changes					
2018	(1,982,913,797)	3.46	0	0	0.00
2019	8,469,458,024	3.38	952,187,588	0	0.00
2020	6,366,987,163	3.33	1,912,008,158	630,962,689	0.33
2021	(22,817,317,720)	3.23	(7,064,185,053)	(8,688,947,614)	1.23
2022	0	3.08	0	0	2.08
Total			(4,199,989,307)	(8,057,984,925)	
Deferred Outflow (Inflow) due to Differences Between Projected and Actual Earnings on Plan Investments					
2018	(491,739,585)	5.00	(98,347,917)	0	0.00
2019	1,279,511,750	5.00	255,902,350	255,902,350	1.00
2020	215,427,368	5.00	43,085,474	86,170,946	2.00
2021	(5,025,611,579)	5.00	(1,005,122,316)	(3,015,366,947)	3.00
2022	3,049,318,745	5.00	609,863,749	2,439,454,996	4.00
Total			(194,618,660)	(233,838,655)	

Governmental Employer Financial Statements

Schedule of Collective Pension Amounts

For Fiscal Year Ending August 31, 2022

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2023

Net Pension Liability	\$ 13,876,394,301
<u>Deferred Outflows of Resources</u>	
Differences Between Expected and Actual Experience	\$ 394,770,148
Changes of Assumptions	630,962,689
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>2,781,528,292</u>
Total Deferred Outflows of Resources Excluding Employer Specific Amounts *	\$ 3,807,261,129
<u>Deferred Inflows of Resources</u>	
Differences Between Expected and Actual Experience	\$ 284,671,146
Changes of Assumptions	8,688,947,614
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>3,015,366,947</u>
Total Deferred Inflows of Resources Excluding Employer Specific Amounts *	\$ 11,988,985,707
Pension Expense *	\$ (3,370,350,002)

* Employer specific amounts that are excluded from this schedule are the changes in proportion and differences between employer contributions and proportionate share of contributions as well as the related amortization as defined in paragraphs 54 and 55 of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.



Law Enforcement and Correctional Officers Supplemental Retirement Fund

GASB Reporting and Disclosure Information for ERS Fiscal
Year Ending August 31, 2022





November 1, 2022

Board of Trustees
Employees Retirement System of Texas
200 East 18th Street
Austin, TX 78701

Subject: GASB Reporting and Disclosure Information for ERS Fiscal Year Ending August 31, 2022 - LECOSRF

Members of the Board,

This report provides information required by the Law Enforcement and Correctional Officers Supplemental Retirement Fund (LECOSRF) of the Employees Retirement System of Texas (ERS) in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." Additionally, this report provides information required by the governmental employers participating in LECOSRF in connection with the GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." It is our understanding this information will be used by governmental employers in financial reporting for the fiscal year ending August 31, 2023. The information provided herein was prepared for the purpose of assisting ERS and the governmental employers in the compliance with the financial reporting and disclosure requirements of GASB Statement Nos. 67 and 68.

The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than ERS only in its entirety and only with the permission of ERS.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of August 31, 2022. It is our opinion that the recommended assumptions are internally consistent, reasonable, and comply with the requirements under GASB Statement Nos. 67 and 68.

We have not determined whether the Collective Pension Amounts under GASB Statement No. 68 should be allocated to any of the governmental employers participating in LECOSRF. It is our understanding that these allocations will be determined by another state agency, if necessary.

This report is based upon information, furnished to us by ERS, which include benefit provisions, membership information, and financial data. We did not audit this data and information, but we did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided by ERS.

Certain tables included in the Required Supplementary Information should include a 10-year history of information. As provided for in GASB Statement Nos. 67 and 68, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB Statement Nos. 67 and 68. The historical information in this report will begin with the information presented for the measurement period ending August 31, 2014.

Paragraph 57 of GASB Statement No. 68 indicates that contributions to the pension plan subsequent to the measurement date of the Net Pension Liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources related to pensions. The information contained in this report does not incorporate any contributions reported to LECOSRF subsequent to August 31, 2022.

This report complements the actuarial valuation report as of August 31, 2022, provided for plan funding purposes, which was also provided to ERS and should be considered together as a complete report for the plan year ending August 31, 2022. Please see the actuarial valuation report as of August 31, 2022 for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.


To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of the Law Enforcement and Correctional Officers Supplemental Retirement Fund of the Employees Retirement System of Texas. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Mr. Falls and Ms. Woolfrey are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Gabriel, Roeder, Smith & Company



R. Ryan Falls, FSA, EA, MAAA
Senior Consultant



Dana Woolfrey, FSA, EA, MAAA
Senior Consultant



Summary of Population Statistics

The total pension liability described in this report is based on the LECOSRF plan membership as of August 31, 2022:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	15,923
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	32,371
Active Plan Members	<u>31,075</u>
Total Plan Members	79,369

Measurement of the Net Pension Liability

The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 2.70% was used to measure the total pension liability as of August 31, 2021. This single discount rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 1.95%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2040. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2040 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

A single discount rate of 4.45% was used to measure the total pension liability as of August 31, 2022. This single discount rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.91%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2038. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2038 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The source of the municipal bond rate is the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." In describing this index, Fidelity notes that the municipal curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities. The rate shown is as of the last date available on or before the measurement date.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory and appropriated levels and remain a level percentage of payroll.

Actuarially Determined Contribution

This report presents the Actuarially Determined Contribution (ADC) for the fiscal year ending August 31, 2022. Consistent with the provisions of Section 811.006 of the Texas Government Code, this contribution is the amount necessary to fund the normal cost and to amortize the UAAL as a level percentage of payroll over 31 years.



As noted, the ADC is currently calculated based on a 31-year open amortization period. This means that the ADC will always be calculated with the same 31-year period and the UAAL would never completely be eliminated. Even though the contributions to LECOSRF are not based on this ADC, the Board may want to consider adopting a funding policy that includes an ultimate goal of eliminating the UAAL by a certain date. This type of funding policy will allow the Board to better assess the level of contributions received from the employers and the State.

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate as of August 31, 2022. In particular, the table presents the plan’s net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

1% Decrease	Current Single	1% Increase
3.45%	Rate Assumption	5.45%
	4.45%	
\$ 1,745,059,162	\$ 1,360,330,255	\$ 1,052,818,141



Reconciliation of Plan Net Assets

for Fiscal Year Ending August 31, 2022

Law Enforcement and Correctional Officers Supplemental Retirement Fund

	<u>Year Ending August 31, 2022</u>
1. Market value of assets at beginning of year	\$ 1,116,041,411
2. Revenue for the year	
a. Contributions for the year	
i. State (including membership fees)	\$ 21,427,506
ii. Member (including penalty interest)	8,729,103
iii. Total	<u>\$ 30,156,609</u>
b. Net investment income	\$ (5,026,226)
c. Total revenue	\$ 25,130,383
3. Disbursements for the year	
a. Benefit payments and refunds	\$ 97,195,678
b. Net transfers from TRS	0
c. Administrative expenses	<u>1,680,319</u>
d. Total expenditures	\$ 98,875,997
4. Increase in net assets (Item 2c - Item 3d)	\$ (73,745,614)
5. Market value of assets at end of year (Item 1 + Item 4)	\$ 1,042,295,797

This reconciliation only includes the items needed to reconcile the changes in Net Pension Liability during the fiscal year. The Reconciliation of Fiduciary Net Position required by GASB No. 67 may require additional detail regarding the changes throughout the year.



Schedules of Required Supplementary Information

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

Law Enforcement and Correctional Officers Supplemental Retirement Fund

Fiscal year ending August 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost	\$ 93,711,540	\$ 91,245,661	\$ 96,690,232	\$ 71,926,346	\$ 79,308,710	\$ 99,389,703	\$ 71,428,931	\$ 57,458,813	\$ 54,527,921
Interest on the Total Pension Liability	80,909,665	82,146,415	86,012,024	96,085,294	91,170,939	82,236,057	88,409,657	87,224,138	88,024,806
Benefit Changes	0	0	0	0	0	0	0	0	0
Difference between expected and actual experience of the Total Pension Liability	65,927,635	(27,961,603)	(1,840,822)	(54,147,539)	(21,651,010)	(17,531,861)	(21,657,289)	(9,639,941)	(76,585,373)
Assumption Changes	(739,123,431)	82,178,906	158,945,887	427,818,373	(87,015,464)	(144,398,113)	375,371,238	148,114,173	68,228,415
Benefit Payments and Refunds	(97,195,678)	(91,669,301)	(86,706,382)	(82,250,048)	(75,632,867)	(69,755,566)	(64,541,719)	(61,344,037)	(57,146,704)
Net Change in Total Pension Liability	(595,770,269)	135,940,078	253,100,939	459,432,426	(13,819,692)	(50,059,780)	449,010,818	221,813,146	77,049,065
Total Pension Liability - Beginning	2,998,396,321	2,862,456,243	2,609,355,304	2,149,922,878	2,163,742,570	2,213,802,350	1,764,791,532	1,542,978,386	1,465,929,321
Total Pension Liability - Ending	<u>\$ 2,402,626,052</u>	<u>\$ 2,998,396,321</u>	<u>\$ 2,862,456,243</u>	<u>\$ 2,609,355,304</u>	<u>\$ 2,149,922,878</u>	<u>\$ 2,163,742,570</u>	<u>\$ 2,213,802,350</u>	<u>\$ 1,764,791,532</u>	<u>\$ 1,542,978,386</u>
Plan Fiduciary Net Position									
Contributions - Employer	\$ 21,427,506	\$ 20,294,220	\$ 22,293,664	\$ 25,864,146	\$ 26,109,655	\$ 26,583,162	\$ 27,497,297	\$ 26,728,318	\$ 27,757,980
Contributions - Member	8,729,103	9,077,532	8,949,911	9,098,121	9,274,814	9,583,044	9,538,658	8,376,472	8,179,640
Pension Plan Net Investment Income	(5,026,226)	232,795,473	61,096,949	26,250,173	84,937,315	99,340,827	44,831,113	1,918,490	111,740,551
Benefit Payments and Refunds	(97,195,678)	(91,669,301)	(86,706,382)	(82,250,048)	(75,632,867)	(69,755,566)	(64,541,719)	(61,344,037)	(57,146,704)
Pension Plan Administrative Expense	(1,680,319)	(1,780,707)	(1,932,593)	(2,167,482)	(1,850,762)	(1,811,110)	(1,421,458)	(1,411,562)	(1,323,502)
Other	0	0	0	0	0	0	0	0	0
Net Change in Plan Fiduciary Net Position	(73,745,614)	168,717,217	3,701,549	(23,205,090)	42,838,155	63,940,357	15,903,891	(25,732,319)	89,207,965
Plan Fiduciary Net Position - Beginning	1,116,041,411	947,324,194	943,622,645	966,827,735	923,989,580	860,049,223	844,145,332	869,877,651	780,669,686
Plan Fiduciary Net Position - Ending	<u>\$ 1,042,295,797</u>	<u>\$ 1,116,041,411</u>	<u>\$ 947,324,194</u>	<u>\$ 943,622,645</u>	<u>\$ 966,827,735</u>	<u>\$ 923,989,580</u>	<u>\$ 860,049,223</u>	<u>\$ 844,145,332</u>	<u>\$ 869,877,651</u>
Net Pension Liability - Ending	1,360,330,255	1,882,354,910	1,915,132,049	1,665,732,659	1,183,095,143	1,239,752,990	1,353,753,127	920,646,200	673,100,735
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	43.38 %	37.22 %	33.09 %	36.16 %	44.97 %	42.70 %	38.85 %	47.83 %	56.38 %
Covered Employee Payroll	\$ 1,581,949,840	\$ 1,586,537,362	\$ 1,662,147,480	\$ 1,682,633,066	\$ 1,689,590,272	\$ 1,746,349,412	\$ 1,725,879,688	\$ 1,506,027,764	\$ 1,496,012,750
Net Pension Liability as a Percentage of Covered Employee Payroll	85.99 %	118.65 %	115.22 %	99.00 %	70.02 %	70.99 %	78.44 %	61.13 %	44.99 %

Notes to Schedule:

The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.

The change in the Total Pension Liability due to the change in the Single Discount Rate is included as an assumption change.

Assumption changes for FY2017 include the impact of the new assumptions adopted by the Board effective August 31, 2017.

Assumption changes for FY2020 include the impact of the new assumptions adopted by the Board effective August 31, 2020.



Schedules of Required Supplementary Information

Schedule of Employer Contributions

Law Enforcement and Correctional Officers Supplemental Retirement Fund

FY Ending August 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 40,205,389	\$ 27,757,980	\$ 12,447,409	\$ 1,496,012,750	1.86%
2015	38,131,404	26,728,318	11,403,086	1,506,027,764	1.77%
2016	43,167,243	27,497,297	15,669,946	1,725,879,688	1.59%
2017	45,332,090	26,583,162	18,748,928	1,746,349,412	1.52%
2018	53,560,012	26,109,655	27,450,357	1,689,590,272	1.55%
2019	54,853,838	25,864,146	28,989,692	1,682,633,066	1.54%
2020	56,679,229	22,293,664	34,385,565	1,662,147,480	1.34%
2021	59,019,190	20,294,220	38,724,970	1,586,537,362	1.28%
2022	62,803,409	21,427,506	41,375,903	1,581,949,840	1.35%

Notes to Schedule of Contributions

Law Enforcement and Correctional Officers Supplemental Retirement Fund

Valuation Date: Actuarially determined contribution rates are calculated as of August 31. Members and employers contribute based on statutorily fixed rates.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	31 years
Asset Valuation Method	Marked to market as of August 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.
Inflation	2.30%
Salary Increases	3.75% to 8.75%
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the 5-year period from September 1, 2014 through August 31, 2019.
Mortality	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020. Rates for male LECO members are set forward one year.

Other Information:

Notes Members and employers contribute based on statutorily fixed rates. The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.



Governmental Employer Financial Statements

Pension Expense for Fiscal Year Ending August 31, 2022

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2023

Law Enforcement and Correctional Officers Supplemental Retirement Fund

1. Service Cost	\$	93,711,540
2. Interest on the Total Pension Liability		80,909,665
3. Current-Period Benefit Changes		0
4. Member Contributions		(8,729,103)
5. Projected Earnings on Plan Investments		(75,717,720)
6. Pension Plan Administrative Expense		1,680,319
7. Other Changes in Plan Fiduciary Net Position		0
8. Recognition of deferred outflows resulting from differences between expected and actual experience		(4,713,393)
9. Recognition of deferred outflows resulting from assumption changes		(75,817,638)
10. Recognition of deferred outflows resulting from differences between projected and actual earnings on plan investments		(10,653,725)
11. Total Pension Expense	\$	669,945

Recognition of Deferred Outflows and Inflows of Resources

According to paragraph 33 of GASB No. 68, *differences between expected and actual experience* and *changes in assumptions* are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the 2022 measurement period, the expected remaining service lives of all employees was 276,270 years for LECOSRF. Additionally, the LECOSRF plan membership (active employees and inactive employees) was 77,467. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2022 measurement period is 3.57 years.

Additionally, *differences between projected and actual earnings on pension plan investments* should be recognized in pension expense using a systematic and rational method over a closed five-year period.

For this purpose, the deferred outflows and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period identified above.



Governmental Employer Financial Statements

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods For Fiscal Year Ending August 31, 2022

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2023

A. New Deferred Outflows and Inflows of Resources by Source Established in Fiscal Year

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 65,927,635	\$ 0	\$ 65,927,635
2. Assumption Changes	0	739,123,431	(739,123,431)
3. Net Difference between projected and actual earnings on pension plan investments	80,743,946	0	80,743,946
4. Total	\$ 146,671,581	\$ 739,123,431	\$ (592,451,850)

B. Outflows and Inflows of Resources by Source to be recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 18,467,125	\$ 23,180,518	\$ (4,713,393)
2. Assumption Changes	147,777,334	223,594,972	(75,817,638)
3. Net Difference between projected and actual earnings on pension plan investments	26,534,742	37,188,467	(10,653,725)
4. Total	\$ 192,779,201	\$ 283,963,957	\$ (91,184,756)

C. Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 47,460,510	\$ 22,276,788	\$ 25,183,722
2. Assumption Changes	155,001,768	532,086,055	(377,084,287)
3. Net Difference between projected and actual earnings on pension plan investments	76,485,590	101,235,310	(24,749,720)
4. Total	\$ 278,947,868	\$ 655,598,153	\$ (376,650,285)

D. Deferred Outflows and Deferred Inflows of Resources by Year to be recognized in Future Pension Expenses

ERS Fiscal Year Ending	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
2023	\$ 163,526,659	\$ 256,140,776	\$ (92,614,117)
2024	72,597,373	247,700,972	(175,103,599)
2025	26,675,050	151,756,405	(125,081,355)
2026	16,148,786	0	16,148,786
2027	0	0	0
Thereafter	0	0	0
Total	\$ 278,947,868	\$ 655,598,153	\$ (376,650,285)



Governmental Employer Financial Statements

Recognition of Deferred Outflows and Inflows of Resources

For Fiscal Year Ending August 31, 2022

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2023

Year Established	Initial Amount	Initial Recognition Period	Current Year Recognition	Remaining Recognition	Remaining Recognition Period
Deferred Outflow (Inflow) due to Differences Between Expected and Actual Experience on Liabilities					
2017	(17,531,861)	4.79	0	0	0.00
2018	(21,651,010)	4.94	(4,119,826)	0	0.00
2019	(54,147,539)	4.68	(11,569,987)	(7,867,591)	0.68
2020	(1,840,822)	4.47	(411,818)	(605,368)	1.47
2021	(27,961,603)	3.95	(7,078,887)	(13,803,829)	1.95
2022	65,927,635	3.57	18,467,125	47,460,510	2.57
Total			(4,713,393)	25,183,722	
Deferred Outflow (Inflow) due to Assumption Changes					
2017	(144,398,113)	4.79	0	0	0.00
2018	(87,015,464)	4.94	(16,557,596)	0	0.00
2019	427,818,373	4.68	91,414,183	62,161,641	0.68
2020	158,945,887	4.47	35,558,364	52,270,795	1.47
2021	82,178,906	3.95	20,804,787	40,569,332	1.95
2022	(739,123,431)	3.57	(207,037,376)	(532,086,055)	2.57
Total			(75,817,638)	(377,084,287)	
Deferred Outflow (Inflow) due to Differences Between Projected and Actual Earnings on Plan Investments					
2017	(31,952,908)	5.00	0	0	0.00
2018	(17,216,815)	5.00	(3,443,363)	0	0.00
2019	44,407,335	5.00	8,881,467	8,881,467	1.00
2020	7,522,422	5.00	1,504,485	3,008,967	2.00
2021	(168,725,518)	5.00	(33,745,104)	(101,235,310)	3.00
2022	80,743,946	5.00	16,148,790	64,595,156	4.00
Total			(10,653,725)	(24,749,720)	

Governmental Employer Financial Statements

Schedule of Collective Pension Amounts

For Fiscal Year Ending August 31, 2022

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2023

Net Pension Liability	\$ 1,360,330,255
<u>Deferred Outflows of Resources</u>	
Differences Between Expected and Actual Experience	\$ 47,460,510
Changes of Assumptions	155,001,768
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	76,485,590
Total Deferred Outflows of Resources Excluding Employer Specific Amounts *	<u>\$ 278,947,868</u>
<u>Deferred Inflows of Resources</u>	
Differences Between Expected and Actual Experience	\$ 22,276,788
Changes of Assumptions	532,086,055
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	101,235,310
Total Deferred Inflows of Resources Excluding Employer Specific Amounts *	<u>\$ 655,598,153</u>
Pension Expense *	\$ 669,945

* Employer specific amounts that are excluded from this schedule are the changes in proportion and differences between employer contributions and proportionate share of contributions as well as the related amortization as defined in paragraphs 54 and 55 of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.



Judicial Retirement System of Texas, Plan 2

GASB Reporting and Disclosure Information for ERS Fiscal
Year Ending August 31, 2022





November 11, 2022

Board of Trustees
Employees Retirement System of Texas
200 East 18th Street
Austin, TX 78701

Subject: GASB Reporting and Disclosure Information for ERS Fiscal Year Ending August 31, 2022 – JRS, Plan 2

Members of the Board,

This report provides information required by Judicial Retirement System of Texas, Plan 2 (JRS-2) in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." Additionally, this report provides information required by the governmental employers participating in JRS-2 in connection with the GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." It is our understanding this information will be used by governmental employers in financial reporting for the fiscal year ending August 31, 2023. The information provided herein was prepared for the purpose of assisting ERS and the governmental employers in the compliance with the financial reporting and disclosure requirements of GASB Statement Nos. 67 and 68.

The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than ERS only in its entirety and only with the permission of ERS.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of August 31, 2022. It is our opinion that the recommended assumptions are internally consistent, reasonable, and comply with the requirements under GASB Statement Nos. 67 and 68.

We have not determined whether the Collective Pension Amounts under GASB Statement No. 68 should be allocated to any of the governmental employers participating in JRS-2. It is our understanding that these allocations will be determined by another state agency, if necessary.

This report is based upon information, furnished to us by ERS, which include benefit provisions, membership information, and financial data. We did not audit this data and information, but we did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided to us by ERS.

Certain tables included in the Required Supplementary Information should include a 10-year history of information. As provided for in GASB Statement Nos. 67 and 68, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB Statement Nos. 67 and 68. The historical information in this report will begin with the information presented for the measurement period ending August 31, 2014.

Paragraph 57 of GASB Statement No. 68 indicates that contributions to the pension plan subsequent to the measurement date of the Net Pension Liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources related to pensions. The information contained in this report does not incorporate any contributions reported to JRS-2 subsequent to August 31, 2022.

This report complements the actuarial valuation report as of August 31, 2022, provided for plan funding purposes, which was also provided to ERS and should be considered together as a complete report for the plan year ending August 31, 2022. Please see the actuarial valuation report as of August 31, 2022 for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of Judicial Retirement System of Texas, Plan 2. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Mr. Falls and Ms. Woolfrey are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Gabriel, Roeder, Smith & Company



R. Ryan Falls, FSA, EA, MAAA
Senior Consultant



Dana Woolfrey, FSA, EA, MAAA
Senior Consultant



Summary of Population Statistics

The total pension liability described in this report is based on the JRS-2 plan membership as of August 31, 2022:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	536
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	192
Active Plan Members	<u>583</u>
Total Plan Members	1,311

Measurement of the Net Pension Liability

The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 5.27% was used to measure the total pension liability as of August 31, 2021. This single discount rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 1.95%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2051. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2051 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

A single discount rate of 5.77% was used to measure the total pension liability as of August 31, 2022. This single discount rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.91%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2046. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2046 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The source of the municipal bond rate as of August 31, 2022 is the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." In describing this index, Fidelity notes that the municipal curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities. The rate shown is as of the last date available on or before the measurement date.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory and appropriated levels and remain a level percentage of payroll.



Actuarially Determined Contribution

This report presents the Actuarially Determined Contribution (ADC) for the fiscal year ending August 31, 2022. Consistent with the provisions of Section 840.106 of the Texas Government Code, this contribution is the amount necessary to fund the normal cost and to amortize the UAAL as a level percentage of payroll over 31 years.

As noted, the ADC is currently calculated based on a 31-year open amortization period. This means that the ADC will always be calculated with the same 31-year period and the UAAL would never completely be eliminated. Even though the contributions to JRS-2 are not based on this ADC, the Board may want to consider adopting a funding policy that includes an ultimate goal of eliminating the UAAL by a certain date. This type of funding policy will allow the Board to better assess the level of contributions received from the employers and the State.

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate as of August 31, 2022. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

1% Decrease	Current Single Discount	1% Increase
4.77%	Rate Assumption	6.77%
5.77%		
\$ 229,224,388	\$ 153,786,942	\$ 89,348,623

Reconciliation of Plan Net Assets

for Fiscal Year Ending August 31, 2022

Judicial Retirement System of Texas, Plan 2

	Year Ending August 31, 2022
1. Market value of assets at beginning of year	\$ 585,179,731
2. Revenue for the year	
a. Contributions for the year	
i. State (including membership fees)	\$ 14,384,970
ii. Member (including penalty interest)	8,575,821
iii. Total	\$ 22,960,791
b. Net investment income	\$ (4,268,639)
c. Total revenue	\$ 18,692,152
3. Disbursements for the year	
a. Benefit payments and refunds	\$ 37,107,723
b. Administrative expenses	321,731
c. Total expenditures	\$ 37,429,454
4. Increase in net assets (Item 2c - Item 3c)	\$ (18,737,302)
5. Market value of assets at end of year (Item 1 + Item 4)	\$ 566,442,429

This reconciliation only includes the items needed to reconcile the changes in Net Pension Liability during the fiscal year. The Reconciliation of Fiduciary Net Position required by GASB No. 67 may require additional detail regarding the changes throughout the year.

Schedules of Required Supplementary Information

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

Judicial Retirement System of Texas, Plan 2

Fiscal year ending August 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost	\$ 31,449,670	\$ 37,433,085	\$ 28,964,664	\$ 16,414,760	\$ 16,056,392	\$ 20,420,118	\$ 19,429,114	\$ 16,243,849	\$ 17,805,095
Interest on the Total Pension Liability	38,248,523	32,799,983	35,248,418	36,102,665	34,439,932	31,671,238	30,980,403	30,785,435	28,003,934
Benefit Changes	0	0	0	(1,018,699)	0	0	0	0	0
Difference between expected and actual experience of the Total Pension Liability	(4,768,809)	(1,792,802)	(12,694,951)	26,592,244	(1,462,888)	5,091,349	(5,833,252)	(10,066,767)	(640,016)
Assumption Changes	(36,199,751)	(86,360,960)	113,895,020	111,655,642	0	(56,699,566)	23,396,407	35,653,448	(25,924,174)
Benefit Payments and Refunds	(37,107,723)	(35,142,239)	(32,040,794)	(29,220,121)	(24,865,580)	(23,361,377)	(21,154,764)	(19,238,317)	(16,419,717)
Net Change in Total Pension Liability	(8,378,090)	(53,062,933)	133,372,357	160,526,491	24,167,856	(22,878,238)	46,817,908	53,377,648	2,825,122
Total Pension Liability - Beginning	728,607,461	781,670,394	648,298,037	487,771,546	463,603,690	486,481,928	439,664,020	386,286,372	383,461,250
Total Pension Liability - Ending	\$ 720,229,371	\$ 728,607,461	\$ 781,670,394	\$ 648,298,037	\$ 487,771,546	\$ 463,603,690	\$ 486,481,928	\$ 439,664,020	\$ 386,286,372
Plan Fiduciary Net Position									
Contributions - Employer	\$ 14,384,970	\$ 14,321,889	\$ 14,186,283	\$ 13,100,263	\$ 12,559,722	\$ 12,494,828	\$ 12,374,200	\$ 12,457,095	\$ 12,210,663
Contributions - Member	8,575,821	8,758,637	8,634,071	6,462,797	5,939,830	6,016,757	5,754,349	5,464,997	5,195,121
Pension Plan Net Investment Income	(4,268,639)	120,145,153	30,632,793	12,832,187	39,191,536	44,875,456	19,861,581	820,005	46,186,114
Benefit Payments and Refunds	(37,107,723)	(35,142,239)	(32,040,794)	(29,220,121)	(24,865,580)	(23,361,377)	(21,154,764)	(19,238,317)	(16,419,717)
Pension Plan Administrative Expense	(321,731)	(234,946)	(273,365)	(362,663)	(295,903)	(294,991)	(226,106)	(283,609)	(266,846)
Other	0	0	0	0	0	0	0	0	0
Net Change in Plan Fiduciary Net Position	(18,737,302)	107,848,494	21,138,988	2,812,463	32,529,605	39,730,673	16,609,260	(779,829)	46,905,335
Plan Fiduciary Net Position - Beginning	585,179,731	477,331,237	456,192,249	453,379,786	420,850,181	381,119,508	364,510,248	365,290,077	318,384,742
Plan Fiduciary Net Position - Ending	\$ 566,442,429	\$ 585,179,731	\$ 477,331,237	\$ 456,192,249	\$ 453,379,786	\$ 420,850,181	\$ 381,119,508	\$ 364,510,248	\$ 365,290,077
Net Pension Liability - Ending	153,786,942	143,427,730	304,339,157	192,105,788	34,391,760	42,753,509	105,362,420	75,153,772	20,996,295
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.65 %	80.31 %	61.07 %	70.37 %	92.95 %	90.78 %	78.34 %	82.91 %	94.56 %
Covered Employee Payroll	\$ 90,027,734	\$ 89,582,518	\$ 88,578,603	\$ 79,710,813	\$ 78,772,445	\$ 78,189,668	\$ 78,260,550	\$ 77,500,736	\$ 77,441,466
Net Pension Liability as a Percentage of Covered Employee Payroll	170.82 %	160.11 %	343.58 %	241.00 %	43.66 %	54.68 %	134.63 %	96.97 %	27.11 %

Notes to Schedule:

The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.

The change in the Total Pension Liability due to the change in the Single Discount Rate is included as an assumption change.

Assumption changes for FY2017 include the impact of the new assumptions adopted by the Board effective August 31, 2017.

Assumption changes for FY2020 include the impact of the new assumptions adopted by the Board effective August 31, 2020.



Schedules of Required Supplementary Information

Schedule of Employer Contributions

Judicial Retirement System of Texas, Plan 2

FY Ending August 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 13,448,473	\$ 12,210,663	\$ 1,237,810	\$ 77,441,466	15.77%
2015	13,107,449	12,457,095	650,354	77,500,736	16.07%
2016	12,895,678	12,374,200	521,478	78,260,550	15.81%
2017	12,444,384	12,494,828	(50,444)	78,189,668	15.98%
2018	12,934,435	12,559,722	374,713	78,772,445	15.94%
2019	13,056,631	13,100,263	(43,632)	79,710,813	16.43%
2020	16,342,752	14,186,283	2,156,469	88,578,603	16.02%
2021	21,383,347	14,321,889	7,061,458	89,582,518	15.99%
2022	21,345,576	14,384,970	6,960,606	90,027,734	15.98%

Notes to Schedule of Contributions

Judicial Retirement System of Texas, Plan 2

Valuation Date: Actuarially determined contribution rates are calculated as of August 31. Members and employers contribute based on statutorily fixed rates.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	31 years
Asset Valuation Method	Marked to market as of August 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.
Inflation	2.30%
Salary Increases	2.30% plus service-based increases at four and eight years of service
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the 5-year period from September 1, 2014 through August 31, 2019.
Mortality	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020.

Other Information:

Notes Members and employers contribute based on statutorily fixed rates. The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.



Governmental Employer Financial Statements

Pension Expense for Fiscal Year Ending August 31, 2022

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2023

Judicial Retirement System of Texas, Plan 2

1. Service Cost	\$	31,449,670
2. Interest on the Total Pension Liability		38,248,523
3. Current-Period Benefit Changes		0
4. Member Contributions		(8,575,821)
5. Projected Earnings on Plan Investments		(40,456,178)
6. Pension Plan Administrative Expense		321,731
7. Other Changes in Plan Fiduciary Net Position		0
8. Recognition of deferred outflows resulting from differences between expected and actual experience		(2,679,094)
9. Recognition of deferred outflows resulting from assumption changes		7,093,810
10. Recognition of deferred outflows resulting from differences between projected and actual earnings on plan investments		(5,258,791)
11. Total Pension Expense	\$	20,143,850

Recognition of Deferred Outflows and Inflows of Resources

According to paragraph 33 of GASB No. 68, *differences between expected and actual experience and changes in assumptions* are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the 2022 measurement period, the expected remaining service lives of all employees was 4,791 years for JRS-2. Additionally, the JRS-2 plan membership (active employees and inactive employees) was 1,304. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2022 measurement period is 3.67 years.

Additionally, *differences between projected and actual earnings on pension plan investments* should be recognized in pension expense using a systematic and rational method over a closed five-year period.

For this purpose, the deferred outflows and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period identified above.



Governmental Employer Financial Statements

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods

For Fiscal Year Ending August 31, 2022

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2023

A. New Deferred Outflows and Inflows of Resources by Source Established in Fiscal Year

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 0	\$ 4,768,809	\$ (4,768,809)
2. Assumption Changes	0	36,199,751	(36,199,751)
3. Net Difference between projected and actual earnings on pension plan investments	44,724,817	0	44,724,817
4. Total	\$ 44,724,817	\$ 40,968,560	\$ 3,756,257

B. Outflows and Inflows of Resources by Source to be recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 2,490,511	\$ 5,169,605	\$ (2,679,094)
2. Assumption Changes	40,748,402	33,654,592	7,093,810
3. Net Difference between projected and actual earnings on pension plan investments	13,749,198	19,007,989	(5,258,791)
4. Total	\$ 56,988,111	\$ 57,832,186	\$ (844,075)

C. Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 0	\$ 6,840,438	\$ (6,840,438)
2. Assumption Changes	23,021,333	65,115,220	(42,093,887)
3. Net Difference between projected and actual earnings on pension plan investments	41,229,204	52,297,409	(11,068,205)
4. Total	\$ 64,250,537	\$ 124,253,067	\$ (60,002,530)

D. Deferred Outflows and Deferred Inflows of Resources by Year to be recognized in Future Pension Expenses

ERS Fiscal Year Ending	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
2023	\$ 36,770,528	\$ 55,446,350	\$ (18,675,822)
2024	9,590,084	43,894,976	(34,304,892)
2025	8,944,964	24,911,741	(15,966,777)
2026	8,944,961	0	8,944,961
2027	0	0	0
Thereafter	0	0	0
Total	\$ 64,250,537	\$ 124,253,067	\$ (60,002,530)



Governmental Employer Financial Statements

Recognition of Deferred Outflows and Inflows of Resources

For Fiscal Year Ending August 31, 2022

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2023

Year Established	Initial Amount	Initial Recognition Period	Current Year Recognition	Remaining Recognition	Remaining Recognition Period
Deferred Outflow (Inflow) due to Differences Between Expected and Actual Experience on Liabilities					
2018	(1,462,888)	3.44	0	0	0.00
2019	26,592,244	3.31	2,490,511	0	0.00
2020	(12,694,951)	3.76	(3,376,317)	(2,566,000)	0.76
2021	(1,792,802)	3.63	(493,885)	(805,032)	1.63
2022	(4,768,809)	3.67	(1,299,403)	(3,469,406)	2.67
Total			(2,679,094)	(6,840,438)	
Deferred Outflow (Inflow) due to Assumption Changes					
2018	0	3.44	0	0	0.00
2019	111,655,642	3.31	10,457,173	0	0.00
2020	113,895,020	3.76	30,291,229	23,021,333	0.76
2021	(86,360,960)	3.63	(23,790,899)	(38,779,162)	1.63
2022	(36,199,751)	3.67	(9,863,693)	(26,336,058)	2.67
Total			7,093,810	(42,093,887)	
Deferred Outflow (Inflow) due to Differences Between Projected and Actual Earnings on Plan Investments					
2018	(7,877,595)	5.00	(1,575,519)	0	0.00
2019	20,795,557	5.00	4,159,112	4,159,109	1.00
2020	3,225,608	5.00	645,122	1,290,242	2.00
2021	(87,162,349)	5.00	(17,432,470)	(52,297,409)	3.00
2022	44,724,817	5.00	8,944,964	35,779,853	4.00
Total			(5,258,791)	(11,068,205)	

Governmental Employer Financial Statements

Schedule of Collective Pension Amounts

For Fiscal Year Ending August 31, 2022

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2023

Net Pension Liability	\$	153,786,942
<u>Deferred Outflows of Resources</u>		
Differences Between Expected and Actual Experience	\$	0
Changes of Assumptions		23,021,333
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		41,229,204
Total Deferred Outflows of Resources Excluding Employer Specific Amounts *	\$	64,250,537
<u>Deferred Inflows of Resources</u>		
Differences Between Expected and Actual Experience	\$	6,840,438
Changes of Assumptions		65,115,220
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		52,297,409
Total Deferred Inflows of Resources Excluding Employer Specific Amounts *	\$	124,253,067
Pension Expense *	\$	20,143,850

* Employer specific amounts that are excluded from this schedule are the changes in proportion and differences between employer contributions and proportionate share of contributions as well as the related amortization as defined in paragraphs 54 and 55 of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.



ERS SUPPORTS THE STATE WORKFORCE BY OFFERING
COMPETITIVE BENEFITS AT A REASONABLE COST.



200 E. 18th Street
P.O. Box 13207
Austin, Texas 78711-3207
www.ers.texas.gov