

FY24 Accomplishments

Achieved actuarial soundness in all three pension plans, including full funding in the LECOS Retirement Fund Plan and JRS 2.

Realized a return of 12.51% over the last fiscal year (as of Aug. 31, 2024) and a five-year annualized net-of-fees return of 9.63%. Five-year performance allowed for the second gain share allocation in two years for Group 4 members and retirees.

Ranked among the nation's top 1% of peer pension funds based on five-year investments returns.

Had no premium increases in the HealthSelect of Texas® plans for the eighth consecutive year and kept HealthSelectSM Medicare Advantage premiums below 2020 rates, while continuing to provide high-quality coverage in all plans.

Scored 409 overall (out of 500) in the biennial Survey of Employee Engagement, increasing by 23 points over 2022, with a 93% response rate. Scores of 350+ are considered strong, and the average state agency response rate was 74%.

Completed the first three phases of the Retirement Insurance System Enhancement (RISE) project.

The *Austin American-Statesman* named ERS one of the Austin area's "Top Workplaces" for 2024.

In FY24, ERS engaged with members through:

Communication

- 461,951 phone calls
- 15,889 emails
- 1,737 retirement sessions

Education

- 70 webinars and other educational events

Achieving Actuarial Soundness in Retirement Trust Funds

Thanks to sound strategy and strong support from the Texas Legislature, all three retirement plans ERS administers on behalf of state agency employees and retirees are actuarially sound—or soon will be—for the first time since 2003. In 2021, legislators combined additional contributions from the state to the ERS Plan to pay off the Plan's unfunded liability by FY54 with a new cash balance retirement benefit for state employees hired after Aug. 31, 2022, referred to as Group 4. In 2023, the 88th Legislature contributed additional state funding to eliminate unfunded liabilities within the LECOS and JRS 2 plans. State lawmakers also created a JRS 2 cash balance retirement benefit for judicial officers appointed or elected after Aug. 31, 2024. The additional contributions from the state and cash balance benefit structures helped stabilize the plans and put them on a path to actuarial soundness.

In FY24, the ERS Trust Fund earned an investments return of 12.51%, bringing the total value of the Fund to \$39.9 billion (as of Aug. 31, 2024). In September 2024, the Fund's trust assets value surpassed the \$40 billion threshold for the first time in ERS history. The Fund's recent trend of positive performance allowed ERS to provide a gain share to Group 4 members' account balances and Group 4 retirees' annuity payments for the second consecutive year. Under state law, gain shares are distributed when the Fund's return on investments over a five-year matched performance period ending Aug. 31 exceeds 4% up to 10%. In both FY23 and FY24, the Fund's investments returns over the five-year matched performance period exceeded the 4% assumed rate of return, resulting in a gain share interest rate adjustment for Group 4 accounts and increase to Group 4 annuities.

Throughout FY24, ERS worked to implement the cash balance benefit for JRS 2, drafting new policies, revising internal system processes and conducting internal training sessions for ERS staff—all to help ensure ERS communications and business processes were in place to support the new JRS 2 benefit.

With the implementation of the JRS 2 cash balance benefit, new members of all three ERS retirement plans have cash balance accounts. Cash balance benefits combine the advantages of a traditional pension and a 401(k) to help provide lifelong retirement income while lowering the possibility of additional changes to the retirement plans in the future.



VALUABLE BENEFITS FOR TEXANS SERVING TEXANS



FISCAL YEAR 2024 AT A GLANCE

ERS[®]
EMPLOYEES' RETIREMENT
SYSTEM of TEXAS

Executive Director – Porter Wilson
Phone: (877) 275-4377 (TTY: 711) | www.ers.texas.gov

12/6/2024

Retirement

ERS administers benefits that contribute to a secure retirement for state employees, elected officials, law enforcement and custodial officers, and judges. These benefits are paid through the ERS Retirement Plan, the Law Enforcement and Custodial Officer Supplemental (LECOS) Retirement Fund Plan and the Judicial Retirement System (JRS) Plans 1 and 2. LECOS-eligible employees receive benefits from the ERS Plan plus a supplemental benefit from the LECOS Plan.

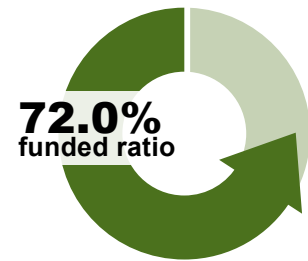
ERS Retirement Plan Membership

Plan	Contributing members	Non-contributing members*	Retirees and beneficiaries
ERS and LECOS	144,049 including 32,143 contributing to LECOS	167,858 including 36,497 with benefits in LECOS	125,832 including 16,801 receiving benefits from LECOS
JRS 1 and 2 (combined)	660	152	827

*Members no longer employed by the state with money still on account with ERS

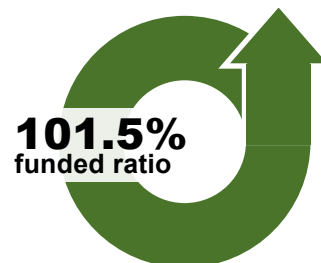
Funding for State of Texas Pension Plans Administered by ERS

ERS
Employees Retirement System of Texas



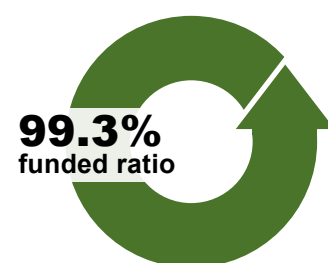
Fully funded by Aug. 31, 2054

LECOS
Law Enforcement and Custodial Officer Supplemental Retirement Fund



Fully funded

JRS 2
Judicial Retirement System of Texas Plan 2



Fully funded

\$3.1 billion: Amount paid to retirees and beneficiaries (all funds)

\$1,857 per month or \$22,285 per year:
Average ERS Trust Fund annuity as of Aug. 31 valuation

ERS makes annuity payments to retirees or beneficiaries living in 253 of Texas' 254 counties, benefiting local economies.

Retirement Fund Investments Achieve High-ranking Performance

About 59% of the annuity payments for all ERS-administered pension plans come from investment earnings of the ERS Retirement Trust Fund (Fund), with the remainder coming from participant and state contributions. FY24 was a very strong year for investment returns, as easing inflationary pressures, resilient economic growth and the artificial intelligence (AI) theme led markets higher. The one-year return of 12.51% brought the Fund's total assets to \$39.9 billion at fiscal year end.

ERS maintains a well-diversified investment portfolio designed to provide superior performance through the ups and downs of financial markets. Over the last five years, the Trust has averaged net annual returns of 9.63%, a performance that ranked in the top 5% of ERS' peer group of public pension plans.

ERS Investment Performance

Period ending Aug. 31, 2024

Period	30-Year	20-Year	10-Year	5-Year	3-Year	1-Year
Net Return	7.73%	7.53%	7.79%	9.63%	5.72%	12.51%

TEXA\$AVERSM Employees, former employees and retirees can boost their retirement savings through the Texa\$averSM 401(k) / 457 Program.

Participation in the voluntary 401(k) savings program grew by 9,611 participants, or 4.04%, in FY24. Participation in the voluntary 457 program grew by 640 participants, or 1.9%, in FY24. More than 78% of participants automatically enrolled in Texa\$aver since January 2008 have stayed in the program, benefitting from flexible investment options and lower-than-average fees. Retirees and former employees can keep Texa\$aver accounts they opened while working for the state, but cannot contribute to them except by rolling over funds from another entity.

Texa\$aver 401(k) / 457 Program

\$5.59 billion in total assets (as of Aug. 31, 2024)			
401(k)*	401(k) Roth	457*	457 Roth
\$4.01 billion	\$168.31 million	\$1.57 billion	\$154.43 million
247,026 accounts	11,045 accounts	34,305 accounts	8,538 accounts
109,811 accounts contributing	6,706 accounts contributing	13,732 accounts contributing	5,289 accounts contributing

*Including 401(k) Roth and 457 Roth amounts shown

Insurance

The Texas Employees Group Benefits Program (GBP) provides insurance coverage for health, life, dental, vision, accidental death & dismemberment (AD&D) and disability.

- **548,169:** Participants in all GBP health plans. (**215,719** employees, **129,806** retirees, **196,165** dependents, and **6,479** survivors and others)
- **\$4.38 billion:** Amount paid in claims by the self-funded ERS health plans (HealthSelect of Texas[®], Consumer Directed HealthSelectSM, HealthSelectSM Prescription Drug Program and HealthSelectSM Medicare Rx). Less than 3% of overall expenditures for HealthSelect of Texas go toward administration – far less than the average for large, private health plans.
- **\$960 million:** Participants' share of health care costs, including premium contributions, copays, coinsurance and deductibles
- **103,838:** Number of participants (members and dependents) enrolled in ERS' Medicare Advantage health plans. This represents approximately **82.8%** of the eligible Medicare population.
- **One in 56:** Proportion of Texans covered by GBP health insurance plans

New Prescription Drug Program Administrator

Following a competitive bidding process, the ERS Board of Trustees awarded the third-party administrator contract for the HealthSelectSM Prescription Drug Program and HealthSelectSM Medicare Rx to Express Scripts, effective Jan. 1, 2024. The prescription drug plan design stayed the same, maintaining current coverage levels and high-quality service. The new contract will result in significant cost savings to the plans, even as prescription drug costs continue to rise.

HealthSelectSM
Prescription Drug Program

EXPRESS SCRIPTS[®]

HealthSelectSM
Medicare **Rx**

EXPRESS SCRIPTS[®]
Medicare (PDP)

TEXFLEXSM Employees save money on taxes when they contribute to TexFlexSM flexible spending accounts (FSAs) to pay eligible health care, dependent care and/or limited-purpose (dental and vision) expenses. The State of Texas benefits, too, through lower FICA taxes.

- **39,595:** Number of health, dependent care and limited-purpose FSAs
- **\$59.7 million:** Amount contributed to TexFlex accounts by state employees
FSAs are authorized and regulated by Section 125 of the Internal Revenue Code.

In FY24, pre-tax payments for health insurance premiums and to TexFlex FSAs resulted in estimated savings of:

- **\$128.2 million in Federal Insurance Contributions Act (FICA) tax and federal income tax for participants and**
- **\$43.3 million in FICA taxes for the state.**