



LEGISLATIVE BUDGET BOARD

Employees Retirement System

2016-17 Recommendations in House Bill 1

PRESENTED TO HOUSE COMMITTEE ON APPROPRIATIONS

LEGISLATIVE BUDGET BOARD STAFF

FEBRUARY 2015

ERS Retirement

- The Employees Retirement System (ERS), as provided by the Texas Constitution, Art. XVI, Sec. 67(b)(2) and Government Code, Chapters 814 and 815, administers ERS Retirement as a defined benefit plan, meaning that the amount of a member's benefit is based on a statutory formula, not the amount of contributions made.
- Defined benefit plans rely on contributions and investment returns to cover the cost of benefits for members and plan administrative expenses.
- As of August 31, 2014, participants in ERS Retirement include:
 - ❑ 134,162 active members; and
 - ❑ 95,840 retirees.

Source: Legislative Budget Board and Employees Retirement System

ERS Retirement Funding and Contribution Rates

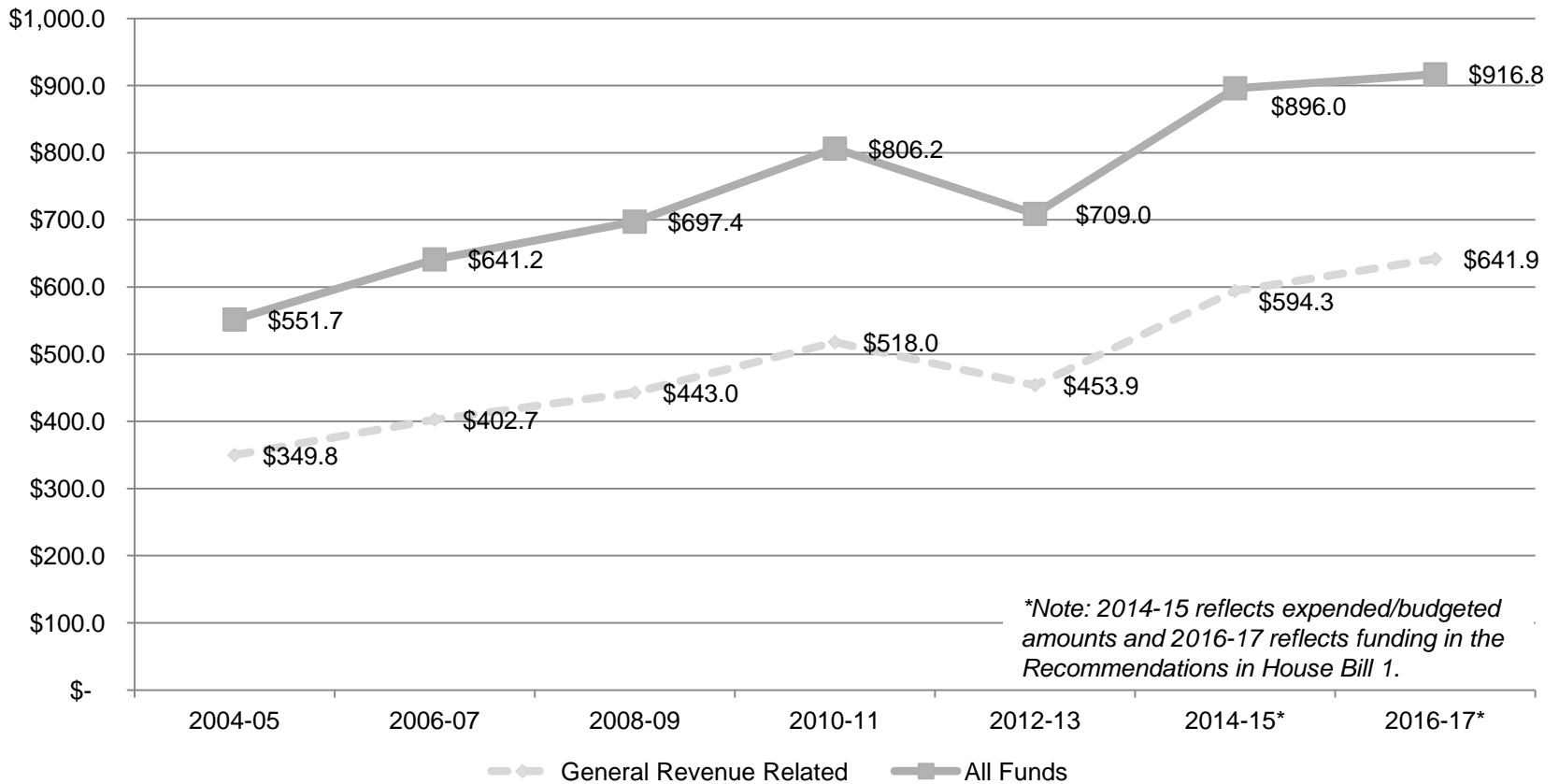
	State Contribution	Agency Contribution	Member Contribution	Total	2014 Actuarial Valuation
2014	7.5%*	0.5%	6.6%	14.6%	Actuarially Sound Contribution (ASC) Rate: 18.76% ERS Projected ASC from 2016-17 LAR: 19.79% (Normal Cost: 11.58%) Infinite amortization period. Constitutional/Statutory State Contribution Rates for ERS Retirement: • 6.0 percent – Constitutional minimum state contribution rate • 7.4 percent – Statutorily required state contribution rate, Government Code, Sec. 815.403 • 10.0 percent – Constitutional maximum state contribution rate
2015	7.5%	0.5%	6.9%	14.9%	
Requested 2016	11.94%	0.5%	7.2%	19.64%	
Requested 2017	11.94%	0.5%	7.5%	19.94%	
Recommend 2016	7.5%	0.5%	7.2%	15.2%	
Recommend 2017	7.5%	0.5%	7.5%	15.5%	

*Note: Fiscal year 2014 state contribution rate of 7.5 percent is comprised of a base contribution of 6.5 percent and an increase of 1.0 percent from retirement and group insurance unexpended and unobligated balances remaining as of August 31, 2013.

- Funding in the 2016-17 Recommendations in House Bill 1 totals approximately \$916.8 million in All Funds to provide for a 7.5 percent state contribution in each fiscal year. Of this amount, approximately \$641.9 million is out of General Revenue-related funds. This is an increase of \$20.8 million in All Funds and \$47.6 million in General Revenue-related funds over the 2014-15 spending levels. The agency contribution is projected to generate approximately \$58.8 million in additional funding during the 2016-17 biennium.
 - Recommendations include an increase of \$52.1 million in General Revenue related to a MOF swap from State Highway Fund 6 for certain agencies that previously expended Fund 6 for employee benefits.

ERS Retirement Expenditures/Appropriations

ERS Retirement Expended and Appropriated by Biennium (in Millions)



Employees Group Benefit Program

- The Texas Employees Group Benefits Act, Chapter 1551, Texas Insurance Code, assigns the administration of the Group Benefits Program (GBP) to the Employees Retirement System (ERS) Board of Trustees.
- As of August 31, 2014, participants of the GBP include the following:
 - 228,805 employees;
 - 104,770 retirees;
 - 206,215 dependents; and
 - 1,144 COBRA.
- Plan paid \$2.8 billion in health care claims in FY 2014.
- Plan participants paid approximately \$500.6 million in out-of-pocket costs, such as copays and coinsurance.
- The state funds 100 percent of the monthly premium for full-time employees and 50 percent of dependent coverage, with members paying the other 50 percent of the dependent coverage.

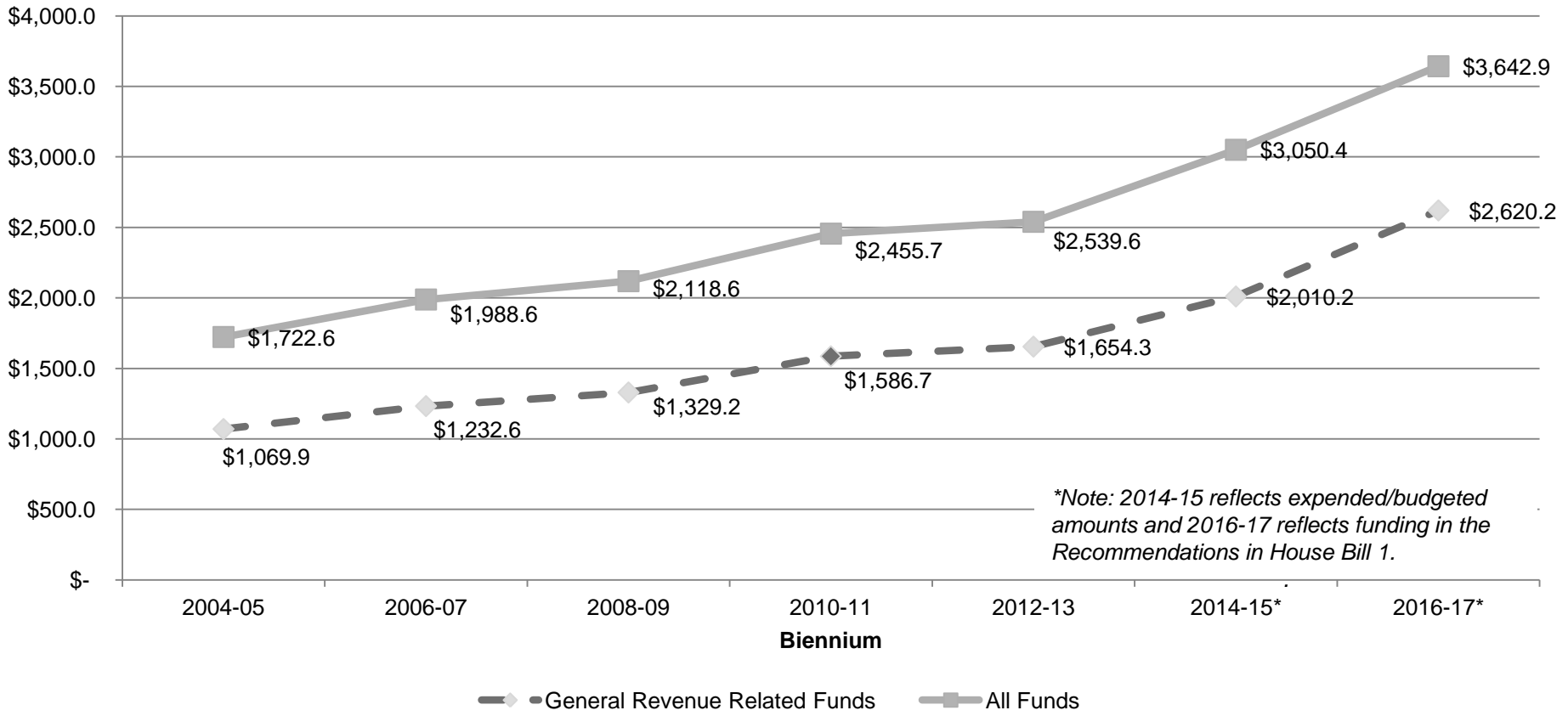
Source: Legislative Budget Board and Employees Retirement System

GBP Expenditures/Appropriations

- ERS Insurance funding included in 2016-17 Recommendations in House Bill 1 totals approximately \$3,642.9 million in All Funds. Of this amount, approximately \$2,620.2 million is out of General Revenue-related funds. This is an increase of \$592.5 million in All Funds and \$610.0 in General Revenue-related funds over the 2014-15 spending levels.
 - Recommendations include an increase of \$181.3 million in General Revenue related to a MOF swap from State Highway Fund 6 for certain agencies that previously expended Fund 6 for employee benefits.
- The increase is primarily due to a 7.19 percent increase in the state contribution in FY 2016 and a 7.17 percent increase in FY 2017 to fund a 6.9 percent benefit cost trend. This increase, when combined with the spend down \$231.0 million from the Contingency Reserve Fund, would meet the projected ERS benefit cost trend of 8.5 percent in each fiscal year of the 2016-17 biennium.

Group Benefits Program Expenditures

Group Benefit Program Expended/Budgeted and Appropriated by Biennium (In Millions)



Source: Legislative Budget Board



LEGISLATIVE BUDGET BOARD

Contact the LBB

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