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Agency News

Retirement system may be subject of further discussion

Although the next regular session of the Texas Legislature is still nearly a year away, preliminary indications are that employee pensions and how best to maintain the long term fiscal soundness of the Employee Retirement System (ERS) may once again be a subject on the Legislature's agenda.

It's been less than a year since the Legislature enacted legislation designed to reduce the unfunded liability of the pension funds through a combination of increased contributions and benefit changes for new employees. While those actions have positively impacted the pension funds, recent presentations to the ERS Board of Trustees said continued growth in the unfunded liability balance is the result of investment losses and long-term and continued underfunding. Investment returns from the ERS funds have actually exceeded expectations in most years, but the losses during a few years of turmoil in the financial markets continue to have a negative impact.

It's unclear what specific options may be considered by the Legislature, and those alternatives could vary depending on whether the

goal is to eliminate unfunded liability within 31 years (a standard measure for actuarial soundness) or simply impact the date on which ERS funds might be depleted (project-



ed at 2052 based on current assumptions). The ERS Board of Trustees was advised the ultimate solution will most likely require a combination of actions. Any increase in contributions could come from employees, the state or a combination of the two.

While not a solution to the fiscal challenges facing ERS, one idea that may be explored as a means of facilitating solutions involves creating separate retirement funds for employees in hazardous duty and longevity positions.

TDCJ Executive Director Brad Livingston said he was confident that if necessary, the

Texas Legislature would address any long term issues facing ERS. He also emphasized how supportive legislators were during the last session, and predicted continued support for employees in the upcoming session.

"Legislators were concerned with how possible changes would impact all state employees and the TDCJ workforce in particular," said Livingston. "They recognized the contributions of TDCJ employees and will keep your best interests in mind as they consider any proposal impacting the retirement system. Ensuring a sound pension program while mitigating the impact on existing employees will remain a high priority."

The *Connections* newsletter will provide additional updates from any future meetings of the ERS Board of Trustees. ●