5 Things to know about the state of ERS

The Texas Legislature is a biannual maddash. As legislators, you only have 140 days to work towards your goals until the following two years. That schedule makes priorities even more pressing – and this year, we have several major issues that need to be addressed fully.

One of those issues is the financial health of the state's Employees Retirement System. Ensuring the financial health of our state pension systems is a vital component of pandemic economic recovery. We can't recover from the pandemic or its financial impact unless we safeguard the systems that keep Texas running – including pensions.

Here are five things you need to know about ERS going into the 87th Session:

1) **If nothing changes, ERS will run out of money in 40 years.** According to the system's most recent actuarial valuation, the system is posed to run out of money in 2061. This means that people who are beginning their careers in public service face the risk of not having a pension when they retire.

2) **Lowering the expected rate of return has only made the scenario clearer.** Make no mistake: lowering the rate of return did not cause or spark ERS's funding shortfall. Quite the opposite. The pension system lowered its rate of return by half a percent to 7.0% this year in order to honestly reflect the state of the market and ethically manage its funds. All that has become clearer is the chronic underfunding of the fund by the state.

3) **PAYGO will be vastly more expensive than restoring ERS to full health.** Estimates repeatedly show that letting the system lapse into a pay-as-you-go model will be at least four times as costly as our current costs - certainly more expensive than fixing our needs now.

4) **The average ERS pension is rather modest.** The typical ERS pension recipient isn't living in the lap of luxury. Quite the contrary. The average ERS pension is just over $20,000 per year - a mere $1,750 to cover all necessary medical, housing, insurance and food expenses. In cities like Austin and Dallas, that modest amount of money goes in a flash. We must ensure our retired state workers can make ends meet.

5) **Keeping state positions artificially low hurts the health of both ERS and the state.** One reason we face a crisis in pensions is that the number of state employees has not kept up with the needs of our population. When we keep our state employee system artificially low, we place undue burdens both on our residents and our public service corps. It also places undue pressures on our pension system. For a long-term solution, we also need to broaden our state employee workforce.