



State retirees need a pension increase

State retirees in ERS and TRS are in need of a long overdue increase in their pension annuities. All state retirees in the ERS system, and most in the TRS system, have not received a cost-of-living adjustment (COLA) in their monthly annuities since 2001. This has put many of state agency and university retirees in the dire situation of choosing between paying for food or paying for health care and prescriptions. The average ERS retiree receives just \$1,676 per month in return for their years of dedication to public service, and more than 100,000 TRS retirees receive less than \$1,000/month.

According to state law, public pension funds must be considered “actuarially sound” before paying out a pension increase. Texas state retirees were promised they would retire with dignity and economic security when they began their careers with the state. In order for the Legislature to fulfill that promise, COLA’s must be provided for both ERS and TRS retirees.

During the Interim both the ERS and TRS Boards voted to lower the expected rate of returns for both funds. ERS Lowered their expected rate of return from 8% to 7.5 % and TRS from 8% to 7.25%. What this means is that if action is not taken the ERS Fund will be depleted by 2084 and TRS will not be fully funded for 87 years. Immediate action must be taken to fulfill the states constitutional obligation to fund the pensions to actuarially sound principals.

Stagnant Pensions = Declining Standard of Living

	average monthly pension 2006	average monthly pension 2018	loss in purchasing power in 2019
ERS	\$1,476	\$1,676	25.4%
TRS	\$1,849	\$2,078	

The lack of pension increases means that ERS and TRS Retirees’ annuity is effectively shrinking over time. Rising healthcare costs during this time have far outpaced inflation:

Monthly premium for member and spouse coverage, Health Select	2006	\$196.00
	2019	\$358.00
	%change	82%

Year	Increase in cost of living	ERS COLA	TRS COLA
2002	1.4	0%	0%
2003	2.1	0%	0%
2004	2.7	0%	3%, \$100 cap
2005	4.1	0%	0%
2006	3.3	0%	0%
2007	2.3	0%	0%
2008	5.8	0%	0%
2009	0	0%	0%
2010	0	0%	0%
2011	3.6	0%	0%
2012	1.7	0%	0%
2013	1.5	0%	0%
2014	1.7	0%	0%
2015	0	0%	0%
2016	0.3	0%	0%
2017	2	0%	0%
2018	2.8	0%	0%
TOTAL	35.3	0%	3%

TSEU’S RETIREMENT AGENDA

- Fully fund ERS’s request for \$530 million above its baseline budget to make the pension fund actuarially sound
- Allocate additional funding to allow ERS and TRS retirees to get a COLA
- Include TJJJ employees in LECOSRF

ERS AND TRS CONTRIBUTION HISTORY

FISCAL YEAR	ERS CONTRIBUTIONS		TRS CONTRIBUTIONS	
	STATE	EMPLOYEE	STATE	EMPLOYEE
1981	8.00%	6.00%	8.50%	6.65%
1982	8.00%	6.00%	8.50%	6.65%
1983	8.00%	6.00%	8.50%	6.65%
1984	8.00%	6.00%	7.10%	6.00%
1985	8.00%	6.00%	7.10%	6.00%
1986	7.40%	6.00%	8.00%	6.40%
1987	7.40%	6.00%	8.00%	6.40%
1988	7.00%	6.00%	7.20%	6.40%
1989	7.00%	6.00%	7.20%	6.40%
1990	7.40%	6.00%	7.65%	6.40%
1991	7.40%	6.00%	7.65%	6.40%
1992	6.43%	6.00%	7.31%	6.40%
1993	6.43%	6.00%	7.31%	6.40%
1994	6.43%	6.00%	7.31%	6.40%
1995	6.43%	6.00%	7.31%	6.40%
1996	6.00%	6.00%	6.00%	6.40%
1997	6.00%	6.00%	6.00%	6.40%
1998	6.00%	6.00%	6.00%	6.40%
1999	6.00%	6.00%	6.00%	6.40%
2000	6.00%	6.00%	6.00%	6.40%
2001	6.00%	6.00%	6.00%	6.40%
2002	6.00%	6.00%	6.00%	6.40%
2003	6.00%	6.00%	6.00%	6.40%
2004	6.00%	6.00%	6.00%	6.40%
2005	6.00%	6.00%	6.00%	6.40%
2006	6.45%	6.00%	6.00%	6.40%
2007	6.45%	6.00%	6.58%	6.40%
2008	6.45%	6.00%	6.58%	6.40%
2009	6.45%	6.00%	6.58%	6.40%
2010	6.95%	6.45%	6.40%	6.40%
2011	6.95%	6.50%	6.64%	6.40%
2012	6.00%	6.50%	6.00%	6.40%
2013	6.50%	6.50%	6.40%	6.40%
2014	7.50%	6.60%	6.80%	6.40%
2015	7.50%	6.90%	6.80%	6.70%
2016	9.50%	9.50%	6.80%	7.20%
2017	9.50%	9.50%	6.80%	7.70%
2018	9.50%	9.50%	6.80%	7.70%
2019	9.50%	9.50%	6.80%	7.70%

The table shows that the state contribution was above 7% in most years between 1981 and 1991 for both ERS and TRS.

Even when the state share fell to 6.43% for ERS, the cut was made up for by increasing stock market profits. However, when the state cut its share to 6% in 1995, both funds slowly fell behind, and they went below 100% funded in 2002–2003.

6% of salary is the minimum required by the Texas Constitution as the state contribution to state employees' retirement plans.