

- Employees Retirement System of Texas (ERS)
- Law Enforcement and Custodial Officers Supplemental Retirement Fund (LECOSRF)
- Judicial Retirement System of Texas Plan 2 (JRS 2)

Actuarial Valuation Results as of August 31, 2016			
	ERS	LECOSRF	JRS 2
Actuarial Accrued Liability	\$ 35.3 B	\$ 1.3 B	\$ 425.9 M
Actuarial Value of Assets	\$ 26.6 B	\$ 933.5 M	\$ 395.5 M
Unfunded Accrued Liability	\$ 8.7 B	\$ 378.9 M	\$ 30.4 M
Funded Ratio	75.2%	71.1%	92.9%
Funding Period (years)*	35	Never	49

*The funding period defines when a plan can expect to be fully funded based on current benefits, plan experience and contribution rates. A funding period of never indicates that at the current contribution rates, these plans will never be fully funded, meaning that they will not have enough money to pay all the current and promised benefits. Plans that are not fully funded have a funding gap, referred to as an unfunded liability. The Texas Government Code 811.006 requires that any unfunded liability be paid off within a 31-year period.

The financial health of a defined benefit plan depends on an equal balance between assets and liabilities so that:

Investments + Contributions = Benefits + Expenses

Despite reduced benefit costs and long term positive investment performance, the plans' funded status is declining due to not meeting full actuarial contributions and short term investment return performance.

State contributions to the ERS administered retirement plans
continue to represent less than 0.7% of the state's budget.

Breakdown of Contribution Funding Gap (% of payroll)			
	ERS	LECOSRF	JRS 2
Normal Cost (Base Benefit)	12.28%	1.81%	21.18%
FY 2017 Contribution	19.50%	2.10%	23.103%
Actuarially Sound Contribution (ASC) (Covers normal cost + paying off unfunded liability)	19.88%	3.10%	23.48%
Contribution Shortfall*	(0.38%)	(1.00%)	(0.377%)

*After the combination of state, employer and member contributions, the shortfalls represent the additional contribution the plans require to reach the actuarially sound contribution rate.

CONTRIBUTIONS

- Total contributions cover the normal cost to provide benefits and pay off unfunded liabilities in 35 years (ERS Fund) and 49 years (JRS2 Fund). Current contributions received by LECOSRF are not enough to pay down the unfunded liability
- The court fees contributed to LECOSRF are expected to remain level in the future. The equivalent contribution rate is expected to decrease over time as the payroll increases. While the rate for FY 2017 only is estimated at 1.10% of payroll, over a 31-year period the rate is expected to equal an average of 0.77% of payroll.

INVESTMENTS

- Investment returns are the largest funding component of retirement benefits and represent about two-thirds of the value of the ERS Trust
- The FY 2016 return was 5.32% gross of fees and 5.28% net of fees.
- The 30-year gross return is 8.32%.

ERS Investment Performance – Period ending August 31, 2016					
Period	30-Year	10-Year	5-Year	3-Year	1-Year
Annualized Return (gross)	8.32%	5.83%	7.66%	6.68%	5.32%

Demographic Summary Results of Actuarial Valuations as of August 31, 2016

	ERS	LECOSRF	JRS 2	JRS 1*
Member metrics	State Employees Elected Officials District Attorneys	Law Enforcement & Custodial Officers (DPS, TABC, TPWD, TDCJ)	Judges, justices and certain court commissioners (after 9/1/85)	<i>(Closed Plan)</i> Judges, justices and certain court commissioners (prior to 9/1/85)
Members (current and terminated employees)				
Active Members	146,390	39,066	548	10
Average Age (as of 8/31/16)	43.3	41.0	57.4	69.8
Average Entry Age	34.8	33.0	47.3	39.8
Average Years of Service	8.5	8.0	10.1	30.0
Average Annual Salary	\$ 46,495	\$ 44,634	\$ 142,770	\$147,000
Inactive members – vested	16,597	95	16	0
Inactive member – non-vested	92,276	15,108	150	2
Annuitants (Retirees and beneficiaries)				
Retirees and beneficiaries	103,758	11,515	331	374
Service Retirements	93,050	10,748	294	250
Disability Retirements	2,396	102	2	0
Beneficiaries	8,312	665	35	124
Average Age (as of 8/31/16)**	68.5	62.2	69.0	78.8
Average Age at Retirement**	58.3	54.0	62.5	61.6
Average Years of Service**	22.2	23.7	15.1	18.1
Average Annual Annuity	\$ 19,668	\$ 5,304	\$ 63,455	\$ 67,016

* JRS 1 is not a pre-funded plan and was closed to new members August 31, 1985.

** Annuitant demographics based only on service retirements, where annuitants retire based on meeting age and years of service requirements (excludes disability retirements).