

As a member of the Texas Senate or House of Representatives you have the option to enroll in valuable benefits administered by the Employees Retirement System of Texas (ERS), including comprehensive health coverage and a defined benefit retirement plan that provides a lifetime annuity after you retire. These benefits are as good as or better than those offered by most private-sector employers. Retirement plans like the State of Texas' are especially hard to find in the private sector.

ERS' cash balance retirement benefit described below, called Group 4, is for elected officials who take office on or after September 1, 2022. It not only provides the secure lifetime monthly benefit of a traditional pension, but also includes the opportunity for increases in retirement. It is funded through the main ERS plan, which also funds state agency employees' pensions.

Elected officials don't have to participate in ERS' retirement benefit. If you choose to participate, you must notify your human resources department or ERS. If you don't notify HR or ERS, you won't be enrolled in the benefit.

Please note:

- If you were previously employed by an ERS-participating agency in a benefits-eligible position in the employee or elected class, didn't withdraw your retirement contributions when you left state service and take office after September 1, 2022, you will stay in your prior ERS retirement group and will not be in Group 4. If you want to contribute to your ERS retirement account as an elected official, you must notify HR or ERS that you are opting in.
- If you are retired in the employee class, take office after September 1, 2022, and notify HR or ERS that you are opting in, you will be in Group 4.

The State of Texas Retirement cash balance benefit

The Group 4 benefit is a defined benefit retirement structure, or pension, that provides a retiree with a guaranteed monthly payment for the rest of their life. Because they provide a guaranteed benefit for life, defined benefit retirement plans are especially valuable. They are also increasingly rare. The State of Texas is proud to offer this benefit to elected officials as part of their overall compensation package.

The Group 4 benefit is not a 401(k), although it has some similarities to both a 401(k) and a traditional pension.

The State of Texas cash balance retirement benefit combines the advantages of both a traditional pension and a 401(k) to help provide lifelong financial security after your career.

How the Group 4 retirement benefit works

- *Member contributions:* During your career with the state, you will contribute 6% of your salary to your retirement account each month. Your contributions will come out of your monthly salary before taxes, helping to lower the amount you pay in income taxes. When you are eligible and decide to retire, your annuity calculation is based on a notional account whose balance is calculated as if you had contributed 6% of \$11,666.67 each month (the state's base monthly salary for a district judge). Note: If you leave state service and withdraw your retirement account before reaching retirement eligibility, your withdrawal amount will be the total of your actual monthly contributions, plus interest and any gain sharing.
- *Investment earnings and gain sharing:* Your account will be included in the Employees Retirement System of Texas' (ERS') Retirement Trust Fund. ERS' experienced investment professionals invest the entire Trust Fund for steady growth at an acceptable level of risk.

Both your actual and notional accounts will grow by a guaranteed 4% interest each year. In years when the five-year average of ERS' total Trust Fund investment returns exceeds 4%, your account will also get half of the excess return percent as a percentage increase to your account balance—up to 3% additional per year. The gain share is never less than 0% or more than 3% annually. That means your account could grow by as much as 7% per year, but never less than 4% per year. This growth continues even if you leave state service, as long as you don't withdraw your account.

- *Vesting and retirement eligibility:* You will be fully vested in your retirement account after contributing to it for eight years while serving in the Texas Senate and/or House. "Vested" means that you can begin receiving pension benefits after eight years if you meet retirement eligibility. The years and months you contribute to your retirement account while serving with the state are called "service credit."

To be eligible to retire and start getting an annuity, you must either:

- be age 60 and have at least eight years of service credit in the elected class, or
- be age 50 and have at least 12 years of service credit in the elected class.

For example, if you begin service for the state at age 38, you could retire with a monthly annuity at age 50 with 12 years of service credit in the elected class. If you begin service for the state at age 52, you could retire with a monthly annuity at age 60 with eight years of service credit in the elected class.

- *State match:* The state will match 150% of your notional account balance (including the interest earned and any gain sharing) throughout your career. You cannot withdraw the state's match, but you will receive it as part of your monthly annuity in retirement.
- *Lifetime annuity payments with opportunities for increases:* When you reach retirement eligibility and decide to retire, ERS will add up the money in your notional account plus the state's final match to determine how much you have at the time of retirement. ERS then uses the total to calculate the amount of your monthly retirement annuity. Because this is a defined benefit plan, you will get at least that annuity amount every month for the rest of your life, even if you deplete the money in your account.

After you retire, your annuity can continue to grow. That means you could receive a permanent annuity increase of up to 3% per year, when ERS' investment returns allow. These increases are not guaranteed, but once you receive them, your annuity will never be reduced.

The Group 4 cash balance retirement benefit structure is not new to Texas. The Texas Municipal Retirement System (TMRS) and Texas County and District Retirement System (TCDRS) have offered this successful type of retirement plan to their members for decades. However, this is the first time it is being offered to State of Texas employees and elected officials.

Other benefits in retirement

When you are eligible and decide to retire, you are also eligible for health insurance through the Texas Employees Group Benefits Program (GBP). Currently, the state pays 100% of the premium for retired elected officials and 50% of their eligible dependents' premiums. It's important to know that insurance benefits are funded biennially by the Texas Legislature, and the state's contribution for health premiums is not guaranteed.

Retirees also have access to group dental, vision and term life insurance through ERS. Participants in these plans pay the full cost—there is no contribution from the state—but due to the large group of participants, monthly premiums are reasonable.

The Employees Retirement System of Texas (ERS)

ERS manages retirement benefits for employees and retirees of Texas agencies, and working and retired state elected officials, district attorneys and state judges. It also administers the Texas Employees Group Benefits Program (GBP) for those groups as well as employees and retirees of most state higher education institutions. Learn more about ERS and its benefit programs at ers.texas.gov.