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NOTHING IN SB 1750 OR SB 1751 WOULD CHANGE THE RULES FOR RETIREES OR CURRENT EMPLOYEES

★ Senate Bill 1750 ★

Relating to a study of the cost-effectiveness and feasibility of implementing a hybrid retirement plan for newly hired state employees and teachers

SB 1750 calls for a nonpartisan, third-party study to be done that would do an analysis on the cost effectiveness and feasibility for a defined contribution or a hybrid type retirement plan in both the TRS and ERS systems.

The bill sets out the guidelines of the study, which must consider all aspects of a new retirement plan. The study must be completed and reported back to the Texas Legislature by September 1, 2018. It is not the intent of SB 1750 to promote either a continuation of a defined benefit plan nor the movement a hybrid plan but rather to offer an independent analysis for future use by the members of the Texas Legislature and the public.

★ Senate Bill 1751 ★

Relating to authorizing the Employees Retirement System of Texas and the Teacher Retirement System of Texas to establish defined contributions plans or hybrid plans to provide retirement benefits to certain employees

SB 1751, if passed, would give the option (nothing in the bill makes it mandatory) for TRS and ERS pension boards (the choice would be with them) to put newly hired employees in the systems in a defined contribution or hybrid type plan. This plan would only apply to new hires, not to those already in the system.

SB 1751 is permissive, not mandatory, and would only apply to new hires after a set date. It does not require or mandate the move for existing members or retirees of either system to participate in a hybrid plan, if the systems choose to adopt one for new hires.

Nothing in SB 1751 would impact any current retiree or any current employee. Everyone currently in the system can remain in the system.

Additionally, even if a current employee leaves the system for some reason and then returns at a future date when a new plan might be in place, that individual would be allowed to come back into the system that was in place when they originally left.

★ Fiscal Solvency of Current ERS, TRS Pension Plans ★

The Employees Retirement System's total unfunded actuarial accrued liability is **$8.746 billion** as of Aug. 31, 2016.
(Source: 2016 ERS Comprehensive Annual Financial Report)

The much larger TRS has a total unfunded actuarial accrued liability of **$35.453 billion** as of Aug. 31, 2016.
(Source: TRS Comprehensive Annual Financial Report)

Neither pension plan is meeting the yearly guaranteed rate of return, causing the plans to generate billions of dollars of unfunded liabilities to the state. In a hearing of the Senate Committee on Finance, the director of ERS testified that **ERS has not met its average return target percentage in more than 10 years.**

The testimony of the ERS Director at a Senate Finance Committee hearing stated the unfunded liability would be an estimated 15 to 16 billion dollars if the return rate was dropped to 6 percent slightly above their 10-year average.