

Let's fix the state pension fund in fairness to our public servants

The 10-member House-Senate conference committee on House Bill 1 is finalizing the Texas Legislature's most important job: setting the two-year state budget that begins Sept. 1.

Two competing factors make conferees' work challenging: a significant treasury surplus and a leadership directive to return some of the surplus to taxpayers through tax reductions.

The budget writers can both address the emerging needs of a growing state and fix lingering problems deferred by previous legislatures. This includes the state employee pension fund in which 230,000 retirees and active employees have invested their own earnings during their public service careers.

It is not my job to tell the conferees — ably led by Rep. John Otto, R-Dayton, and Sen. Jane Nelson, R-Flower Mound — how to do their job. It is my job to advocate for the interest of all state retirees. We believe in public service and want to preserve its essential role in state government for the 135,000 state employees currently paying into the fund and those who follow.

The Retired State Employees Association (RSEA) has worked to educate legislators and the public about the critical need to put our pension fund on an actuarially sound funding path. By state law, "actuarially sound" means the obligations of the funds can be amortized or paid off within a 31-year period — the length of a standard home loan. The Employees Retirement System of Texas (ERS) is charged with administering the

pension fund. The Texas Legislature has the ultimate fiduciary responsibility for the fund's financial health.

Texas government has a rich legacy of public service. A good pension program has always been a major reason many employees have dedicated their careers to the State of Texas.

No single description applies to the typical state employee because the state provides a wide range of essential services supporting its infrastructure: highway maintenance, traffic and criminal law enforcement, child protective services, public and mental health doctors and caseworkers, biologists and environmental quality inspectors, correctional officers, state park rangers, game wardens, and fiscal management.

Fixing the pension system is like fixing our highways and bridges. While the negotiations among the conferees proceed, several important facts remain.

The legislature has underfunded appropriations to the pension fund for 19 of the last 20 years. The unfunded liability has been allowed to grow to \$7.5 billion, increasing \$500 million every year without a sufficient fix.

It has been 14 years since state retirees received a benefits increase. The average monthly pension of the currently 96,000 retirees and beneficiaries is \$1,600. Texas' fiscally-conservative framework governing the fund requires the fund to be actuarially sound not only before any adjustments are made to retirees' annuities, it also requires that the pension fund still

be actuarially sound after any annuity adjustment is paid. This spending protection puts Texas in a better position than many other states.

Bond-rating houses are paying more attention to the debt in our state pension fund. Maintaining the state's overall bond rating is critical since Texas now relies heavily on bonds for funding state government. State Comptroller Glenn Hegar has recently confirmed that a continued history of pension funding below the actuarially determined annual required contribution is a risk factor for the state.

The Legislature must renew the state's commitment to retirees, current employees, and future retirees with a budget to get the fund back on the 31-year actuarially sound path. ERS' estimated \$378.7 million general revenue fund estimate is one-half of one percent of the state budget. Current employees have contributed to recent improvements in the fund but are at their limit to do more.

We thank legislators who have worked on a solution. You know this is a problem you inherited from your predecessors, and if it is not fixed this session, you will have taken ownership of it.

The RSEA's sole focus is the health and welfare of state retirees. We will continue to work for a unified position on restoring the financial health and security of the state employee pension fund.

Hamilton is a retired state employee and former budget official for governors Dolph Briscoe, Bill Clements and Mark White.