



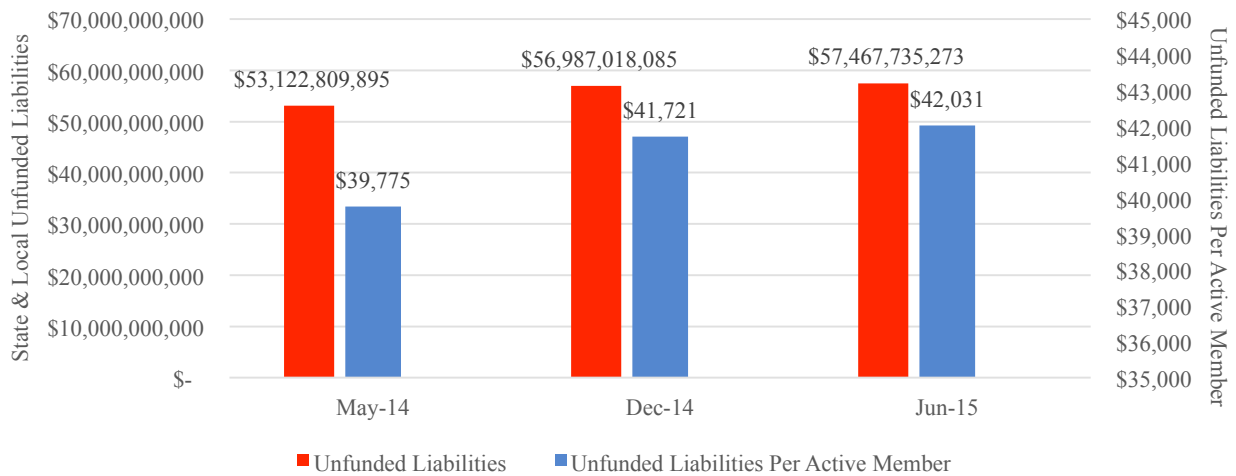
Center for Local Governance

State and Local Retirement Systems in Texas

Presentation material provided at TEXPERS' annual conference in San Antonio, Texas on August 18, 2015

In June 2015, unfunded pension liabilities for Texas' state and local retirement systems grew to almost \$57.5 billion, totaling more than \$42,000 owed per active member. From May 2014 to June 2015, unfunded pension liabilities have increased by more than \$4.3 billion.

Unfunded Liabilities in Texas



Source: Texas Bond Review Board, [Actuarial Valuations Reports](#)

In June 2015, the Pension Review Board reported that about one-third of Texas' state and local retirement systems featured amortization periods that were at or below the "recommended" range of between 15–25 years. About one-quarter of the plans' featured amortization periods were outside the "maximum" range of 40 years. The funded ratio for all plans was 80.5 percent—just above the threshold that indicates a fiscally healthy pension system.

State & Local Pension Plans -- Amortization Periods (yrs.)	
Plans with infinite amortization periods	7
Plans with amortization periods > 40 years, but not infinite	17
Plans amortization periods > 25 years < 40 years	35
Plans with amortization periods > 15 years < 25 years	20
Plans with amortization periods > 0 years < 15 years	11
Plans with amortization periods = 0 years	3
TOTAL	93

Source: Texas Bond Review Board, [Actuarial Valuations Report for June 2015](#)

According to the Pew Center for the States, a majority of state pension plans assume an 8 percent rate of return on their investments. Given current economic conditions and markedly lower investment returns, this assumption is unrealistic.

Pension Plan	Assumed Rate of Return	Actual Rate of Return, 10-Year
San Antonio Fire & Police Pension Fund	7.5%	6.34%
City Public Service of San Antonio Pension Plan	7.5%	6.71%
San Antonio Metropolitan Transit Retirement Plan	7.5%	6.64%

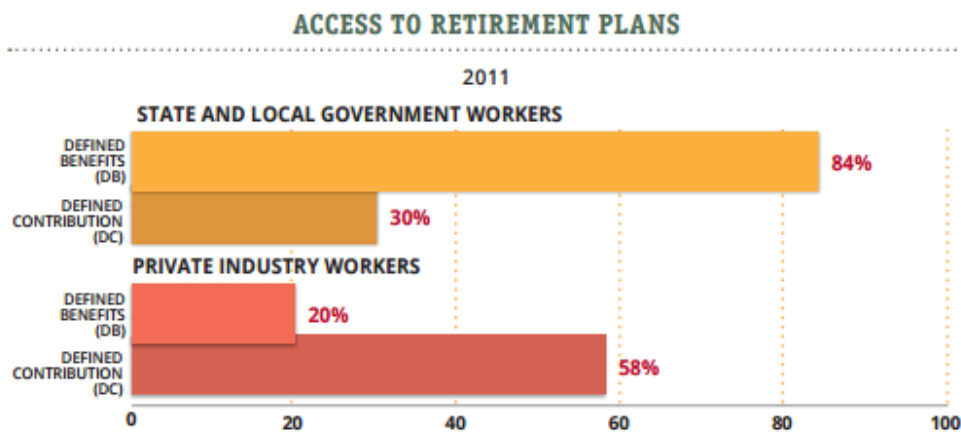
Source: [Texas Transparency.org](http://TexasTransparency.org)

The average compensation provided to state and local government employees is greater than that afforded to the average private sector worker. From the Bureau of Labor Statistics: “Total employer compensation costs for private industry workers averaged \$31.65 per hour worked in March 2015. Total employer compensation costs for state and local government workers averaged \$44.25 per hour worked in March 2015.”

Employer Costs Per Hour Worked		
	Private Industry	State & Local Government
Wages and Salaries	\$ 21.94	\$ 28.33
Total Benefits	\$ 9.71	\$ 15.92
Total Compensation	\$ 31.65	\$ 44.25

Source: U.S. Department of Labor, Bureau of Labor Statistics, [Employer Costs for Employee Compensation—March 2015](#)

Given the problems associated with defined benefit pension plans, a majority of the private sector has transitioned away from this type of retirement system and into defined contribution-style plans. By contrast, a majority of the public sector continues to offer defined benefit plans.



Note: Some workers may have access to both DB and DC plans, one type, or neither.
Source: Bureau of Labor Statistics

Source: Texas Comptroller of Public Accounts, [Your Money and Pension Obligations, p. 8](#)

