

TEXAS

Senate Bill 321

Texas has made changes to retirement plan provisions for its Employees Retirement System (TXERS), as presented in Senate Bill 321, signed into law on June 18, 2021. The stated intent of the legislation is to address the pension plan’s solvency, which was projected by the retirement system’s actuaries to run out of money within 20 to 30 years.¹ Equable Institute has analyzed the proposed changes using [Retirement Security Report](#) methodology, and we report here how these changes to retirement benefits would influence current and/or future TXERS plan members.

| RETIREMENT BENEFIT SCORE | |
|---------------------------|------------------------------|
| PRIOR PLAN ² | ADOPTED CHANGES ³ |
| 38.0% of available points | 61.5% of available points |

| EQUABLE'S ASSESSMENT | |
|---------------------------------|------------------------------------|
| PRIOR PLAN | ADOPTED CHANGES |
| Does NOT Serve All Members Well | Serves All Members Moderately Well |

KEY POLICY CHANGES

- New Texas state employees hired on/after September 1, 2022 will be enrolled in a guaranteed return retirement plan instead of a pension plan.
- The state legislature is committing to make annual “legacy payments” that ensure TXERS will receive its full actuarially determined contribution.
- No changes were made to the benefits for current and active members of TXERS.

WHAT SENATE BILL 321 MEANS FOR WORKERS

Members of the TXERS legacy pension plan can have much greater assurance that their pension fund will not become insolvent within the next few decades. New members of TXERS will be served moderately well by the new guaranteed return plan, though it will be a substantially better benefit than the legacy pension plan.

PERCENTAGE OF BENEFITS POINTS SCORED BY ADOPTED PLAN VS PRIOR PLAN⁴

| | AVERAGE FOR ALL WORKERS | SHORT TERM WORKERS <10 Years of service | MEDIUM TERM 10-20 years of service | FULL CAREER >20 years of service |
|--|---------------------------------------|--|--|--|
| TOTAL SB321 SCORE Status Quo Score | 61.5% of points Prior Plan: 38.0% | 57.1% of points Prior Plan: 22.0% | 64.2% of points Prior Plan: 35.7% | 63.1% of points Prior Plan: 56.4% |
| BENEFIT VALUE v. INCOME ADEQUACY TARGET | 58.1% of points Prior Plan: 39.7% | 47.5% of points Prior Plan: 17.4% Earnings Change: +\$2,235/yr | 55.1% of points Prior Plan: 38.1% Earnings Change: +\$274/yr | 71.8% of points Prior Plan: 63.6% Earnings Change: +\$1,395/yr |
| COLA & INFLATION PROTECTION | 20.0% of points Prior Plan: 20.0% | N/A | 20.0% of points Prior Plan: 20.0% | 20.0% of points Prior Plan: 20.0% |
| FLEXIBILITY & MOBILITY | 100.0% of points Prior Plan: 40.0% | 100.0% of points Prior Plan: 40.0% | 100.0% of points Prior Plan: 40.0% | N/A |

This table shows the proposed plan’s total Benefit Scores, e.g., the percentage of available points for a given category. We also show how proposed changes would improve or decrease the Benefits Score of the prior plan (the “score change”). And we show what the material effect would be on an average employee’s annual retirement earnings, using salary assumptions used by TXERS trustees.

A full scorecard for the prior plan is available in the Retirement Security Report Index at www.Retirement Security Report.

For a breakdown of score changes by worker class, including for employees classified as elected officials and hazardous members, please visit <https://equable.org/oklahoma-house-bill-2486-retirement-security-policy-scores/>.

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EQUABLE INSTITUTE'S ANALYSIS

The funding policy changes in SB321 are very important for ensuring the legacy TXERS pension plan remains solvent. If future legislatures appropriate the intended "legacy payments" on top of the 10% of payroll constitutional maximum employer contribution, then this legislation will meet its stated goal to ensure solvency.

The new retirement benefit design adopted via SB321 will also improve TXERS by offering a benefit that will be better for all members.

- Short-Term Workers will benefit the most from the new changes, with the guaranteed return plan scoring nearly triple the amount of available Retirement Benefits Score points (57.1%) compared to the legacy pension plan (22%) that wasn't serving members well at all.
- Medium-Term Workers also will benefit substantially from the new plan design with nearly double the available points scored.
- Those who work a full career covered by TXERS will also be better off under the new plan, though only served moderately well.

Guaranteed return plans like the new "Group 4 cash balance" plan balance the trade-offs of promising certain benefit levels and offering mobility. As such, the core plan design works much better for Short-Term and Medium-Term Workers, particularly compared to a pension plan with 10-year vesting rules (like the legacy TXERS plan design).

There is room to improve the guaranteed return plan design that would allow it to serve all members well, such as increasing contribution rates or the rules on investment gain-sharing above the 4% minimum return. However, the fact that the new plan automatically supports the annuitization of account balances into guaranteed payment streams at retirement is a very strong plan provision supporting a path to retirement income security.

For further Retirement Security Policy Score analysis visit <https://equable.org/category/rsr-policy-scores/>.

FOOTNOTES: 1 - 5

To read more about the methodology behind our scoring system, please reference the notes section in our extended analysis of the adopted legislation at: <https://equable.org/texas-senate-bill-321-retirement-security-policy-scores>

ABOUT THESE SCORES

These scores are based on a 25-year-old entrant with average starting salary for members of the plan. It is not intended to comprehensively measure every aspect of a retirement plan, but instead to measure the factors that are most important for measuring retirement income adequacy. It is reasonable to compare plan changes against the status quo, but the most fundamental question is whether any retirement plan (the existing benefits or proposed adjusted benefits) is providing retirement income security to all members of the plan. These scores are based on a comparison against a standard benchmark for retirement income adequacy, but there are other reasonable benchmarks too.

ABOUT EQUABLE INSTITUTE

Equable Institute is a bipartisan non-profit that works with public retirement system stakeholders to solve complex pension funding challenges with data-driven solutions. We exist to support public sector workers in understanding how their retirement systems can be improved, and to help state and local governments find ways to both fix threats to municipal finance stability and ensure the retirement security of all public servants.

TEXAS EMPLOYEES RETIREMENT SYSTEM

2021 AT A GLANCE

| SUSTAINABILITY SCORE ⁵ | |
|--|------------------------------|
| FOR PRIOR PLAN | |
| 22.2% of points | |
| EQUABLE'S ASSESSMENT | |
| FOR LEGACY PENSION PLAN | |
| Distressed | |
| FUNDED RATIO: | 76.1% |
| TOTAL PROMISED BENEFITS: | \$44.2 billion |
| UNFUNDED LIABILITIES: | \$10.6 million |
| FUNDING SHORTFALL AS A % OF STATE GDP: | 0.6% |
| ASSUMED RATE OF RETURN: | 7.0% |
| YEARS UNTIL ASSET SHORTFALL IS PAID OFF: | 7 |
| # YEARS ANNUAL BILL FULLY PAID: | 1/10 years |
| #YEARS PLAN EARNED THE ASSUMED RETURN: | 6/10 years |
| SOCIAL SECURITY | Mixed |
| FY 2023 EMPLOYER CONTRIBUTION RATE: | 4.36% Legacy 9.0% GR Plan |
| FY 2023 MEMBER CONTRIBUTION RATE: | 6.5% Legacy 6.0% GR Plan |
| RISK-SHARING TOOLS: | No |

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COMPLETE BENEFIT SCORES FOR ADOPTED PLAN

Retirement Income Adequacy Score Goal = 100%

| | AVERAGE FOR ALL WORKERS | SHORT TERM WORKERS <10 Years of service | MEDIUM TERM 10-20 years of service | FULL CAREER >20 years of service |
|--|--------------------------------------|--|--|--|
| TOTAL SB321 SCORE (10 to 10 Factors) | 61.5% of points Prior Plan: 38.0% | 57.1% of points Prior Plan: 22.0% | 64.2% of points Prior Plan: 35.7% | 63.1% of points Prior Plan: 56.4% |
| VESTING | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A | N/A |
| BENEFIT VALUE v. INCOME ADEQUACY TARGET | 58.1% of points Prior Plan: 39.7% | 47.5% of points Prior Plan: 17.4% Earnings Change: +\$2,235/yr | 55.1% of points Prior Plan: 38.1% Earnings Change: +\$274/yr | 71.8% of points Prior Plan: 63.6% Earnings Change: +\$1,395/yr |
| COLA POLICY | 20.0% of points Prior Plan: 20.0% | N/A | 20.0% of points Prior Plan: 20.0% | 20.0% of points Prior Plan: 20.0% |
| FLEXIBILITY & MOBILITY: REFUNDING POLICY | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A |
| FLEXIBILITY & MOBILITY: CREDITING INTEREST RATE | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | N/A |

WHAT ARE THESE METRICS?

ELIGIBILITY: VESTING – Retirement plan members want to know when they will be vested into their benefits. There is no formal set of vesting rule guidelines for state retirement systems but there is for private sector plans. We use the federal standards for private sector retirement plans (known as ERISA), which specify that employees should be 100% vested after five years of service (though private plans could use a shorter period).

INCOME ADEQUACY: BENEFIT VALUE – Retirement plan members want to be on a path to an adequate retirement benefit. One way to assess the adequacy of benefits of a plan is to compare the value of what a plan member has earned against an adequacy target. The target used in our analysis is a 70% income replacement rate at age 67.

COLA POLICY – Inflation adjustment of benefits is important for retirement income to actually provide security in the long-run. We grade plans on whether or not they have a policy for providing cost-of-living adjustments, and what the rules are for providing that COLA.

FLEXIBILITY & MOBILITY: REFUNDING POLICY – In most retirement systems if a plan member chooses to withdraw before reaching normal retirement, they are entitled to a refund of their own contributions. Often those contributions are supplemented with some amount of interest at a rate most frequently designated by the plan’s retirement board. In a few cases, the refund will may also include a portion of the contributions made by the employer toward the employee’s retirement benefit. Further, in some cases the level of refund can vary according to the vesting status of the member when they leave the system. Finally, some designs provide individuals all of the employer contributions and investment returns on those contributions even if they leave the plan after vesting.

FLEXIBILITY & MOBILITY: CREDITING INTEREST RATE – The interest rate offered by a retirement system on refunded contributions in the event of a withdrawal are another key factor in determining the mobility of a plan’s benefits. If the interest rate is generous, then it will ensure that the employee will at least depart the system with some moderate savings (which could then help them continue saving for retirement). However, if the system does not offer interest or offers a low interest rate, then the member will leave with minimal savings and it will be much harder to reach a secure retirement.

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SCORE BREAKDOWN BY ENTRY AGE — ERS GENERAL MEMBERS

PERCENTAGE OF BENEFITS POINTS SCORED BY ADOPTED PLAN VS PRIOR PLAN
FOR A 25-YEAR-OLD ENTRANT

| | AVERAGE FOR ALL WORKERS | SHORT TERM WORKERS <10 Years of service | MEDIUM TERM 10-20 years of service | FULL CAREER >20 years of service |
|--|--------------------------------------|--|--|--|
| TOTAL SB321 SCORE (10 to 6 Factors) | 62.8% of points Prior Plan: 35.6% | 56.5% of points Prior Plan: 22.7% | 63.6% of points Prior Plan: 27.7% | 58.1% of points Prior Plan: 56.2% |
| VESTING | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A | N/A |
| BENEFIT VALUE v. INCOME ADEQUACY TARGET | 59.4% of points Prior Plan: 34.9% | 46.4% of points Prior Plan: 18.7% Earnings Change: +\$1,635/yr | 53.8% of points Prior Plan: 22.1% Earnings Change: +\$3,001/yr | 77.8% of points Prior Plan: 63.9% Earnings Change: +\$2,647/yr |
| COLA POLICY | 20.0% of points Prior Plan: 20.0% | N/A | 20.0% of points Prior Plan: 20.0% | 20.0% of points Prior Plan: 20.0% |
| FLEXIBILITY & MOBILITY: REFUNDING POLICY | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A |
| FLEXIBILITY & MOBILITY: CREDITING INTEREST RATE | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | N/A |

PERCENTAGE OF BENEFITS POINTS SCORED BY ADOPTED PLAN VS PRIOR PLAN
FOR A 40-YEAR-OLD ENTRANT

| | AVERAGE FOR ALL WORKERS | SHORT TERM WORKERS <10 Years of service | MEDIUM TERM 10-20 years of service | FULL CAREER >20 years of service |
|--|--------------------------------------|--|--|--|
| TOTAL SB321 SCORE (10 to 6 Factors) | 60.2% of points Prior Plan: 40.4% | 57.6% of points Prior Plan: 21.4% | 64.8% of points Prior Plan: 43.7% | 58.1% of points Prior Plan: 56.2% |
| VESTING | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A | N/A |
| BENEFIT VALUE v. INCOME ADEQUACY TARGET | 56.8% of points Prior Plan: 44.6% | 48.5% of points Prior Plan: 16.1% Earnings Change: +\$2,836/yr | 56.3% of points Prior Plan: 54.1% Earnings Change: -\$2,454/yr | 65.7% of points Prior Plan: 63.4% Earnings Change: +\$142/yr |
| COLA POLICY | 20.0% of points Prior Plan: 20.0% | N/A | 20.0% of points Prior Plan: 20.0% | 20.0% of points Prior Plan: 20.0% |
| FLEXIBILITY & MOBILITY: REFUNDING POLICY | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A |
| FLEXIBILITY & MOBILITY: CREDITING INTEREST RATE | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | N/A |

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SCORE BREAKDOWN BY ENTRY AGE — ERS LEGISLATORS MEMBERS

PERCENTAGE OF BENEFITS POINTS SCORED BY ADOPTED PLAN VS PRIOR PLAN
FOR A 25-YEAR-OLD ENTRANT

| | AVERAGE FOR ALL WORKERS | SHORT TERM WORKERS <10 Years of service | MEDIUM TERM 10-20 years of service | FULL CAREER >20 years of service |
|--|---------------------------------------|--|--|---|
| TOTAL SB321 SCORE (10 to 6 Factors) | 90.6% of points Prior Plan: 41.8% | 86.5% of points Prior Plan: 33.5% | 85.3% of points Prior Plan: 44.4% | 81.1% of points Prior Plan: 56.4% |
| VESTING | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A | N/A |
| BENEFIT VALUE v. INCOME ADEQUACY TARGET | 100.0% of points Prior Plan: 47.4% | 99.7% of points Prior Plan: 33.7% Earnings Change: +\$1,701/yr | 97.3% of points Prior Plan: 55.4% Earnings Change: +\$1,643/yr | 100.0% of points Prior Plan: 53.1% Earnings Change: +\$8,359/yr |
| COLA POLICY | 20.0% of points Prior Plan: 20.0% | N/A | 20.0% of points Prior Plan: 20.0% | 20.0% of points Prior Plan: 20.0% |
| FLEXIBILITY & MOBILITY: REFUNDING POLICY | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A |
| FLEXIBILITY & MOBILITY: CREDITING INTEREST RATE | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | N/A |

PERCENTAGE OF BENEFITS POINTS SCORED BY ADOPTED PLAN VS PRIOR PLAN
FOR A 40-YEAR-OLD ENTRANT

| | AVERAGE FOR ALL WORKERS | SHORT TERM WORKERS <10 Years of service | MEDIUM TERM 10-20 years of service | FULL CAREER >20 years of service |
|--|--------------------------------------|--|---|--|
| TOTAL SB321 SCORE (10 to 6 Factors) | 81.3% of points Prior Plan: 46.6% | 82.0% of points Prior Plan: 33.2% | 80.9% of points Prior Plan: 50.2% | 81.1% of points Prior Plan: 56.4% |
| VESTING | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A | N/A |
| BENEFIT VALUE v. INCOME ADEQUACY TARGET | 90.8% of points Prior Plan: 54.6% | 90.6% of points Prior Plan: 33.1% Earnings Change: +\$1,780/yr | 88.4% of points Prior Plan: 67.0% Earnings Change: +\$32/yr | 93.3% of points Prior Plan: 63.6% Earnings Change: +\$3,529/yr |
| COLA POLICY | 20.0% of points Prior Plan: 20.0% | N/A | 20.0% of points Prior Plan: 20.0% | 20.0% of points Prior Plan: 20.0% |
| FLEXIBILITY & MOBILITY: REFUNDING POLICY | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A |
| FLEXIBILITY & MOBILITY: CREDITING INTEREST RATE | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | N/A |

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SCORE BREAKDOWN BY ENTRY AGE — ERS ELECTED OFFICIALS MEMBERS

PERCENTAGE OF BENEFITS POINTS SCORED BY ADOPTED PLAN VS PRIOR PLAN
FOR A 25-YEAR-OLD ENTRANT

| | AVERAGE FOR ALL WORKERS | SHORT TERM WORKERS <10 Years of service | MEDIUM TERM 10-20 years of service | FULL CAREER >20 years of service |
|--|--------------------------------------|--|--|--|
| TOTAL SB321 SCORE (10 to 6 Factors) | 55.4% of points Prior Plan: 32.8% | 55.4% of points Prior Plan: 23.6% | 57.1% of points Prior Plan: 31.3% | 55.6% of points Prior Plan: 56.2% |
| VESTING | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A | N/A |
| BENEFIT VALUE v. INCOME ADEQUACY TARGET | 46.3% of points Prior Plan: 30.4% | 37.5% of points Prior Plan: 13.8% Earnings Change: +\$1,802/yr | 40.8% of points Prior Plan: 29.2% Earnings Change: +\$636/yr | 60.5% of points Prior Plan: 48.2% Earnings Change: +\$4,789/yr |
| COLA POLICY | 20.0% of points Prior Plan: 20.0% | N/A | 20.0% of points Prior Plan: 20.0% | 20.0% of points Prior Plan: 20.0% |
| FLEXIBILITY & MOBILITY: REFUNDING POLICY | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A |
| FLEXIBILITY & MOBILITY: CREDITING INTEREST RATE | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | N/A |

PERCENTAGE OF BENEFITS POINTS SCORED BY ADOPTED PLAN VS PRIOR PLAN
FOR A 40-YEAR-OLD ENTRANT

| | AVERAGE FOR ALL WORKERS | SHORT TERM WORKERS <10 Years of service | MEDIUM TERM 10-20 years of service | FULL CAREER >20 years of service |
|--|--------------------------------------|--|--|--|
| TOTAL SB321 SCORE (10 to 6 Factors) | 60.1% of points Prior Plan: 41.7% | 61.3% of points Prior Plan: 26.6% | 63.5% of points Prior Plan: 42.2% | 55.6% of points Prior Plan: 56.2% |
| VESTING | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A | N/A |
| BENEFIT VALUE v. INCOME ADEQUACY TARGET | 55.2% of points Prior Plan: 44.8% | 49.3% of points Prior Plan: 19.8% Earnings Change: +\$1,793/yr | 53.7% of points Prior Plan: 51.2% Earnings Change: -\$2,679/yr | 62.7% of points Prior Plan: 63.4% Earnings Change: -\$213/yr |
| COLA POLICY | 20.0% of points Prior Plan: 20.0% | N/A | 20.0% of points Prior Plan: 20.0% | 20.0% of points Prior Plan: 20.0% |
| FLEXIBILITY & MOBILITY: REFUNDING POLICY | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A |
| FLEXIBILITY & MOBILITY: CREDITING INTEREST RATE | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | N/A |

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SCORE BREAKDOWN BY ENTRY AGE — LECOS MEMBERS

PERCENTAGE OF BENEFITS POINTS SCORED BY ADOPTED PLAN VS PRIOR PLAN
FOR A 25-YEAR-OLD ENTRANT

| | AVERAGE FOR ALL WORKERS | SHORT TERM WORKERS <10 Years of service | MEDIUM TERM 10-20 years of service | FULL CAREER >20 years of service |
|--|--------------------------------------|--|--|--|
| TOTAL SB321 SCORE (10 to 6 Factors) | 69.9% of points Prior Plan: 35.5% | 61.1% of points Prior Plan: 22.2% | 68.4% of points Prior Plan: 28.0% | 86.7% of points Prior Plan: 58.7% |
| VESTING | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A | N/A |
| BENEFIT VALUE v. INCOME ADEQUACY TARGET | 70.4% of points Prior Plan: 34.7% | 55.6% of points Prior Plan: 17.7% Earnings Change: +\$2,464/yr | 63.6% of points Prior Plan: 22.6% Earnings Change: +\$4,312/yr | 92.1% of points Prior Plan: 63.8% Earnings Change: +\$6,788/yr |
| COLA POLICY | 20.0% of points Prior Plan: 20.0% | N/A | 20.0% of points Prior Plan: 20.0% | 20.0% of points Prior Plan: 20.0% |
| FLEXIBILITY & MOBILITY: REFUNDING POLICY | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A |
| FLEXIBILITY & MOBILITY: CREDITING INTEREST RATE | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | N/A |

PERCENTAGE OF BENEFITS POINTS SCORED BY ADOPTED PLAN VS PRIOR PLAN
FOR A 40-YEAR-OLD ENTRANT

| | AVERAGE FOR ALL WORKERS | SHORT TERM WORKERS <10 Years of service | MEDIUM TERM 10-20 years of service | FULL CAREER >20 years of service |
|--|--------------------------------------|--|--|---|
| TOTAL SB321 SCORE (10 to 6 Factors) | 79.2% of points Prior Plan: 41.4% | 71.1% of points Prior Plan: 22.4% | 79.9% of points Prior Plan: 43.2% | 86.7% of points Prior Plan: 58.7% |
| VESTING | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A | N/A |
| BENEFIT VALUE v. INCOME ADEQUACY TARGET | 87.3% of points Prior Plan: 45.9% | 75.6% of points Prior Plan: 18.1% Earnings Change: +\$4,200/yr | 86.4% of points Prior Plan: 53.2% Earnings Change: +\$2,444/yr | 100.0% of points Prior Plan: 66.4% Earnings Change: +\$5,898/yr |
| COLA POLICY | 20.0% of points Prior Plan: 20.0% | N/A | 20.0% of points Prior Plan: 20.0% | 20.0% of points Prior Plan: 20.0% |
| FLEXIBILITY & MOBILITY: REFUNDING POLICY | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | 0.0% of points Prior Plan: 0.0% | N/A |
| FLEXIBILITY & MOBILITY: CREDITING INTEREST RATE | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | 100.0% of points Prior Plan: 0.0% | N/A |

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FOOTNOTES

1. Shawn Mulcahy, "[Overhaul to Texas state government employees' retirement accounts advanced out of Legislature.](#)" *The Texas Tribune*, May 31, 2021.
2. This is the average score for the plan based on a 25-year-old entrant, averaging across all classes within the retirement system, averaging across all worker types (Short-Term, Medium-Term, and Full Career). We consider only the classes within this plan that would be influenced by the legislation.
3. As described in "[S.B. No. 321 AN ACT relating to contributions to, benefits from, and the administration of the Employees Retirement System of Texas.](#)" as adopted by the Texas House of Representatives and Texas Senate.
4. The RSR's Benefit Scores consider a range of factors including eligibility, income adequacy, inflation protection, mobility, and more. Defined benefit pension plans are scored on 10 factors; defined contribution plans are scored on 6 factors. To ensure appropriate comparison between such plans we report the percentage of available points scored across these factors. For a complete list of factors that are used to measure different kinds of retirement plans visit [RetirementSecurity.Report](#) and read the methodology.
5. The RSR's Sustainability scores are an abridged assessment of the financial condition of a retirement system based on investment performance relative to assumptions, the historic consistency of state legislatures ensuring actuarially determined contributions are paid, the existence of risk-sharing tools, and whether the amortization period is projecting full funding in a reasonable period. For complete background on why we use these select factors visit [RetirementSecurity.Report](#) and read the methodology.