

Members of the Committee:

The House of Representatives has posted public notice for opinions from the general population in the matter of actuarial soundness in the Texas Employees Retirement System (ERS). I am much in favor of this for several reasons.

The State of Texas does not have a system by which pensions adjust to changing economic conditions such as inflation. This puts the state employee at a great disadvantage. I have warned several young, healthy, and smart people of this. They should avoid state employment under most circumstances. However, state employment is a good thing if there is a general recession, times are bad, or the employee is the type that would have a hard time keeping a private sector job. Unless there is actuarial soundness, the pensions will never adjust. You get what you pay for.

Several, but not all, Legislatures have underfunded the ERS leaving this problem, in theory, to future Legislatures to correct. As you know, that does not happen. Legislators, in general, do little to nothing about problems like this foisted off on them by predecessors. They have their own agendas. I can understand that, yet, not like it. If you destine the situation worse, it will get worse.

The economy has suffered a great deal by the current pandemic problems. Nobody truly expected this. Investments in energy and finance are particularly vulnerable to this environment. Obtaining a positive rate of interest, net of inflation and taxes, on debt instruments has been flatly impossible for a considerable while. Although the ERS people are intelligent and faithful to their mission, there is a shortfall between the funds needed and what may accrue. The Legislature can correct that situation by directly appropriating tax money to make up the shortfall.

Sincerely,