



# 2021 Schedules of Employer Allocations and Collective Pension Amounts



Employees Retirement System of Texas | A Component Unit of the State of Texas  
Fiscal Year Ended August 31, 2021



ERS supports the state workforce by offering competitive benefits at a reasonable cost.

2021  
Schedules of Employer Allocation and  
Collective Pension Amounts

Porter Wilson, Executive Director

Prepared by: Finance Division



A Component Unit of the State of Texas  
Fiscal Year Ended August 31, 2021



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## Introduction

The schedules and accompanying information presented in this document are provided to assist employers participating in the Employees Retirement System of Texas Fund (ERS), the Law Enforcement and Custodial Officers Supplemental Retirement Fund (LECOSRF), and the Judicial Retirement System of Texas Plan Two (JRS, Plan 2). These plans are single employer, retirement plans, which are prepared and presented in compliance with the requirements of the Governmental Accounting Standards Board (GASB). Additional information about the retirement plans can be found in the System's 2021

Annual Comprehensive Financial Report, which is published on the website at [www.ers.texas.gov](http://www.ers.texas.gov).

The Schedule of Employer Allocations, Schedule of Collective Pension Amounts, as well as the accompanying notes have been prepared in conformity with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and audited by CliftonLarsonAllen, LLP in conformance with generally accepted auditing standards.



## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Employees Retirement System of Texas  
Austin, Texas

### Report on the Schedules

We have audited:

- the accompanying schedules of employer allocations of the Employees Retirement System Fund (ERS), the Law Enforcement and Custodial Officer Supplementary Retirement Fund (LECOSRF), and the Judicial Retirement System, Plan 2 Fund (JRS, Plan 2) of the Employees Retirement System (System) of Texas, as of and for the year ended August 31, 2021,
- the rows titled net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense (specified row amounts) as of and for the year ended August 31, 2021, included in the accompanying schedule of collective pension amounts,
- and the respective related notes

(collectively referred to herein as the “GASB 68 Schedules”).

### Management’s Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the GASB 68 Schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the GASB 68 Schedules that are free from material misstatement, whether due to fraud or error.

### Auditors’ Responsibility

Our responsibility is to express opinions on the schedules of employer allocations of the ERS, LECOSRF, and JRS, Plan 2 and the specified row amounts included in the schedule of collective pension amounts, based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the schedules of employer allocations of the ERS, LECOSRF, and JRS, Plan 2 and the specified row amounts included in the schedule of collective pension amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the GASB 68 Schedules. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the GASB 68 Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the GASB 68 Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the GASB 68 Schedules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the GASB 68 Schedules referred to above present fairly, in all material respects, the employer allocations of the ERS, LECOSRF, and JRS, Plan 2 as of and for the year ended August 31, 2021 and the rows titled net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense as of and for the year ended August 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended August 31, 2021, and our report thereon dated December 17, 2021, expressed an unmodified opinion on those statements.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the schedules of employer allocations of the ERS, LECOSRF, and JRS, Plan 2 and the specified row amounts included in the schedule of collective pension amounts. The GASB Reporting and Disclosure Information from Actuary, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the GASB 68 Schedules.

The GASB Reporting and Disclosure Information from Actuary, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the GASB 68 Schedules, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting.

### **Restriction on Use**

Our report is intended solely for the information and use of the System, the Board of Trustees, the System employers as of and for the year ended August 31, 2021 and their auditors and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
June 24, 2022



**Schedule of Employer Allocations**  
**— Employees Retirement System Fund**  
**As of and for the year ended August 31, 2021**

Agency No.	Agency Name	Fiscal Year 2021 Actual Employer Contributions	Employer Allocation Percentage
0101	Senate	\$ 3,043,121.56	0.41145498%
0102	House of Representatives	3,588,517.76	0.48519702%
0103	Texas Legislative Council	2,709,319.47	0.36632220%
0104	Legislative Budget Board	1,078,112.95	0.14576971%
0105	Legislative Reference Library	119,232.66	0.01612123%
0116	Sunset Advisory Commission	207,875.07	0.02810641%
0201	Supreme Court	507,530.57	0.06862229%
0202	State Bar of Texas	2,028,558.42	0.27427773%
0203	Board of Law Examiners	118,469.64	0.01601807%
0211	Court of Criminal Appeals	463,556.47	0.06267664%
0212	Office of Court Administration	2,174,861.28	0.29405907%
0213	State Prosecuting Attorney	41,726.68	0.00564179%
0215	Office of Capital and Forensic Writs	154,385.77	0.02087422%
0221	Court of Appeals - First Court of Appeals District	265,714.43	0.03592677%
0222	Court of Appeals - Second Court of Appeals District	232,322.98	0.03141197%
0223	Court of Appeals - Third Court of Appeals District	201,739.22	0.02727680%
0224	Court of Appeals - Fourth Court of Appeals District	211,924.97	0.02865399%
0225	Court of Appeals - Fifth Court of Appeals District	369,514.07	0.04996133%
0226	Court of Appeals - Sixth Court of Appeals District	110,285.17	0.01491146%
0227	Court of Appeals - Seventh Court of Appeals District	123,107.17	0.01664510%
0228	Court of Appeals - Eighth Court of Appeals District	113,690.25	0.01537185%
0229	Court of Appeals - Ninth Court of Appeals District	130,651.81	0.01766520%
0230	Court of Appeals - Tenth Court of Appeals District	93,883.97	0.01269388%
0231	Court of Appeals - Eleventh Court of Appeals District	88,521.53	0.01196884%
0232	Court of Appeals - Twelfth Court of Appeals District	106,653.81	0.01442047%
0233	Court of Appeals - Thirteenth Court of Appeals District	191,000.58	0.02582484%
0234	Court of Appeals - Fourteenth Court of Appeals District	299,812.21	0.04053707%
0241	Comptroller - Judiciary Section	2,555,895.30	0.34557800%
0242	State Commission on Judicial Conduct	91,576.78	0.01238193%
0243	State Law Library	53,828.45	0.00727805%
0300	Governor - Fiscal	923,110.13	0.12481206%
0301	Governor - Executive	1,208,364.57	0.16338080%
0302	Attorney General	25,366,943.62	3.42981872%
0303	Texas Facilities Commission	2,043,080.58	0.27624124%
0304	Comptroller of Public Accounts	18,008,045.38	2.43483535%
0305	General Land Office	5,837,360.89	0.78925904%
0306	Texas State Library and Archives Commission	766,710.77	0.10366558%
0307	Secretary of State	957,625.47	0.12947881%
0308	State Auditor	1,596,817.24	0.21590278%
0312	State Securities Board	589,813.76	0.07974766%
0313	Department of Information Resources	1,753,147.93	0.23703997%
0320	Texas Workforce Commission	22,985,641.43	3.10784714%
0326	Texas Emergency Services Retirement System	37,650.11	0.00509060%
0327	Employees Retirement System of Texas	3,493,286.79	0.47232101%
0329	Texas Real Estate Commission – Semi-Independent	885,934.51	0.11978561%

**Schedule of Employer Allocations  
— Employees Retirement System Fund  
As of and for the year ended August 31, 2021**

Agency No.	Agency Name	Fiscal Year 2021 Actual Employer Contributions	Employer Allocation Percentage
0332	Texas Department of Housing and Community Affairs	\$ 2,161,334.49	0.29223014%
0338	State Pension Review Board	87,779.96	0.01186857%
0347	Texas Public Finance Authority	124,230.25	0.01679695%
0352	Bond Review Board	66,140.03	0.00894267%
0356	Texas Ethics Commission	183,930.12	0.02486886%
0359	Office Of Public Insurance Counsel	84,055.17	0.01136495%
0360	State Office of Administrative Hearings	904,063.45	0.12223679%
0362	Texas Lottery Commission	2,064,912.71	0.27919313%
0364	Health Professions Council	41,646.48	0.00563095%
0401	Texas Military Department	3,120,934.45	0.42197592%
0403	Texas Veterans Commission	2,202,464.54	0.29779126%
0405	Department of Public Safety	62,817,926.35	8.49349858%
0407	Texas Commission on Law Enforcement	261,460.42	0.03535159%
0409	Commission on Jail Standards	107,245.29	0.01450044%
0411	Texas Commission on Fire Protection	154,009.21	0.02082331%
0448	Office of Injured Employee Counsel – Administered by 454	731,180.06	0.09886154%
0450	Department of Savings and Mortgage Lending – Semi-Independent	436,191.57	0.05897668%
0451	Texas Department of Banking – Semi-Independent	1,798,770.82	0.24320856%
0452	Texas Department of Licensing and Regulation	3,049,888.63	0.41236994%
0454	Texas Department of Insurance	8,212,877.73	1.11044839%
0455	Railroad Commission of Texas	5,543,816.88	0.74956949%
0456	Texas State Board of Plumbing Examiners	165,230.74	0.02234055%
0457	Texas State Board of Public Accountancy – Semi-Independent	214,507.63	0.02900319%
0458	Texas Alcoholic Beverage Commission	3,677,117.44	0.49717642%
0459	Texas Board of Architectural Examiners – Semi-Independent	165,304.79	0.02235056%
0460	Texas Board of Professional Engineers and Land Surveyors – Semi-Independent	244,985.82	0.03312409%
0466	Office of Consumer Credit Commissioner – Semi-Independent	455,722.43	0.06161741%
0469	Credit Union Department – Semi-Independent	228,316.92	0.03087032%
0473	Public Utility Commission of Texas	1,300,154.50	0.17579155%
0475	Office of Public Utility Counsel	103,543.53	0.01399993%
0476	Texas Racing Commission	200,853.67	0.02715706%
0477	Commission on State Emergency Communications	163,336.41	0.02208442%
0479	State Office of Risk Management	679,204.60	0.09183403%
0481	Texas Board of Professional Geoscientists	36,369.20	0.00491741%
0503	Texas Medical Board	1,064,120.77	0.14387785%
0504	State Board of Dental Examiners	262,808.76	0.03553390%
0507	Texas Board of Nursing	715,932.83	0.09679999%
0508	Texas Board of Chiropractic Examiners	61,227.72	0.00827849%
0510	Texas Behavioral Health Executive Council	267,003.95	0.03610112%
0513	Texas Funeral Service Commission	47,147.20	0.00637469%
0514	Texas Optometry Board	32,632.06	0.00441212%
0515	Texas State Board of Pharmacy	597,105.62	0.08073358%
0520	Texas State Board of Examiners of Psychologists – Sunset	118.58	0.00001603%

**Schedule of Employer Allocations**  
**— Employees Retirement System Fund**  
**As of and for the year ended August 31, 2021**

Agency No.	Agency Name	Fiscal Year 2021 Actual Employer Contributions	Employer Allocation Percentage
0529	Health and Human Services Commission	\$ 153,993,201.50	20.82114318%
0530	Department of Family and Protective Services	67,746,594.68	9.15989494%
0533	Executive Council of Physical and Occupational Therapy Examiners	101,307.54	0.01369761%
0537	Department of State Health Services	17,562,003.46	2.37452683%
0542	Cancer Prevention and Research Institute of Texas	330,817.55	0.04472925%
0551	Department of Agriculture	3,819,954.45	0.51648916%
0554	Texas Animal Health Commission	981,859.99	0.13275552%
0578	State Board of Veterinary Medical Examiners	109,276.20	0.01477504%
0580	Texas Water Development Board	2,581,002.88	0.34897275%
0582	Texas Commission on Environmental Quality	16,329,648.40	2.20790232%
0592	Soil and Water Conservation Board	419,926.33	0.05677748%
0601	Texas Department of Transportation	74,386,089.54	10.05760908%
0608	Texas Department of Motor Vehicles	4,139,192.56	0.55965277%
0644	Texas Juvenile Justice Department	9,389,481.16	1.26953482%
0696	Texas Department of Criminal Justice	138,989,734.47	18.79255145%
0701	Texas Education Agency	8,794,892.70	1.18914159%
0723	University of Texas Medical Branch at Galveston	82,371.90	0.01113736%
0771	Texas School for the Blind and Visually Impaired	1,980,771.91	0.26781660%
0772	Texas School for the Deaf	2,425,196.13	0.32790640%
0781	Texas Higher Education Coordinating Board	1,960,201.96	0.26503537%
0802	Parks and Wildlife Department	16,915,922.53	2.28717139%
0808	Texas Historical Commission	1,559,570.11	0.21086666%
0809	State Preservation Board	874,867.32	0.11828923%
0813	Texas Commission on the Arts	89,770.25	0.01213767%
0851	Texas Coop Inspection Program	303,418.11	0.04102462%
0897	Tx County District Ret System	8,989.36	0.00121544%
0907	Comptroller - State Energy Conservation Office	56,435.13	0.00763049%
0930	Texas Treasury Safekeeping Trust Company	901,101.38	0.12183629%
	<b>Grand Total</b>	<b>\$ 739,600,127.46</b>	<b>100.00000000%</b>

**Schedule of Employer Allocations**  
**— Law Enforcement and Custodial Officer Supplemental Retirement Fund**  
**As of and for the year ended August 31, 2021**

Agency No.	Agency Name	Fiscal Year 2021 Actual Employer Contributions	Employer Allocation Percentage
0405	Department of Public Safety	\$ 1,520,968.35	18.27800328%
0458	Texas Alcoholic Beverage Commission	80,897.97	0.97217892%
0644	Texas Juvenile Justice Department	14,659.72	0.17617093%
0696	Texas Department of Criminal Justice	6,457,157.53	77.59789777%
0723	University of Texas Medical Branch at Galveston	3,757.15	0.04515097%
0802	Parks and Wildlife Department	243,864.00	2.93059812%
	<b>Grand Total</b>	<b>\$ 8,321,304.72</b>	<b>100.00000000%</b>

**Reconciliation of Employer Contributions Reported in the Schedule:**

Employer Contributions Reported Above	8,321,304.72
Court Fees	11,972,915.74
Total Employer Contributions Reported in Exhibit IX of 2021 Annual Comprehensive Financial Report	<u>\$ 20,294,220.46</u>

**Schedule of Employer Allocations**  
**— Judicial Retirement System Plan Two Fund**  
**As of and for the year ended August 31, 2021**

Agency No.	Agency Name	Fiscal Year 2021 Actual Employer Contributions	Employer Allocation Percentage
0201	Supreme Court	\$ 217,397.92	1.51794164%
0211	Court of Criminal Appeals	229,721.76	1.60399063%
0221	Court of Appeals - First Court of Appeals District	215,950.56	1.50783571%
0222	Court of Appeals - Second Court of Appeals District	159,829.24	1.11597875%
0223	Court of Appeals - Third Court of Appeals District	159,668.40	1.11485571%
0224	Court of Appeals - Fourth Court of Appeals District	191,714.91	1.33861467%
0225	Court of Appeals - Fifth Court of Appeals District	344,048.49	2.40225633%
0226	Court of Appeals - Sixth Court of Appeals District	84,893.38	0.59275267%
0227	Court of Appeals - Seventh Court of Appeals District	111,748.11	0.78026096%
0228	Court of Appeals - Eighth Court of Appeals District	79,143.33	0.55260398%
0229	Court of Appeals - Ninth Court of Appeals District	110,570.28	0.77203698%
0230	Court of Appeals - Tenth Court of Appeals District	96,953.93	0.67696327%
0231	Court of Appeals - Eleventh Court of Appeals District	82,031.26	0.57276843%
0232	Court of Appeals - Twelfth Court of Appeals District	84,893.40	0.59275281%
0233	Court of Appeals - Thirteenth Court of Appeals District	167,105.75	1.16678567%
0234	Court of Appeals - Fourteenth Court of Appeals District	214,302.39	1.49632766%
0241	Comptroller - Judiciary Section	11,771,916.08	82.19527413%
	<b>Grand Total</b>	<b>\$ 14,321,889.19</b>	<b>100.00000000%</b>

**Schedule of Collective Pension Amounts**  
**As of and for the year ended August 31, 2021**

	ERS	LECOSRF	JRS, Plan 2
Net Pension Liability	\$10,575,442,732	\$ 1,882,354,909	\$ 143,427,730
<u>Deferred Outflows of Resources</u>			
Differences Between Expected and Actual Experience	203,956,024	-	2,490,511
Changes of Assumptions	3,495,158,435	302,779,102	63,769,735
Total Deferred Outflows of Resources Excluding Employer Specific Amounts*	<u>\$3,699,114,459</u>	<u>\$302,779,102</u>	<u>\$66,260,246</u>
<u>Deferred Inflows of Resources</u>			
Differences Between Expected and Actual Experience	\$581,115,281	\$45,457,306	\$7,241,234
Changes of Assumptions	15,753,132,667	16,557,596	62,570,061
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>3,477,776,060</u>	<u>116,147,391</u>	<u>61,051,813</u>
Total Deferred Inflows of Resources Excluding Employer Specific Amounts*	<u>\$19,812,024,008</u>	<u>\$178,162,293</u>	<u>\$130,863,108</u>
Pension Expense (Income)*	\$(2,219,126,245)	\$148,844,970	\$ 55,814,234
Amortization Period for Recognition of Deferred Outflows and Deferred Inflows of Resources**			
	3.23 years	3.95 years	3.63 years

\* Employer specific amounts that are excluded from this schedule are the changes in proportion and differences between employer contributions and proportionate share of contributions as well as the related amortization as defined in paragraphs 54 and 55 of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

\*\* GASB 68, paragraph 33 prescribes the amortization period for recognition of deferred outflow and deferred inflow of resources. Specifically, the difference between the expected and actual experience and changes in assumption are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining lives of all employees that are provided with pensions through the pension plan determined at the beginning of the measurement period. Additionally, differences between projected and actual earnings on pension plan investments should be recognized in pension expense using a systematic and rational method over a closed five-year period.

## Notes to the Schedules of Employer Allocations and Collective Pension Amounts For Fiscal Year Ended August 31, 2021

### Note A — General Plan Descriptions

The Employees Retirement System of Texas was created by the Texas Legislature in 1947 and is administered in accordance with the Texas Constitution. The System provides a retirement and disability pension system for state employees, law enforcement and custodial officers, elected state officials and two classes of judges.

The Employees Retirement System of Texas Fund, the Law Enforcement and Custodial Officers Supplemental Retirement Fund, and the Judicial Retirement System of Texas Plan Two are single employer defined benefit pension plans.

### Note B — Employer Contributions

Employer contributions were taken from the ERS PeopleSoft Financials system. Employer contribution information is provided to ERS through the Comptroller of Public Accounts and the State of Texas Financial Network. For the Employees Retirement System plan, contributions include:

- State contributions for active employees, service purchases, and return to work employees, and
- Agency contributions for active employees and return to work employees.

For the Law Enforcement and Custodial Officers Supplemental Retirement Plan, contributions include:

- State contributions for active employees, service purchases and return to work employees, and
- Agency contributions for return to work employees.

For the Judicial Retirement System of Texas Plan 2, contributions include state contributions for active employees and service purchases.

### Note C — Other information

#### Basis of Accounting

The underlying financial information used to prepare the pension allocation schedules is based on the ERS financial statements. The ERS financial statements are prepared using the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.

#### Annual Comprehensive Financial Report 2021

ERS Issues a Annual Comprehensive Financial Report that includes financial statements, notes and required supplemental information for the pension plans. That report is also audited by CliftonLarsonAllen, LLP and available online at <https://www.ers.texas.gov/About-ERS/Reports-and-Studies>. This report may also be obtained by writing to ERS at:

Employees Retirement System of Texas  
200 East 18th Street, Austin Texas 78701

Please refer to the ERS Annual Comprehensive Financial Report referenced above for the following items:

- Investment related information including earning and asset allocation appears in Note 2.
- Plan descriptions and information on contributions, fund status, single discount rate assumptions and sensitivity, membership, and reserves are included in Note 3.
- The benefits information is presented in the Summary of Plan Provisions.

#### GASB Reporting and Disclosure Information

Gabriel Roeder Smith & Company has provided information required by the governmental employers participating in ERS in connection with GASB Statement 68 "Accounting and Financial Reporting for Pensions." These reports are presented immediately after these notes.

The Schedule of Collective Pension Amounts complements the actuarial valuation report as of August 31, 2021 and the GASB Reporting and Disclosure Information for the Fiscal year Ended August 31, 2021, which should be considered together as a complete report for the plan year ended August 31, 2021.

Please see the actuarial valuation report as of August 31, 2021 for additional discussion of the nature of calculations and more information related to participant data, economic and demographic assumptions and benefit provisions. This schedule is to be used for governmental employer reporting for Fiscal Years ending on or before August 31, 2022.



# Employees Retirement System of Texas

GASB Reporting and Disclosure Information for ERS Fiscal  
Year Ending August 31, 2021



November 22, 2021

Board of Trustees  
Employees Retirement System of Texas  
200 East 18th Street  
Austin, TX 78701

**Subject: GASB Reporting and Disclosure Information for ERS Fiscal Year Ending August 31, 2021**

Members of the Board,

This report provides information required by the Employees Retirement System of Texas (ERS) in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." Additionally, this report provides information required by the governmental employers participating in ERS in connection with the GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." It is our understanding this information will be used by governmental employers in financial reporting for the fiscal year ending August 31, 2022. The information provided herein was prepared for the purpose of assisting ERS and the governmental employers in the compliance with the financial reporting and disclosure requirements of GASB Statement Nos. 67 and 68.

The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than ERS only in its entirety and only with the permission of ERS.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of August 31, 2021. It is our opinion that the recommended assumptions are internally consistent, reasonable, and comply with the requirements under GASB Statement Nos. 67 and 68.

We have not determined whether the Collective Pension Amounts under GASB Statement No. 68 should be allocated to any of the governmental employers participating in ERS. It is our understanding that these allocations will be determined by another state agency, if necessary.

This report is based upon information, furnished to us by ERS, which include benefit provisions, membership information, and financial data. We did not audit this data and information, but we did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided to us by ERS.

Certain tables included in the Required Supplementary Information should include a 10-year history of information. As provided for in GASB Statement Nos. 67 and 68, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB Statement Nos. 67 and 68. The historical information in this report will begin with the information presented for the measurement period ending August 31, 2014.

Paragraph 57 of GASB Statement No. 68 indicates that contributions to the pension plan subsequent to the measurement date of the Net Pension Liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources related to pensions. The information contained in this report does not incorporate any contributions reported to ERS subsequent to August 31, 2021.

This report complements the actuarial valuation report as of August 31, 2021, provided for plan funding purposes, which was also provided to ERS and should be considered together as a complete report for the plan year ending August 31, 2021. Please see the actuarial valuation report as of August 31, 2021 for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of the Employees Retirement System of Texas. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Mr. Falls and Ms. Woolfrey are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

**Gabriel, Roeder, Smith & Company**



R. Ryan Falls, FSA, EA, MAAA  
Senior Consultant



Dana Woolfrey, FSA, EA, MAAA  
Senior Consultant

## Summary of Population Statistics

The total pension liability described in this report is based on the ERS plan membership as of August 31, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	120,294
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	145,050
Active Plan Members	<u>136,726</u>
Total Plan Members	402,070

## Measurement of the Net Pension Liability

The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 3.62% was used to measure the total pension liability as of August 31, 2020. This single discount rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.33%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2044. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2044 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

A single discount rate of 7.00% was used to measure the total pension liability as of August 31, 2021. This single discount rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 1.95%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance all projected future benefit payments of current plan members. This was due to the additional funding provided by Senate Bill 321. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The source of the municipal bond rate as of August 31, 2021 is the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." In describing this index, Fidelity notes that the municipal curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities. The rate shown is as of the last date available on or before the measurement date.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory and appropriated levels and remain a level percentage of payroll.

## Actuarially Determined Contribution

This report presents the Actuarially Determined Contribution (ADC) for the fiscal year ending August 31, 2021. Consistent with the provisions of Section 811.006 of the Texas Government Code that were in effect for the year ending August 31, 2021, this contribution is the amount necessary to fund the normal cost and to amortize the UAAL as a level percentage of payroll over 31 years.

The provisions of the Legacy Payment structure adopted during the 2021 legislative session will first be reflected in the disclosures for the year ending August 31, 2022.

### Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate as of August 31, 2021. In particular, the table presents the plan’s net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
\$ 15,868,656,816	\$ 10,575,442,732	\$ 6,169,639,446

# Reconciliation of Plan Net Assets

for Fiscal Year Ending August 31, 2021

## Employees Retirement System of Texas

	Year Ending August 31, 2021
1. Market value of assets at beginning of year	\$ 27,946,206,540
2. Revenue for the year	
a. Contributions for the year	
i. State (including membership fees)	\$ 739,572,907
ii. Member (including penalty interest)	718,357,239
iii. Total	<u>\$ 1,457,930,146</u>
b. Net investment income	\$ 6,937,214,844
c. Total revenue	\$ 8,395,144,990
3. Disbursements for the year	
a. Benefit payments and refunds	\$ 2,794,250,855
b. Net transfers from TRS	(82,994,484)
c. Administrative expenses	21,850,725
d. Total expenditures	<u>\$ 2,733,107,096</u>
4. Increase in net assets (Item 2c - Item 3d)	\$ 5,662,037,894
5. Market value of assets at end of year (Item 1 + Item 4)	\$ 33,608,244,434

*This reconciliation only includes the items needed to reconcile the changes in Net Pension Liability during the fiscal year. The Reconciliation of Fiduciary Net Position required by GASB No. 67 may require additional detail regarding the changes throughout the year.*

# Schedules of Required Supplementary Information

## Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

### Employees Retirement System of Texas

Fiscal year ending August 31,	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>								
Service Cost	\$ 2,146,247,214	\$ 1,827,863,722	\$ 1,346,986,248	\$ 1,445,557,335	\$ 1,457,262,512	\$ 1,146,791,195	\$ 1,231,202,917	\$ 1,139,451,280
Interest on the Total Pension Liability	2,376,688,275	2,516,723,521	2,694,082,718	2,559,722,952	2,510,128,243	2,522,625,345	2,373,849,426	2,324,179,507
Benefit Changes	0	0	0	0	0	0	(87,834,605)	0
Difference between expected and actual experience of the Total Pension Liability	(747,551,060)	510,656,816	(578,195,062)	91,880,914	115,632,392	133,557,078	(284,750,930)	(252,966,720)
Assumption Changes	(22,817,317,720)	6,366,987,163	8,469,458,024	(1,982,913,797)	2,219,672,343	5,301,965,235	(3,429,167,539)	1,199,067,392
Benefit Payments and Refunds	(2,711,256,371)	(2,621,737,410)	(2,540,261,957)	(2,406,361,818)	(2,288,824,789)	(2,147,307,029)	(2,049,290,909)	(1,963,481,455)
<b>Net Change in Total Pension Liability</b>	<b>(21,753,189,662)</b>	<b>8,600,493,812</b>	<b>9,392,069,971</b>	<b>(292,114,414)</b>	<b>4,013,870,701</b>	<b>6,957,631,824</b>	<b>(2,245,991,640)</b>	<b>2,446,250,004</b>
<b>Total Pension Liability - Beginning</b>	<b>65,936,876,828</b>	<b>57,336,383,016</b>	<b>47,944,313,045</b>	<b>48,236,427,459</b>	<b>44,222,556,758</b>	<b>37,264,924,934</b>	<b>39,510,916,574</b>	<b>37,064,666,570</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 44,183,687,166</b>	<b>\$ 65,936,876,828</b>	<b>\$ 57,336,383,016</b>	<b>\$ 47,944,313,045</b>	<b>\$ 48,236,427,459</b>	<b>\$ 44,222,556,758</b>	<b>\$ 37,264,924,934</b>	<b>\$ 39,510,916,574</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	\$ 739,572,907	\$ 735,855,712	\$ 712,647,639	\$ 697,189,414	\$ 700,078,188	\$ 686,763,354	\$ 500,394,986	\$ 482,239,018
Contributions - Member	718,357,239	713,985,036	694,788,598	683,932,829	685,461,587	674,677,886	462,159,534	430,594,897
Pension Plan Net Investment Income	6,937,214,844	1,791,061,478	758,466,709	2,430,297,025	2,832,627,596	1,273,413,421	56,940,707	3,252,416,986
Benefit Payments and Refunds	(2,711,256,371)	(2,621,737,410)	(2,540,261,957)	(2,406,361,818)	(2,288,824,789)	(2,147,307,029)	(2,049,290,909)	(1,963,481,455)
Pension Plan Administrative Expense	(21,850,725)	(24,182,433)	(27,751,616)	(23,549,964)	(23,095,408)	(20,448,669)	(21,839,626)	(20,194,988)
Other	0	0	0	0	0	0	0	0
<b>Net Change in Plan Fiduciary Net Position</b>	<b>5,662,037,894</b>	<b>594,982,383</b>	<b>(402,110,627)</b>	<b>1,381,507,486</b>	<b>1,906,247,174</b>	<b>467,098,963</b>	<b>(1,051,635,308)</b>	<b>2,181,574,458</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>27,946,206,540</b>	<b>27,351,224,157</b>	<b>27,753,334,784</b>	<b>26,371,827,298</b>	<b>24,465,580,124</b>	<b>23,998,481,161</b>	<b>25,050,116,469</b>	<b>22,868,542,011</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 33,608,244,434</b>	<b>\$ 27,946,206,540</b>	<b>\$ 27,351,224,157</b>	<b>\$ 27,753,334,784</b>	<b>\$ 26,371,827,298</b>	<b>\$ 24,465,580,124</b>	<b>\$ 23,998,481,161</b>	<b>\$ 25,050,116,469</b>
<b>Net Pension Liability - Ending</b>	<b>10,575,442,732</b>	<b>37,990,670,288</b>	<b>29,985,158,859</b>	<b>20,190,978,261</b>	<b>21,864,600,161</b>	<b>19,756,976,634</b>	<b>13,266,443,773</b>	<b>14,460,800,105</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>76.06 %</b>	<b>42.38 %</b>	<b>47.70 %</b>	<b>57.89 %</b>	<b>54.67 %</b>	<b>55.32 %</b>	<b>64.40 %</b>	<b>63.40 %</b>
<b>Covered Employee Payroll</b>	<b>\$ 7,188,367,590</b>	<b>\$ 7,158,435,103</b>	<b>\$ 6,947,624,737</b>	<b>\$ 6,811,925,525</b>	<b>\$ 6,859,706,582</b>	<b>\$ 6,742,143,036</b>	<b>\$ 6,150,194,660</b>	<b>\$ 5,955,460,705</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>147.12 %</b>	<b>530.71 %</b>	<b>431.59 %</b>	<b>296.41 %</b>	<b>318.74 %</b>	<b>293.04 %</b>	<b>215.71 %</b>	<b>242.82 %</b>

**Notes to Schedule:**

The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.

The change in the Total Pension Liability due to the change in the Single Discount Rate is included as an assumption change.

Assumption changes for FY2017 include the impact of the new assumptions adopted by the Board effective August 31, 2017.

Assumption changes for FY2020 include the impact of the new assumptions adopted by the Board effective August 31, 2020.

# Schedules of Required Supplementary Information

## Schedule of Employer Contributions Employees Retirement System of Texas

FY Ending August 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 727,892,157	\$ 482,239,018	\$ 245,653,139	\$ 5,955,460,705	8.10%
2015	737,111,059	500,394,986	236,716,073	6,150,194,660	8.14%
2016	679,806,017	686,763,354	(6,957,337)	6,742,143,036	10.19%
2017	713,527,832	700,078,188	13,449,644	6,859,706,582	10.21%
2018	933,914,990	697,189,414	236,725,576	6,811,925,525	10.23%
2019	946,266,489	712,647,639	233,618,850	6,947,624,737	10.26%
2020	985,000,670	735,855,712	249,144,958	7,158,435,103	10.28%
2021	1,148,701,141	739,572,907	409,128,234	7,188,367,590	10.29%

## Notes to Schedule of Contributions

### Employees Retirement System of Texas

#### Valuation Date:

Actuarially determined contribution rates are calculated as of August 31. Members and employers contribute based on statutorily fixed rates.

A new set of assumptions were adopted for the August 31, 2020 actuarial valuation and were first reflected for the ADEC determined for the fiscal year ending 2021.

Provisions of the Legacy Payment structure adopted during the 2021 legislative session will be reflected in disclosures for the 2022 fiscal year.

#### Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	31 years
Asset Valuation Method	Marked to market as of August 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.
Inflation	2.30%
Salary Increases	0.00% to 8.80%
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the class of employee. Updated for the 2020 valuation pursuant to an experience study of the 5-year period from September 1, 2014 through August 31, 2019.
Mortality	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020. Rates for male LECO members are set forward one year.

#### Other Information:

Notes  
Members and employers contribute based on statutorily fixed rates. The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.

# Governmental Employer Financial Statements

Pension Expense for Fiscal Year Ending August 31, 2021

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2022

## Employees Retirement System of Texas

1. Service Cost	\$ 2,146,247,214
2. Interest on the Total Pension Liability	2,376,688,275
3. Current-Period Benefit Changes	0
4. Member Contributions	(718,357,239)
5. Projected Earnings on Plan Investments	(1,911,603,265)
6. Pension Plan Administrative Expense	21,850,725
7. Other Changes in Plan Fiduciary Net Position	0
8. Recognition of deferred outflows resulting from differences between expected and actual experience	(236,937,809)
9. Recognition of deferred outflows resulting from assumption changes	(2,910,044,458)
10. Recognition of deferred outflows resulting from differences between projected and actual earnings on plan investments	(986,969,688)
11. <b>Total Pension Expense</b>	<b>\$ (2,219,126,245)</b>

## Recognition of Deferred Outflows and Inflows of Resources

According to paragraph 33 of GASB No. 68, *differences between expected and actual experience* and *changes in assumptions* are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the 2021 measurement period, the expected remaining service lives of all employees was 1,274,172 years for ERS. Additionally, the ERS plan membership (active employees and inactive employees) was 394,967. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2021 measurement period is 3.23 years.

Additionally, *differences between projected and actual earnings on pension plan investments* should be recognized in pension expense using a systematic and rational method over a closed five-year period.

For this purpose, the deferred outflows and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period identified above.

# Governmental Employer Financial Statements

## Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods For Fiscal Year Ending August 31, 2021

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2022

### A. New Deferred Outflows and Inflows of Resources by Source Established in Fiscal Year

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 0	\$ 747,551,060	\$ (747,551,060)
2. Assumption Changes	0	22,817,317,720	(22,817,317,720)
3. Net Difference between projected and actual earnings on pension plan investments	0	5,025,611,579	(5,025,611,579)
<b>4. Total</b>	<b>\$ 0</b>	<b>\$ 28,590,480,359</b>	<b>\$ (28,590,480,359)</b>

### B. Outflows and Inflows of Resources by Source to be recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 165,565,776	\$ 402,503,585	\$ (236,937,809)
2. Assumption Changes	4,417,764,970	7,327,809,428	(2,910,044,458)
3. Net Difference between projected and actual earnings on pension plan investments	298,987,824	1,285,957,512	(986,969,688)
<b>4. Total</b>	<b>\$ 4,882,318,570</b>	<b>\$ 9,016,270,525</b>	<b>\$ (4,133,951,955)</b>

### C. Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 203,956,024	\$ 581,115,281	\$ (377,159,257)
2. Assumption Changes	3,495,158,435	15,753,132,667	(12,257,974,232)
3. Net Difference between projected and actual earnings on pension plan investments	641,061,120	4,118,837,180	(3,477,776,060)
<b>4. Total</b>	<b>\$ 4,340,175,579</b>	<b>\$ 20,453,085,128</b>	<b>\$ (16,112,909,549)</b>

### D. Deferred Outflows and Deferred Inflows of Resources by Year to be recognized in Future Pension Expenses

ERS Fiscal Year Ending	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
2022	\$ 3,316,533,966	\$ 8,464,099,421	\$ (5,147,565,455)
2023	980,556,141	8,300,747,326	(7,320,191,185)
2024	43,085,472	2,683,116,066	(2,640,030,594)
2025	0	1,005,122,315	(1,005,122,315)
2026	0	0	0
Thereafter	0	0	0
<b>Total</b>	<b>\$ 4,340,175,579</b>	<b>\$ 20,453,085,128</b>	<b>\$ (16,112,909,549)</b>

# Governmental Employer Financial Statements

## Recognition of Deferred Outflows and Inflows of Resources

For Fiscal Year Ending August 31, 2021

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2022

Year Established	Initial Amount	Initial Recognition Period	Current Year Recognition	Remaining Recognition	Remaining Recognition Period
<b>Deferred Outflow (Inflow) due to Differences Between Expected and Actual Experience on Liabilities</b>					
2017	115,632,392	3.23	0	0	0.00
2018	91,880,914	3.46	12,215,380	0	0.00
2019	(578,195,062)	3.38	(171,063,628)	(65,004,178)	0.38
2020	510,656,816	3.33	153,350,396	203,956,024	1.33
2021	(747,551,060)	3.23	(231,439,957)	(516,111,103)	2.23
Total			(236,937,809)	(377,159,257)	
<b>Deferred Outflow (Inflow) due to Assumption Changes</b>					
2017	2,219,672,343	3.23	0	0	0.00
2018	(1,982,913,797)	3.46	(263,624,375)	0	0.00
2019	8,469,458,024	3.38	2,505,756,812	952,187,588	0.38
2020	6,366,987,163	3.33	1,912,008,158	2,542,970,847	1.33
2021	(22,817,317,720)	3.23	(7,064,185,053)	(15,753,132,667)	2.23
Total			(2,910,044,458)	(12,257,974,232)	
<b>Deferred Outflow (Inflow) due to Differences Between Projected and Actual Earnings on Plan Investments</b>					
2017	(912,436,403)	5.00	(182,487,279)	0	0.00
2018	(491,739,585)	5.00	(98,347,917)	(98,347,917)	1.00
2019	1,279,511,750	5.00	255,902,350	511,804,700	2.00
2020	215,427,368	5.00	43,085,474	129,256,420	3.00
2021	(5,025,611,579)	5.00	(1,005,122,316)	(4,020,489,263)	4.00
Total			(986,969,688)	(3,477,776,060)	

# Governmental Employer Financial Statements

## Schedule of Collective Pension Amounts

For Fiscal Year Ending August 31, 2021

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2022

Net Pension Liability	\$ 10,575,442,732
<u>Deferred Outflows of Resources</u>	
Differences Between Expected and Actual Experience	\$ 203,956,024
Changes of Assumptions	3,495,158,435
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	641,061,120
Total Deferred Outflows of Resources Excluding Employer Specific Amounts *	\$ 4,340,175,579
<u>Deferred Inflows of Resources</u>	
Differences Between Expected and Actual Experience	\$ 581,115,281
Changes of Assumptions	15,753,132,667
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	4,118,837,180
Total Deferred Inflows of Resources Excluding Employer Specific Amounts *	\$ 20,453,085,128
Pension Expense *	\$ (2,219,126,245)

\* Employer specific amounts that are excluded from this schedule are the changes in proportion and differences between employer contributions and proportionate share of contributions as well as the related amortization as defined in paragraphs 54 and 55 of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

# Law Enforcement and Correctional Officers Supplemental Retirement Fund

GASB Reporting and Disclosure Information for ERS Fiscal  
Year Ending August 31, 2021



November 22, 2021

Board of Trustees  
Employees Retirement System of Texas  
200 East 18th Street  
Austin, TX 78701

**Subject: GASB Reporting and Disclosure Information for ERS Fiscal Year Ending August 31, 2021 - LECOSRF**

Members of the Board,

This report provides information required by the Law Enforcement and Correctional Officers Supplemental Retirement Fund (LECOSRF) of the Employees Retirement System of Texas (ERS) in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." Additionally, this report provides information required by the governmental employers participating in LECOSRF in connection with the GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." It is our understanding this information will be used by governmental employers in financial reporting for the fiscal year ending August 31, 2022. The information provided herein was prepared for the purpose of assisting ERS and the governmental employers in the compliance with the financial reporting and disclosure requirements of GASB Statement Nos. 67 and 68.

The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than ERS only in its entirety and only with the permission of ERS.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of August 31, 2021. It is our opinion that the recommended assumptions are internally consistent, reasonable, and comply with the requirements under GASB Statement Nos. 67 and 68.

We have not determined whether the Collective Pension Amounts under GASB Statement No. 68 should be allocated to any of the governmental employers participating in LECOSRF. It is our understanding that these allocations will be determined by another state agency, if necessary.

This report is based upon information, furnished to us by ERS, which include benefit provisions, membership information, and financial data. We did not audit this data and information, but we did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided by ERS.

Certain tables included in the Required Supplementary Information should include a 10-year history of information. As provided for in GASB Statement Nos. 67 and 68, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB Statement Nos. 67 and 68. The historical information in this report will begin with the information presented for the measurement period ending August 31, 2014.

Paragraph 57 of GASB Statement No. 68 indicates that contributions to the pension plan subsequent to the measurement date of the Net Pension Liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources related to pensions. The information contained in this report does not incorporate any contributions reported to LECOSRF subsequent to August 31, 2021.

This report complements the actuarial valuation report as of August 31, 2021, provided for plan funding purposes, which was also provided to ERS and should be considered together as a complete report for the plan year ending August 31, 2021. Please see the actuarial valuation report as of August 31, 2021 for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

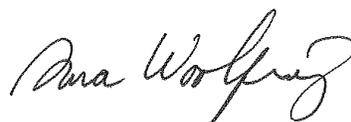
To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of the Law Enforcement and Correctional Officers Supplemental Retirement Fund of the Employees Retirement System of Texas. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Mr. Falls and Ms. Woolfrey are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

**Gabriel, Roeder, Smith & Company**



R. Ryan Falls, FSA, EA, MAAA  
Senior Consultant



Dana Woolfrey, FSA, EA, MAAA  
Senior Consultant

## Summary of Population Statistics

The total pension liability described in this report is based on the LECOSRF plan membership as of August 31, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	15,343
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	29,626
Active Plan Members	<u>32,498</u>
Total Plan Members	77,467

## Measurement of the Net Pension Liability

The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 2.87% was used to measure the total pension liability as of August 31, 2020. This single discount rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.33%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2036. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2036 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

A single discount rate of 2.70% was used to measure the total pension liability as of August 31, 2021. This single discount rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 1.95%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2040. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2040 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The source of the municipal bond rate is the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." In describing this index, Fidelity notes that the municipal curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities. The rate shown is as of the last date available on or before the measurement date.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory and appropriated levels and remain a level percentage of payroll.

## Actuarially Determined Contribution

This report presents the Actuarially Determined Contribution (ADC) for the fiscal year ending August 31, 2021. Consistent with the provisions of Section 811.006 of the Texas Government Code, this contribution is the amount necessary to fund the normal cost and to amortize the UAAL as a level percentage of payroll over 31 years.

As noted, the ADC is currently calculated based on a 31-year open amortization period. This means that the ADC will always be calculated with the same 31-year period and the UAAL would never completely be eliminated. Even though the contributions to LECOSRF are not based on this ADC, the Board may want to consider adopting a funding policy that includes an ultimate goal of eliminating the UAAL by a certain date. This type of funding policy will allow the Board to better assess the level of contributions received from the employers and the State.

**Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption**

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate as of August 31, 2021. In particular, the table presents the plan’s net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

<b>1% Decrease</b>	<b>Current Single Rate Assumption</b>	<b>1% Increase</b>
<b>1.70%</b>	<b>2.70%</b>	<b>3.70%</b>
\$ 2,443,864,070	\$ 1,882,354,910	\$ 1,444,133,224

## Reconciliation of Plan Net Assets

for Fiscal Year Ending August 31, 2021

### Law Enforcement and Correctional Officers Supplemental Retirement Fund

	Year Ending August 31, 2021
1. Market value of assets at beginning of year	\$ 947,324,194
2. Revenue for the year	
a. Contributions for the year	
i. State (including membership fees)	\$ 20,294,220
ii. Member (including penalty interest)	9,077,532
iii. Total	<u>\$ 29,371,752</u>
b. Net investment income	\$ 232,795,473
c. Total revenue	\$ 262,167,225
3. Disbursements for the year	
a. Benefit payments and refunds	\$ 91,669,301
b. Net transfers from TRS	0
c. Administrative expenses	1,780,707
d. Total expenditures	<u>\$ 93,450,008</u>
4. Increase in net assets (Item 2c - Item 3d)	\$ 168,717,217
5. Market value of assets at end of year (Item 1 + Item 4)	\$ 1,116,041,411

*This reconciliation only includes the items needed to reconcile the changes in Net Pension Liability during the fiscal year. The Reconciliation of Fiduciary Net Position required by GASB No. 67 may require additional detail regarding the changes throughout the year.*

# Schedules of Required Supplementary Information

## Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

### Law Enforcement and Correctional Officers Supplemental Retirement Fund

Fiscal year ending August 31,	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>								
Service Cost	\$ 91,245,661	\$ 96,690,232	\$ 71,926,346	\$ 79,308,710	\$ 99,389,703	\$ 71,428,931	\$ 57,458,813	\$ 54,527,921
Interest on the Total Pension Liability	82,146,415	86,012,024	96,085,294	91,170,939	82,236,057	88,409,657	87,224,138	88,024,806
Benefit Changes	0	0	0	0	0	0	0	0
Difference between expected and actual experience of the Total Pension Liability	(27,961,603)	(1,840,822)	(54,147,539)	(21,651,010)	(17,531,861)	(21,657,289)	(9,639,941)	(76,585,373)
Assumption Changes	82,178,906	158,945,887	427,818,373	(87,015,464)	(144,398,113)	375,371,238	148,114,173	68,228,415
Benefit Payments and Refunds	(91,669,301)	(86,706,382)	(82,250,048)	(75,632,867)	(69,755,566)	(64,541,719)	(61,344,037)	(57,146,704)
<b>Net Change in Total Pension Liability</b>	135,940,078	253,100,939	459,432,426	(13,819,692)	(50,059,780)	449,010,818	221,813,146	77,049,065
<b>Total Pension Liability - Beginning</b>	2,862,456,243	2,609,355,304	2,149,922,878	2,163,742,570	2,213,802,350	1,764,791,532	1,542,978,386	1,465,929,321
<b>Total Pension Liability - Ending</b>	\$ 2,998,396,321	\$ 2,862,456,243	\$ 2,609,355,304	\$ 2,149,922,878	\$ 2,163,742,570	\$ 2,213,802,350	\$ 1,764,791,532	\$ 1,542,978,386
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	\$ 20,294,220	\$ 22,293,664	\$ 25,864,146	\$ 26,109,655	\$ 26,583,162	\$ 27,497,297	\$ 26,728,318	\$ 27,757,980
Contributions - Member	9,077,532	8,949,911	9,098,121	9,274,814	9,583,044	9,538,658	8,376,472	8,179,640
Pension Plan Net Investment Income	232,795,473	61,096,949	26,250,173	84,937,315	99,340,827	44,831,113	1,918,490	111,740,551
Benefit Payments and Refunds	(91,669,301)	(86,706,382)	(82,250,048)	(75,632,867)	(69,755,566)	(64,541,719)	(61,344,037)	(57,146,704)
Pension Plan Administrative Expense	(1,780,707)	(1,932,593)	(2,167,482)	(1,850,762)	(1,811,110)	(1,421,458)	(1,411,562)	(1,323,502)
Other	0	0	0	0	0	0	0	0
<b>Net Change in Plan Fiduciary Net Position</b>	168,717,217	3,701,549	(23,205,090)	42,838,155	63,940,357	15,903,891	(25,732,319)	89,207,965
<b>Plan Fiduciary Net Position - Beginning</b>	947,324,194	943,622,645	966,827,735	923,989,580	860,049,223	844,145,332	869,877,651	780,669,686
<b>Plan Fiduciary Net Position - Ending</b>	\$ 1,116,041,411	\$ 947,324,194	\$ 943,622,645	\$ 966,827,735	\$ 923,989,580	\$ 860,049,223	\$ 844,145,332	\$ 869,877,651
<b>Net Pension Liability - Ending</b>	1,882,354,910	1,915,132,049	1,665,732,659	1,183,095,143	1,239,752,990	1,353,753,127	920,646,200	673,100,735
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	37.22 %	33.09 %	36.16 %	44.97 %	42.70 %	38.85 %	47.83 %	56.38 %
<b>Covered Employee Payroll</b>	\$ 1,586,537,362	\$ 1,662,147,480	\$ 1,682,633,066	\$ 1,689,590,272	\$ 1,746,349,412	\$ 1,725,879,688	\$ 1,506,027,764	\$ 1,496,012,750
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	118.65 %	115.22 %	99.00 %	70.02 %	70.99 %	78.44 %	61.13 %	44.99 %

**Notes to Schedule:**

The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.

The change in the Total Pension Liability due to the change in the Single Discount Rate is included as an assumption change.

Assumption changes for FY2017 include the impact of the new assumptions adopted by the Board effective August 31, 2017.

Assumption changes for FY2020 include the impact of the new assumptions adopted by the Board effective August 31, 2020.

# Schedules of Required Supplementary Information

## Schedule of Employer Contributions

### Law Enforcement and Correctional Officers Supplemental Retirement Fund

FY Ending August 31,	Actuarially	Actual Contribution	Contribution	Covered Payroll	Actual Contribution
	Determined Contribution		Deficiency (Excess)		as a % of Covered Payroll
2014	\$ 40,205,389	\$ 27,757,980	\$ 12,447,409	\$ 1,496,012,750	1.86%
2015	38,131,404	26,728,318	11,403,086	1,506,027,764	1.77%
2016	43,167,243	27,497,297	15,669,946	1,725,879,688	1.59%
2017	45,332,090	26,583,162	18,748,928	1,746,349,412	1.52%
2018	53,560,012	26,109,655	27,450,357	1,689,590,272	1.55%
2019	54,853,838	25,864,146	28,989,692	1,682,633,066	1.54%
2020	56,679,229	22,293,664	34,385,565	1,662,147,480	1.34%
2021	59,019,190	20,294,220	38,724,970	1,586,537,362	1.28%

## Notes to Schedule of Contributions

### Law Enforcement and Correctional Officers Supplemental Retirement Fund

**Valuation Date:**

Actuarially determined contribution rates are calculated as of August 31. Members and employers contribute based on statutorily fixed rates.

A new set of assumptions were adopted for the August 31, 2020 actuarial valuation and were first reflected for the ADEC determined for the fiscal year ending 2021.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	31 years
Asset Valuation Method	Marked to market as of August 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.
Inflation	2.30%
Salary Increases	3.75% to 8.75%
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the 5-year period from September 1, 2014 through August 31, 2019.
Mortality	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020. Rates for male LECO members are set forward one year.

**Other Information:**

Notes  
Members and employers contribute based on statutorily fixed rates. The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.

# Governmental Employer Financial Statements

Pension Expense for Fiscal Year Ending August 31, 2021

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2022

## Law Enforcement and Correctional Officers Supplemental Retirement Fund

1. Service Cost	\$	91,245,661
2. Interest on the Total Pension Liability		82,146,415
3. Current-Period Benefit Changes		0
4. Member Contributions		(9,077,532)
5. Projected Earnings on Plan Investments		(64,069,955)
6. Pension Plan Administrative Expense		1,780,707
7. Other Changes in Plan Fiduciary Net Position		0
8. Recognition of deferred outflows resulting from differences between expected and actual experience		(26,334,961)
9. Recognition of deferred outflows resulting from assumption changes		106,347,730
10. Recognition of deferred outflows resulting from differences between projected and actual earnings on plan investments		(33,193,095)
11. <b>Total Pension Expense</b>	<b>\$</b>	<b>148,844,970</b>

### Recognition of Deferred Outflows and Inflows of Resources

According to paragraph 33 of GASB No. 68, *differences between expected and actual experience and changes in assumptions* are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the 2021 measurement period, the expected remaining service lives of all employees was 297,916 years for LECOSRF. Additionally, the LECOSRF plan membership (active employees and inactive employees) was 75,438. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2021 measurement period is 3.95 years.

Additionally, *differences between projected and actual earnings on pension plan investments* should be recognized in pension expense using a systematic and rational method over a closed five-year period.

For this purpose, the deferred outflows and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period identified above.

# Governmental Employer Financial Statements

## Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods For Fiscal Year Ending August 31, 2021

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2022

### A. New Deferred Outflows and Inflows of Resources by Source Established in Fiscal Year

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 0	\$ 27,961,603	\$ (27,961,603)
2. Assumption Changes	82,178,906	0	82,178,906
3. Net Difference between projected and actual earnings on pension plan investments	0	168,725,518	(168,725,518)
<b>4. Total</b>	<b>\$ 82,178,906</b>	<b>\$ 196,687,121</b>	<b>\$ (114,508,215)</b>

### B. Outflows and Inflows of Resources by Source to be recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 0	\$ 26,334,961	\$ (26,334,961)
2. Assumption Changes	147,777,334	41,429,604	106,347,730
3. Net Difference between projected and actual earnings on pension plan investments	10,385,952	43,579,047	(33,193,095)
<b>4. Total</b>	<b>\$ 158,163,286</b>	<b>\$ 111,343,612</b>	<b>\$ 46,819,674</b>

### C. Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 0	\$ 45,457,306	\$ (45,457,306)
2. Assumption Changes	302,779,102	16,557,596	286,221,506
3. Net Difference between projected and actual earnings on pension plan investments	22,276,386	138,423,777	(116,147,391)
<b>4. Total</b>	<b>\$ 325,055,488</b>	<b>\$ 200,438,679</b>	<b>\$ 124,616,809</b>

### D. Deferred Outflows and Deferred Inflows of Resources by Year to be recognized in Future Pension Expenses

ERS Fiscal Year Ending	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
2022	\$ 158,163,286	\$ 76,926,581	\$ 81,236,705
2023	128,910,744	49,103,400	79,807,344
2024	37,981,458	40,663,596	(2,682,138)
2025	0	33,745,102	(33,745,102)
2026	0	0	0
Thereafter	0	0	0
<b>Total</b>	<b>\$ 325,055,488</b>	<b>\$ 200,438,679</b>	<b>\$ 124,616,809</b>

# Governmental Employer Financial Statements

## Recognition of Deferred Outflows and Inflows of Resources

For Fiscal Year Ending August 31, 2021

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2022

Year Established	Initial Amount	Initial Recognition Period	Current Year Recognition	Remaining Recognition	Remaining Recognition Period
<b>Deferred Outflow (Inflow) due to Differences Between Expected and Actual Experience on Liabilities</b>					
2016	(21,657,289)	4.96	0	0	0.00
2017	(17,531,861)	4.79	(2,891,473)	0	0.00
2018	(21,651,010)	4.94	(4,382,796)	(4,119,826)	0.94
2019	(54,147,539)	4.68	(11,569,987)	(19,437,578)	1.68
2020	(1,840,822)	4.47	(411,818)	(1,017,186)	2.47
2021	(27,961,603)	3.95	(7,078,887)	(20,882,716)	2.95
Total			(26,334,961)	(45,457,306)	
<b>Deferred Outflow (Inflow) due to Assumption Changes</b>					
2016	375,371,238	4.96	0	0	0.00
2017	(144,398,113)	4.79	(23,815,137)	0	0.00
2018	(87,015,464)	4.94	(17,614,467)	(16,557,596)	0.94
2019	427,818,373	4.68	91,414,183	153,575,824	1.68
2020	158,945,887	4.47	35,558,364	87,829,159	2.47
2021	82,178,906	3.95	20,804,787	61,374,119	2.95
Total			106,347,730	286,221,506	
<b>Deferred Outflow (Inflow) due to Differences Between Projected and Actual Earnings on Plan Investments</b>					
2016	21,543,425	5.00	0	0	0.00
2017	(31,952,908)	5.00	(6,390,580)	0	0.00
2018	(17,216,815)	5.00	(3,443,363)	(3,443,363)	1.00
2019	44,407,335	5.00	8,881,467	17,762,934	2.00
2020	7,522,422	5.00	1,504,485	4,513,452	3.00
2021	(168,725,518)	5.00	(33,745,104)	(134,980,414)	4.00
Total			(33,193,095)	(116,147,391)	

# Governmental Employer Financial Statements

## Schedule of Collective Pension Amounts

For Fiscal Year Ending August 31, 2021

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2022

Net Pension Liability	\$ 1,882,354,910
<u>Deferred Outflows of Resources</u>	
Differences Between Expected and Actual Experience	\$ 0
Changes of Assumptions	302,779,102
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>22,276,386</u>
Total Deferred Outflows of Resources Excluding Employer Specific Amounts *	\$ 325,055,488
<u>Deferred Inflows of Resources</u>	
Differences Between Expected and Actual Experience	\$ 45,457,306
Changes of Assumptions	16,557,596
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>138,423,777</u>
Total Deferred Inflows of Resources Excluding Employer Specific Amounts *	\$ 200,438,679
Pension Expense *	\$ 148,844,970

\* Employer specific amounts that are excluded from this schedule are the changes in proportion and differences between employer contributions and proportionate share of contributions as well as the related amortization as defined in paragraphs 54 and 55 of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

# Judicial Retirement System of Texas, Plan 2

GASB Reporting and Disclosure Information for ERS Fiscal  
Year Ending August 31, 2021



November 22, 2021

Board of Trustees  
Employees Retirement System of Texas  
200 East 18th Street  
Austin, TX 78701

**Subject: GASB Reporting and Disclosure Information for ERS Fiscal Year Ending August 31, 2021 – JRS, Plan 2**

Members of the Board,

This report provides information required by Judicial Retirement System of Texas, Plan 2 (JRS-2) in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." Additionally, this report provides information required by the governmental employers participating in JRS-2 in connection with the GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." It is our understanding this information will be used by governmental employers in financial reporting for the fiscal year ending August 31, 2022. The information provided herein was prepared for the purpose of assisting ERS and the governmental employers in the compliance with the financial reporting and disclosure requirements of GASB Statement Nos. 67 and 68.

The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than ERS only in its entirety and only with the permission of ERS.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of August 31, 2021. It is our opinion that the recommended assumptions are internally consistent, reasonable, and comply with the requirements under GASB Statement Nos. 67 and 68.

We have not determined whether the Collective Pension Amounts under GASB Statement No. 68 should be allocated to any of the governmental employers participating in JRS-2. It is our understanding that these allocations will be determined by another state agency, if necessary.

This report is based upon information, furnished to us by ERS, which include benefit provisions, membership information, and financial data. We did not audit this data and information, but we did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided to us by ERS.

Certain tables included in the Required Supplementary Information should include a 10-year history of information. As provided for in GASB Statement Nos. 67 and 68, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB Statement Nos. 67 and 68. The historical information in this report will begin with the information presented for the measurement period ending August 31, 2014.

Paragraph 57 of GASB Statement No. 68 indicates that contributions to the pension plan subsequent to the measurement date of the Net Pension Liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources related to pensions. The information contained in this report does not incorporate any contributions reported to JRS-2 subsequent to August 31, 2021.

This report complements the actuarial valuation report as of August 31, 2021, provided for plan funding purposes, which was also provided to ERS and should be considered together as a complete report for the plan year ending August 31, 2021. Please see the actuarial valuation report as of August 31, 2021 for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of Judicial Retirement System of Texas, Plan 2. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Mr. Falls and Ms. Woolfrey are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

**Gabriel, Roeder, Smith & Company**



R. Ryan Falls, FSA, EA, MAAA  
Senior Consultant



Dana Woolfrey, FSA, EA, MAAA  
Senior Consultant

## Summary of Population Statistics

The total pension liability described in this report is based on the JRS-2 plan membership as of August 31, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	528
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	192
Active Plan Members	<u>584</u>
Total Plan Members	1,304

## Measurement of the Net Pension Liability

The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 4.19% was used to measure the total pension liability as of August 31, 2020. This single discount rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.33%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2041. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2041 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

A single discount rate of 5.27% was used to measure the total pension liability as of August 31, 2021. This single discount rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 1.95%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2051. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2051 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The source of the municipal bond rate as of August 31, 2021 is the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." In describing this index, Fidelity notes that the municipal curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities. The rate shown is as of the last date available on or before the measurement date.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory and appropriated levels and remain a level percentage of payroll.

## Actuarially Determined Contribution

This report presents the Actuarially Determined Contribution (ADC) for the fiscal year ending August 31, 2021. Consistent with the provisions of Section 840.106 of the Texas Government Code, this contribution is the amount necessary to fund the normal cost and to amortize the UAAL as a level percentage of payroll over 31 years.

As noted, the ADC is currently calculated based on a 31-year open amortization period. This means that the ADC will always be calculated with the same 31-year period and the UAAL would never completely be eliminated. Even though the contributions to JRS-2 are not based on this ADC, the Board may want to consider adopting a funding policy that includes an ultimate goal of eliminating the UAAL by a certain date. This type of funding policy will allow the Board to better assess the level of contributions received from the employers and the State.

## Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate as of August 31, 2021. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

<b>1% Decrease</b>	<b>Current Single</b>	<b>1% Increase</b>
<b>4.27%</b>	<b>Rate Assumption</b>	<b>6.27%</b>
<b>4.27%</b>	<b>5.27%</b>	<b>6.27%</b>
\$ 222,841,431	\$ 143,427,730	\$ 75,919,338

# Reconciliation of Plan Net Assets

for Fiscal Year Ending August 31, 2021

## Judicial Retirement System of Texas, Plan 2

	<u>Year Ending August 31, 2021</u>
1. Market value of assets at beginning of year	\$ 477,331,237
2. Revenue for the year	
a. Contributions for the year	
i. State (including membership fees)	\$ 14,321,889
ii. Member (including penalty interest)	8,758,637
iii. Total	<u>\$ 23,080,526</u>
b. Net investment income	\$ 120,145,153
c. Total revenue	\$ 143,225,679
3. Disbursements for the year	
a. Benefit payments and refunds	\$ 35,142,239
b. Administrative expenses	234,946
c. Total expenditures	<u>\$ 35,377,185</u>
4. Increase in net assets (Item 2c - Item 3c)	\$ 107,848,494
5. Market value of assets at end of year (Item 1 + Item 4)	\$ 585,179,731

*This reconciliation only includes the items needed to reconcile the changes in Net Pension Liability during the fiscal year. The Reconciliation of Fiduciary Net Position required by GASB No. 67 may require additional detail regarding the changes throughout the year.*

# Schedules of Required Supplementary Information

## Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

### Judicial Retirement System of Texas, Plan 2

Fiscal year ending August 31,	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>								
Service Cost	\$ 37,433,085	\$ 28,964,664	\$ 16,414,760	\$ 16,056,392	\$ 20,420,118	\$ 19,429,114	\$ 16,243,849	\$ 17,805,095
Interest on the Total Pension Liability	32,799,983	35,248,418	36,102,665	34,439,932	31,671,238	30,980,403	30,785,435	28,003,934
Benefit Changes	0	0	(1,018,699)	0	0	0	0	0
Difference between expected and actual experience of the Total Pension Liability	(1,792,802)	(12,694,951)	26,592,244	(1,462,888)	5,091,349	(5,833,252)	(10,066,767)	(640,016)
Assumption Changes	(86,360,960)	113,895,020	111,655,642	0	(56,699,566)	23,396,407	35,653,448	(25,924,174)
Benefit Payments and Refunds	(35,142,239)	(32,040,794)	(29,220,121)	(24,865,580)	(23,361,377)	(21,154,764)	(19,238,317)	(16,419,717)
<b>Net Change in Total Pension Liability</b>	(53,062,933)	133,372,357	160,526,491	24,167,856	(22,878,238)	46,817,908	53,377,648	2,825,122
<b>Total Pension Liability - Beginning</b>	781,670,394	648,298,037	487,771,546	463,603,690	486,481,928	439,664,020	386,286,372	383,461,250
<b>Total Pension Liability - Ending</b>	<u>\$ 728,607,461</u>	<u>\$ 781,670,394</u>	<u>\$ 648,298,037</u>	<u>\$ 487,771,546</u>	<u>\$ 463,603,690</u>	<u>\$ 486,481,928</u>	<u>\$ 439,664,020</u>	<u>\$ 386,286,372</u>
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	\$ 14,321,889	\$ 14,186,283	\$ 13,100,263	\$ 12,559,722	\$ 12,494,828	\$ 12,374,200	\$ 12,457,095	\$ 12,210,663
Contributions - Member	8,758,637	8,634,071	6,462,797	5,939,830	6,016,757	5,754,349	5,464,997	5,195,121
Pension Plan Net Investment Income	120,145,153	30,632,793	12,832,187	39,191,536	44,875,456	19,861,581	820,005	46,186,114
Benefit Payments and Refunds	(35,142,239)	(32,040,794)	(29,220,121)	(24,865,580)	(23,361,377)	(21,154,764)	(19,238,317)	(16,419,717)
Pension Plan Administrative Expense	(234,946)	(273,365)	(362,663)	(295,903)	(294,991)	(226,106)	(283,609)	(266,846)
Other	0	0	0	0	0	0	0	0
<b>Net Change in Plan Fiduciary Net Position</b>	107,848,494	21,138,988	2,812,463	32,529,605	39,730,673	16,609,260	(779,829)	46,905,335
<b>Plan Fiduciary Net Position - Beginning</b>	477,331,237	456,192,249	453,379,786	420,850,181	381,119,508	364,510,248	365,290,077	318,384,742
<b>Plan Fiduciary Net Position - Ending</b>	<u>\$ 585,179,731</u>	<u>\$ 477,331,237</u>	<u>\$ 456,192,249</u>	<u>\$ 453,379,786</u>	<u>\$ 420,850,181</u>	<u>\$ 381,119,508</u>	<u>\$ 364,510,248</u>	<u>\$ 365,290,077</u>
<b>Net Pension Liability - Ending</b>	143,427,730	304,339,157	192,105,788	34,391,760	42,753,509	105,362,420	75,153,772	20,996,295
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	80.31 %	61.07 %	70.37 %	92.95 %	90.78 %	78.34 %	82.91 %	94.56 %
<b>Covered Employee Payroll</b>	\$ 89,582,518	\$ 88,578,603	\$ 79,710,813	\$ 78,772,445	\$ 78,189,668	\$ 78,260,550	\$ 77,500,736	\$ 77,441,466
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	160.11 %	343.58 %	241.00 %	43.66 %	54.68 %	134.63 %	96.97 %	27.11 %

**Notes to Schedule:**

The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.

The change in the Total Pension Liability due to the change in the Single Discount Rate is included as an assumption change.

Assumption changes for FY2017 include the impact of the new assumptions adopted by the Board effective August 31, 2017.

Assumption changes for FY2020 include the impact of the new assumptions adopted by the Board effective August 31, 2020.

# Schedules of Required Supplementary Information

## Schedule of Employer Contributions

### Judicial Retirement System of Texas, Plan 2

FY Ending August 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 13,448,473	\$ 12,210,663	\$ 1,237,810	\$ 77,441,466	15.77%
2015	13,107,449	12,457,095	650,354	77,500,736	16.07%
2016	12,895,678	12,374,200	521,478	78,260,550	15.81%
2017	12,444,384	12,494,828	(50,444)	78,189,668	15.98%
2018	12,934,435	12,559,722	374,713	78,772,445	15.94%
2019	13,056,631	13,100,263	(43,632)	79,710,813	16.43%
2020	16,342,752	14,186,283	2,156,469	88,578,603	16.02%
2021	21,383,347	14,321,889	7,061,458	89,582,518	15.99%

## Notes to Schedule of Contributions

### Judicial Retirement System of Texas, Plan 2

**Valuation Date:** Actuarially determined contribution rates are calculated as of August 31. Members and employers contribute based on statutorily fixed rates.

A new set of assumptions were adopted for the August 31, 2020 actuarial valuation and were first reflected for the ADEC determined for the fiscal year ending 2021.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	31 years
Asset Valuation Method	Marked to market as of August 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.
Inflation	2.30%
Salary Increases	2.3% plus service-based increases at four and eight years of service
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the 5-year period from September 1, 2014 through August 31, 2019.
Mortality	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020.

**Other Information:**

**Notes** Members and employers contribute based on statutorily fixed rates. The covered employee payroll is the actual annual payroll for the fiscal year as reported by ERS.

# Governmental Employer Financial Statements

Pension Expense for Fiscal Year Ending August 31, 2021

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2022

## Judicial Retirement System of Texas, Plan 2

1. Service Cost	\$	37,433,085
2. Interest on the Total Pension Liability		32,799,983
3. Current-Period Benefit Changes		0
4. Member Contributions		(8,758,637)
5. Projected Earnings on Plan Investments		(32,982,804)
6. Pension Plan Administrative Expense		234,946
7. Other Changes in Plan Fiduciary Net Position		0
8. Recognition of deferred outflows resulting from differences between expected and actual experience		3,976,598
9. Recognition of deferred outflows resulting from assumption changes		40,233,153
10. Recognition of deferred outflows resulting from differences between projected and actual earnings on plan investments		(17,122,090)
11. <b>Total Pension Expense</b>	<b>\$</b>	<b>55,814,234</b>

### Recognition of Deferred Outflows and Inflows of Resources

According to paragraph 33 of GASB No. 68, *differences between expected and actual experience* and *changes in assumptions* are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the 2021 measurement period, the expected remaining service lives of all employees was 4,500 years for JRS-2. Additionally, the JRS-2 plan membership (active employees and inactive employees) was 1,241. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2021 measurement period is 3.63 years.

Additionally, *differences between projected and actual earnings on pension plan investments* should be recognized in pension expense using a systematic and rational method over a closed five-year period.

For this purpose, the deferred outflows and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period identified above.

# Governmental Employer Financial Statements

## Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods For Fiscal Year Ending August 31, 2021

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2022

### A. New Deferred Outflows and Inflows of Resources by Source Established in Fiscal Year

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 0	\$ 1,792,802	\$ (1,792,802)
2. Assumption Changes	0	86,360,960	(86,360,960)
3. Net Difference between projected and actual earnings on pension plan investments	0	87,162,349	(87,162,349)
<b>4. Total</b>	<b>\$ 0</b>	<b>\$ 175,316,111</b>	<b>\$ (175,316,111)</b>

### B. Outflows and Inflows of Resources by Source to be recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 8,033,911	\$ 4,057,313	\$ 3,976,598
2. Assumption Changes	64,024,052	23,790,899	40,233,153
3. Net Difference between projected and actual earnings on pension plan investments	4,804,234	21,926,324	(17,122,090)
<b>4. Total</b>	<b>\$ 76,862,197</b>	<b>\$ 49,774,536</b>	<b>\$ 27,087,661</b>

### C. Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 2,490,511	\$ 7,241,234	\$ (4,750,723)
2. Assumption Changes	63,769,735	62,570,061	1,199,674
3. Net Difference between projected and actual earnings on pension plan investments	10,253,585	71,305,398	(61,051,813)
<b>4. Total</b>	<b>\$ 76,513,831</b>	<b>\$ 141,116,693</b>	<b>\$ (64,602,862)</b>

### D. Deferred Outflows and Deferred Inflows of Resources by Year to be recognized in Future Pension Expenses

ERS Fiscal Year Ending	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
2022	\$ 48,043,147	\$ 46,669,090	\$ 1,374,057
2023	27,825,564	44,283,254	(16,457,690)
2024	645,120	32,731,880	(32,086,760)
2025	0	17,432,469	(17,432,469)
2026	0	0	0
Thereafter	0	0	0
<b>Total</b>	<b>\$ 76,513,831</b>	<b>\$ 141,116,693</b>	<b>\$ (64,602,862)</b>

# Governmental Employer Financial Statements

## Recognition of Deferred Outflows and Inflows of Resources

For Fiscal Year Ending August 31, 2021

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2022

Year Established	Initial Amount	Initial Recognition Period	Current Year Recognition	Remaining Recognition	Remaining Recognition Period
<b>Deferred Outflow (Inflow) due to Differences Between Expected and Actual Experience on Liabilities</b>					
2017	5,091,349	3.42	0	0	0.00
2018	(1,462,888)	3.44	(187,111)	0	0.00
2019	26,592,244	3.31	8,033,911	2,490,511	0.31
2020	(12,694,951)	3.76	(3,376,317)	(5,942,317)	1.76
2021	(1,792,802)	3.63	(493,885)	(1,298,917)	2.63
Total			3,976,598	(4,750,723)	
<b>Deferred Outflow (Inflow) due to Assumption Changes</b>					
2017	(56,699,566)	3.42	0	0	0.00
2018	0	3.44	0	0	0.00
2019	111,655,642	3.31	33,732,823	10,457,173	0.31
2020	113,895,020	3.76	30,291,229	53,312,562	1.76
2021	(86,360,960)	3.63	(23,790,899)	(62,570,061)	2.63
Total			40,233,153	1,199,674	
<b>Deferred Outflow (Inflow) due to Differences Between Projected and Actual Earnings on Plan Investments</b>					
2017	(14,591,687)	5.00	(2,918,335)	0	0.00
2018	(7,877,595)	5.00	(1,575,519)	(1,575,519)	1.00
2019	20,795,557	5.00	4,159,112	8,318,221	2.00
2020	3,225,608	5.00	645,122	1,935,364	3.00
2021	(87,162,349)	5.00	(17,432,470)	(69,729,879)	4.00
Total			(17,122,090)	(61,051,813)	

# Governmental Employer Financial Statements

## Schedule of Collective Pension Amounts

For Fiscal Year Ending August 31, 2021

To be used for Governmental Employer Reporting for Fiscal Year Ending August 31, 2022

Net Pension Liability	\$	143,427,730
<u>Deferred Outflows of Resources</u>		
Differences Between Expected and Actual Experience	\$	2,490,511
Changes of Assumptions		63,769,735
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		10,253,585
Total Deferred Outflows of Resources Excluding Employer Specific Amounts *	\$	76,513,831
<u>Deferred Inflows of Resources</u>		
Differences Between Expected and Actual Experience	\$	7,241,234
Changes of Assumptions		62,570,061
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		71,305,398
Total Deferred Inflows of Resources Excluding Employer Specific Amounts *	\$	141,116,693
Pension Expense *	\$	55,814,234

\* Employer specific amounts that are excluded from this schedule are the changes in proportion and differences between employer contributions and proportionate share of contributions as well as the related amortization as defined in paragraphs 54 and 55 of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.



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