



Special Budget Report #1 to RSEA Members
As of February 28, 2025

Dear RSEA Members,

I hope your 2025 has been going well so far. Foremost, please accept my appreciation for your membership in RSEA. It is always an honor to be of service to you, and following the Legislature is always one of our top priorities.

When it comes to priorities, the most important responsibility of the Texas Legislature is to write a state budget every two years. RSEA pays attention to how that budget potentially affects State government retirees, especially our RSEA membership. Today is the 46th day of the 89th Regular Session of the Texas Legislature. It is from this perspective that the following report has been prepared and I hope it is both informative and helpful to each of you, ***especially in terms of how the various budget proposals may affect you.***

Introduction

This is our first special budget report for 2025 ***exclusively for RSEA members.*** We'll be providing periodic updates throughout the legislative session. This first report is a little more comprehensive, thus longer and more detailed than will be the usual, and is intended to be a good starting base for reference as the session progresses. Here are the highlights up to this point.

Legislative Budget Highlights To This Point (as of February 28, 2025)

The bottom line message as of today is all introductory budget hearings have been held in both houses. For a summary of RSEA's overall assessment so far, you may go directly to item 9 below.

Here are the detailed highlights so far.

1. The 140-day regular session of the legislature commenced on Tuesday, January 14th, at "high noon" per the Texas Constitution and will end at midnight, Monday, June 2nd.
2. With the election of a new Speaker of the House of Representatives, State Representative Dustin Burrows (House District 83) on the first day of the Session, the State leadership including Governor Greg Abbott and Lieutenant Governor Dan Patrick is in place.
3. Soon after convening, the Senate committee appointments were announced by Lt. Governor Patrick, including the Senate Finance Committee. Senator Joan Huffman (Senate District 17) continues as Chair of the Finance Committee.

The new Speaker's appointments to House committees were announced a month later, on February 13, including the House Appropriations Committee. Speaker Burrows chose to retain State Representative Greg Bonnen, M.D., (House District 24) as Chair of the Committee. ***Of importance to RSEA***, by returning Dr. Bonnen as Chair, there is

continuity in that committee's leadership, as he worked closely with Senator Huffman on state retirement matters over the last three sessions.

*(Note: An easy way to view the complete lists of all Senate and House committee assignments can be found at the Legislature's primary website, known as and easily found online at "**Texas Legislature Online.**")*

4. The 2026-27 Biennial Budget Recommendations, also generally known as "the base bill" and developed by the legislative Budget Board (LBB), were released on January 22. Finance Chair Huffman immediately introduced Senate Bill 1 as the LBB base budget and the Senate's version of the "general appropriations bill" for the coming two-year biennium beginning September 1, 2025.

(Note: The LBB is comprised of 10 legislators, including: Lt. Governor, Speaker, four Senators, and four members of the House of Representatives. They are supported by a full-time, year-round professional staff who are commonly, casually also referred to as "LBB.")

5. ***Of importance to State retirees and RSEA members***, the base bill provides "full funding" for the Employees Retirement System of Texas (ERS), for the first time in a long time. This includes the following two key funding initiatives:

- ☐ \$1.2 billion (\$510 million General Revenue per year) in Legacy Payments for the ERS "main pension fund." This is the 3rd biennium of this increased level of legislative payments into the pension fund, and, at this pace, the fund is projected to be 100% funded by the year 2046, an improvement from 2054 before the 2026-27 biennium base bill was introduced; and,
- ☐ An infusion of new dollars totaling a biennial amount of \$350 million General Revenue into the ERS health insurance reserve fund. This would cover an 8% per year (meaning, 8% in 2026 and another 8% in 2027 which equals 16% over the biennium) to respond to inflationary pressures on health insurance costs and premiums for retirees and their dependents/beneficiaries, as well as active employees.

Insurance premiums for individual retirees and individual current employees will remain fully funded at 100% monthly per the long-standing policy, and the cost-share for dependents will remain at 50% monthly, also per long standing policy. Thus, premiums for retirees remain at \$0, and deductions for dependents' premiums ***could*** increase over the biennium up to 8% in 2026 and 16% in 2027, again at the 50-50 cost-share.

In total, with these two important items, the base bill includes a little more than \$1.5 billion General Revenue combined total for both the ERS pension fund and health insurance, not an insignificant budget outlay of new dollars within the overall state budget.

6. Additionally, on the same day SB 1 was introduced (January 22) in the Senate, both Senator Huffman and Lt. Governor Patrick issued separate press statements, each committing an additional \$1 billion General Revenue for yet another Legacy Payment to the ERS main fund as a priority funding item (meaning not-yet-funded) for potential inclusion in the upcoming, yet-to-be-introduced “2025 supplemental appropriations bill” (i.e. items to be funded for this year through August 31, 2025), with the intent to further accelerate the reduction in the main fund’s unfunded liability (UL) another two years to 2044 (instead of 2046 as provided in the base bill).

This advance payment is also projected to achieve a savings of an additional estimated \$2.7 billion dollars in interest payment charges over the life of the pension fund’s remaining unfunded liability.

Similarly, the Governor's “policy budget,” released by Governor Abbott on February 2, has stated the Governor’s support of “an additional legacy payment to help reduce the unfunded liability and the associated interest payments.”

7. **Special Cautionary Note to RSEA Members.**

Please know we are concerned that none of these funding proposals, as they have been introduced, includes any annuity adjustment for state retirees, either as a “13th Check” for all ERS retirees (estimated one-time cost is \$256 million), or anything similar to the very limited, one-time cost-of-living adjustment (COLA) recently implemented in January 2025 (under the statutory provisions of Texas Government Code 814.604) and which was limited to only 23% of all ERS retirees.

8. To start this Session’s budget discussions, the Senate Finance Committee had its first budget hearing on the ERS budget on January 29, and I testified at the public hearing on behalf of RSEA. *(For details on my testimony, see item #9 below.)*

Appropriations Chair Bonnen has introduced House Bill 1, as the House version of the base bill and the general appropriations bill for the 2026-27 biennium.

Last week (February 19), among its first budget hearings, the full **House Appropriations Committee** heard from ERS on the HB1 budget proposals but there was no public testimony taken.

During the hearing, *Committee Member State Representative Donna Howard (House District 148) asked very relevant questions about potential funding for a one-time “true*

13th Check” for State retirees, to which the ERS response was \$256 million General Revenue.

Then, on Monday of this week, February 24, the Appropriations “budget subcommittee on Articles I, IV, and V,” with jurisdiction over the ERS budget, heard from ERS and also took public testimony and I testified at the public hearing on behalf of RSEA. (***For details on my testimony, see item #9 below.***)

Again, Subcommittee Chair, Representative Mary Gonzalez (House District 75) also showed interest in funding for a 13th Check for retirees and asked for more information after the hearing, and we are following up. (Note: Rep. Gonzalez has also returned as Vice Chair of the full Appropriations Committee.)

9. At this early stage of the legislative budget process, **RSEA's overall assessment of all the proposals as of now and my testimony on them, can be summarized as follows:**

☐ Overall, RSEA **appreciates:**

- The Legislature’s boosting of ERS pension support beginning back in 2021 and continuing up to now with another biennial legacy payment of \$1 billion for the upcoming 2026-2027 biennium; both SB1 and HB1, would make this the third successive biennium with this increased funding level.
- LBB’s funding the ERS \$350 million exceptional item for health insurance in the base bill which is now included in SB1 and HB1. Any increases to retirees in health insurance costs or diminution in the value of health insurance benefits, constitutes essentially a reduction in a retiree’s monthly annuity.
- The press statements of both Senator Huffman and Lt. Governor Patrick targeting an additional \$1 billion for the ERS main pension fund for potential inclusion in the supplemental appropriation bill.
- The recent (January 2025) ***very limited annuity*** adjustment thanks to leadership efforts provided twelve years ago (2013, *Texas Government Code 814.604*) by former senators Kirk Watson and Robert Duncan. We acknowledge this was limited to the ***lesser*** of 3% or \$100 per month to hold down on-going costs to the ERS main pension fund, and ***only 23% of all current State retirees were eligible*** for it, i.e., only those who had been retired for 20 years or more as of December 31, 2024.

(Note: Long-time RSEA members will recall that former Senator Duncan was the first recipient of RSEA's Senator A. M. Aikin, Jr., Memorial Retired State Employees Public Service Award)

- ☐ As a reminder, in 2021, RSEA supported the passage of SB 321 (Huffman, Bonnen) which established the basis for the Legacy Payments into the ERS main fund and also created the new Group 4 cash balance plan for new state employees beginning September 1, 2022. ERS has now reported that employees under the new Group 4 during each of the first two years of its existence have realized the annual “gain sharing” benefit. *RSEA considers this to be akin to “a 13th check.”*
- ☐ RSEA also **acknowledges** that the recent pattern of increased Legislative funding has helped change the previous narrative that the Legislature was underfunding ERS, but there have still been no annuity adjustments since 2002.
- ☐ Thus, RSEA **maintains** that, in spite of this recent progress, there remains more work to be done especially considering retirees have experienced a loss of more than 45+% in purchasing power over the last 20+ years since 2002.
- ☐ Therefore, RSEA **suggests and requests** the following actions for consideration of the budget-writers in both the Senate and House:
 1. **Consider strategies to help State Retirees recover** from the significant (45+%) loss in purchase power over the last 20+ years, especially long-time retirees.
 2. **Ensure there is in place a systematic plan to keep retirees from getting behind again** through future on-going support from one legislative session to the next session until the ERS main fund is 100% funded (now potentially 2044) and/or otherwise sufficiently financially secure to provide periodic annuity enhancement(s) for retirees.
 3. Consider using the statutory framework of the recent, January 2025 (Texas Government Code 814.604), one-time, limited annuity adjustment or cost-of-living-adjustment, as a model for a meaningful future adjustment for all State Retirees, without unnecessarily burdening on-going costs to the ERS main pension fund.
 4. **Finally and most importantly, provide, either in SB1/HB1 for the 2026-27 biennium and/or in the upcoming supplemental appropriations bill for 2025, a General Revenue appropriation for a 13th Check for all State Retirees, at an estimated one-time cost of \$256 million.**

*Moreover, considering the almost 50% loss in purchase power over the last 20+ years, the equivalent of two such 13th Checks would be a meaningful step toward recovery of some of that lost purchase power. The method of calculating a “**true 13th Check**,” would be 1/12 of the annual amount of the retiree’s total annuity, or simply the equivalent of one more check for the year which would approximate an 8% one-time enhancement as contrasted with the double-digit loss in purchase power.*

Closing and Call for Action for RSEA Members

I hope the information in this Special Budget Report #1 is both helpful and informative for all RSEA members. We will continue to visit with legislators about our priorities, especially with the budgets under consideration.

If you would like to help us get out our message, now is the optimum time in the process. I certainly urge you to contact your own State Senator and State Representative. If you need information on your own Senator and State Representative, you may simply search “Who Represents Me,” on the web.

As always, if you have comments, questions, or suggestions, please contact the RSEA Office and we’ll get back to you.

You may expect to receive future reports which build upon this first budget report. Those reports will be sent primarily via email since timeliness is important. *So, if we don’t have an email address for you, please notify the RSEA office.*

Thanks again very much for your membership and support.

Sincerely,



President
Retired State Employees Association



Special Budget Report #2 - Conference Committee
Exclusive to RSEA Members
As of April 21, 2025 (Texas Battle of San Jacinto 1836)

Dear RSEA Members,

With the passage of the House version of the general appropriations bill (SB 1) for the upcoming 2026-27 biennium in the early morning hours of Friday, April 11, the next step in the budget process has commenced - the joint House-Senate conference committee on appropriations. Comprised of 10 members, five from each house, the primary job of the conference committee is to reconcile the differences between the two versions of the bill. And, subject to final approval from each house, the committee may also propose new budget items it deems a priority, subject to available funds. **RSEA is advocating a 13th check or one-time annuity enhancement for all ERS retirees as one of those budget items.**

RSEA's attention will now focus on the conference committee, especially since the House version of the bill (SB 1) includes only a "wish list" item, i.e., it's not funded, in its Article 11 for a one-time enhancement of retirement annuities or 13th check; and the Senate-passed version of SB 1 is silent on the subject.

We are also focusing on House Bill 500, the supplemental appropriations bill for the remainder of the 2025 fiscal year (ending August 31, 2025). The House-passed version of HB 500 (also passed on April 11, and now in the Senate Finance Committee) also contains no direct appropriation for a 13th check or one-time annuity enhancement for retirees.

Regarding HB 500, you may view my testimony before the House Appropriations Committee on March 31st to see our basic message at this point. You can view

this testimony on the RSEA website homepage at www.rseaoftx.com for a "live" viewing link.

The 10 members of the appropriations conference committee are:

State Senators - Joan Huffman, Co-Chair

Brandon Creighton, Lois Kolkhorst, Robert Nichols, Charles Schwertner

State Representatives - Greg Bonnen, Co-Chair

Mary Gonzalez, Stan Kitzman, Angelia Orr, Armando Walle

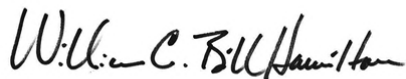
Can you help? The answer is most certainly, "Yes," and here's how.

The best opportunity is if you are a constituent living in the district of any of these 10 legislators. If so, I encourage you to communicate directly with your Senator/State Representative either by email or phone call to either their Capitol or district office. A simple message of: (a) how long you've been retired, (b) that you are an RSEA member, and (c) urging their support of a one-time enhancement to retirees annuities or 13th check to be included either in SB 1 or HB 500. In any event, optimum timing for any message along these lines **begins now**, during the next week-to-10 days, **as the conference committee is in the early stages of its work.**

Thanks as always for your membership in RSEA and for your support of our legislative efforts, especially at this critical stage during the legislative session.

As always, if you have any comments or questions, please feel free to contact me.

Sincerely and with appreciation,



William C. (Bill) Hamilton

President

Retired State Employees Association