Texas State Employees Union

Communications Workers of America, Local 6186 / AFL-CIO

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To Whom It May Concern,

The Texas State Employees Union, Texas American Federation of Teachers, Communications Workers of America, Service Employees International Union Texas, Southwest Regional Joint Board, Workers United aw SEIU, and Texas State Teachers Association are strongly opposed to the cash balance plan laid out in SB 321.

The defined benefit pension plans that ERS and TRS currently provide are the bedrock of public employee benefits in Texas. All of the undersigned unions oppose any changes from the current defined benefit plans to a cash balance plan and agree that converting to a cash balance plan would hurt workers.

The current defined benefit plan in ERS has continued to function as intended and there is no need to convert it to a cash balance plan. A cash balance plan is similar to a defined contribution plan. The proposed cash balance plan will include a lifetime annuity but it will yield a wide range of annuity amounts for employees. Contributing factors such as age, when market highs and lows occur, and length of participation make it much more difficult for workers to anticipate and plan for their retirement. A cash balance plan is a less secure retirement that will leave retirees exposed to more risk and a less reliable annuity.

Public employees provide desperately needed service to Texas, often making salaries far less than comparable positions in the private sector. One way that Texas is able to recruit and retain public servants is the promise of a secure retirement under a defined benefit plan. Converting the plan will undermine the ability of Texas to recruit and retain qualified staff.

ERS needs additional funding to bring it to actuarial soundness. The current real cost of the ERS plan is only 14.5% of payroll, far under the current combined contribution of 19.5%. Decades of underfunding by the legislature has contributed to the accrual of an unfunded liability. Current state employees already shoulder an unfair amount of this burden and new employees should not face a benefit cut to address a problem that was not of their creation. The Legislature's proposed $510 million increase in funding is the fulfilment of a past obligation and should not be contingent on any benefit restructure.

We know that any movement away from ERS' defined benefit plan could be the first step in a gradual erosion of public employee pensions across Texas. Furthermore, any legislation that would impact ERS needs thorough consideration by the legislature and stakeholders. The introduction of a major overhaul of the second largest pension program in Texas with less than 40 days left in the legislative session is irresponsible and unfair to hundreds of thousands of current and future state employees who commit their lives to serving Texans on the frontlines.

For these reasons, we are strongly opposed to the cash balance plan laid out in SB 321. We urge the Legislature to fulfill their promise to current and future state employees by addressing the current unfunded liability while continuing to evaluate methods to maintain the current defined benefit structure.

In Solidarity,

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TSEU PRESIDENT

OVIDIA MOLINA,
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