

Overview

The Employees' Retirement System of Texas (ERS) was established by the Legislature in 1947. It gives public employers in Texas a cost-effective way to provide a retirement benefit that would help attract and keep quality employees in public service. Today, the system provides a defined benefit (DB) pension and disability benefits for its 137,861 active state employees, law enforcement and custodial officers, elected state officials, and judges.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k), generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees contribute 6.5% of salary to ERS.
- Employers contribute 6.95% to the fund.
- Each dollar invested by Texas taxpayers in ERS supported \$6.91 in total economic activity in the state.



▶ Key Texas ERS Data¹

The chart below summarizes the key data for the ERS Employees Retirement Fund, as of August 31, 2011:

Total active employees	132,293
Total retired members	83,430
Average annual retirement pension benefit*	\$28,243
Employer contribution rates	6.95%
Employee contribution rates	6.5%
Net assets	\$24.0 billion
Funded ratio	84.5%
Unfunded actuarial accrued liability	\$4.4 billion
* Ten year average for the period September 30, 2011, to August 31, 2011, among employees with 25-30 years of credited service.	

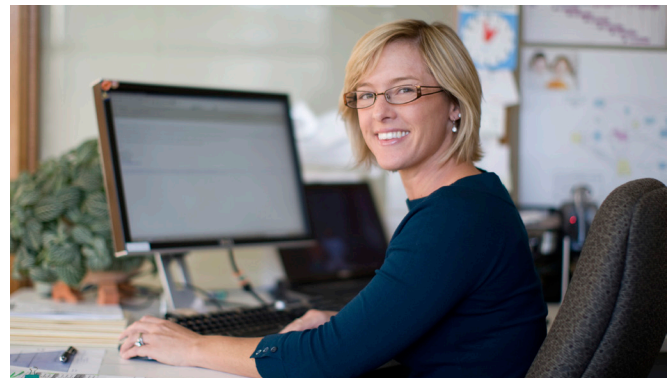
▶ The Economic Impact of Texas Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to Texas communities and the state economy. Within the state of Texas, 2012 expenditures stemming from state and local pensions supported:

- 146,387 jobs that paid \$7.5 billion in wages and salaries
- \$23.7 billion in total economic output
- \$3.0 billion in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.51 in total economic activity in Texas.

Each dollar “invested” by Texas taxpayers in these plans supported \$6.91 in total economic activity in the state.



¹ All data, unless otherwise noted, as of August 31, 2011.

² Rhee, N. 2014. *Pensionomics 2014: Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Employees' Retirement System of Texas (ERS)**. ERS provides retirement benefits for state employees, law enforcement and custodial officers, elected state officials, and judges. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$6.91 The total economic activity in Texas for each dollar invested by Texas taxpayers in ERS.

\$23.7 billion Total economic output in Texas created in 2012 by public sector retirees spending their pension income.

\$3.0 billion Federal, state and local tax revenues generated by spending of Texas public pension income.

146,387 Jobs created from pension income spending by Texas state and local government retirees.

137,861 Total active members of the Employees' Retirement System of Texas.

\$28,243 Average annual pension benefit for a retiree with 25-30 years of service.

6.5% Percentage of salary that ERS employees contribute from every pay-check to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

69% Percentage of pre-retirement income replaced by the defined benefit (DB) plan for a new employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

4.7 million Older households across the country avoiding "poor" or "near poor" classification due to their pension income

\$1.22 million Older households across the country avoiding mean-tested public assistance due to their pension income.

All data comes from either ERS or the National Institute on Retirement Security.

Overview

The Teacher Retirement System of Texas (TRS) was established in 1937. It gives public employers in Texas a cost-effective way to provide a retirement benefit that would help attract and keep quality employees in public service. Today, the system provides a defined benefit (DB) pension to just over 1 million active employees of public education institutions throughout Texas.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees contribute 6.4% of salary to TRS.
- Employers contribute 6.644% to the fund.
- Each dollar invested by Texas taxpayers in TRS supported \$691 in total economic activity in the state.



▶ Key Texas TRS Data¹

The chart below summarizes the key data for Texas TRS, as of August 31, 2011:

Total active employees	1,003,886
Total retired members	312,680
Average annual retirement pension benefit*	\$31,986
Employer contribution rate	6.644%
Employee contribution rate	6.4%
Net assets	\$115.3 billion
Funded ratio	82.7%
Unfunded accrued liability	\$24 billion

*Among 2011 retirees with 26-30 years of credited service.

▶ The Economic Impact of Texas Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to Texas communities and the state economy. Within the state of Texas, 2012 expenditures stemming from state and local pensions supported:

- 146,387 jobs that paid \$7.5 billion in wages and salaries
- \$23.7 billion in total economic output
- \$3.0 billion in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.51 in total economic activity in Texas.

Each dollar “invested” by Texas taxpayers in these plans supported \$6.91 in total economic activity in the state.



¹ All data, unless otherwise noted, as of August 31, 2011.

² Rhee, N. 2014. *Pensionomics 2014: Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Teacher Retirement System of Texas (TRS)**. TRS provides retirement benefits for all employees of public, state-supported educational institutions in Texas. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$6.91 The total economic activity in Texas for each dollar invested by Texas taxpayers in TRS.

\$23.7 billion Total economic output in Texas created in 2012 generated by public sector retirees spending their pension income.

\$3.0 billion Federal, state and local tax revenues generated by spending of Texas public pension income.

146,387 Jobs created from pension income spending by Texas state and local government retirees.

1 million Total active members of the Teacher Retirement System of Texas.

\$31,986 Average annual retirement pension income.

6.4% Percentage of salary that TRS employees currently contribute from every pay-check to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

69% Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

2,409 The number of teachers retained each year solely due to the defined benefit (DB) plan.

\$27.2 million Teacher turnover cost savings generated by the retention affect of the defined benefit (DB) pension.

All data comes from either TRS or the National Institute on Retirement Security.



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Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."¹

Key Facts

- Teachers contribute 6.4% of salary out of each paycheck to the pension fund. Nationally, the median employee contribution rate is 5%.
- The average retirement benefit is \$31,986 per year, or \$2,666 per month, for retirees with 26-30 years of service.
- TRS covers over 1 million active school employees and 312,680 retired school employees and beneficiaries.
- Teachers are paid 14.3% less than comparable private sector workers.
- The TRS pension replaces 69% of pre-retirement income for a teacher with 30 years of service.
- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.²

All public school teachers in Texas have pension coverage through the Teacher Retirement System of Texas (TRS). TRS members do not participate in Social Security.

TRS covers just over 1 million employees of public, state-supported educational institutions, and 312,680 retired school employees and beneficiaries. Texas teachers contribute 6.4% out of each of their paycheck to the pension fund. Among 2011 retirees with 26-30

years of service, the average retirement benefit was \$31,986 per year, or \$2,666 per month.

The TRS pension replaces 69% of pre-retirement income for a teacher with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement. TRS members do not participate in Social Security.

▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.³ More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.⁴ Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 83% of Americans indicated that those with pensions are more likely to have a secure retirement, and 81% believe all workers should have access to a pension plan.⁵

▶ Pensions Help Retain Quality Teachers in Texas⁶

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In Texas:

- The cost of turnover in Texas is \$11,270 per teacher.
- 2,409 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved \$27.2 million in teacher turnover costs in 2003 in school districts across the state.

About NRTA

NRTA: AARP's *Educator Community* is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.



^{1,2} Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

³ Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

⁴ Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide*. Washington, DC: Economic Policy Institute.

⁵ Perlman, B., K. Kenneally, and I. Boivie. 2011. *Pensions and Retirement Security 2011: A Roadmap for Policy Makers*. Washington, DC: National Institute on Retirement Security.

⁶ Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.