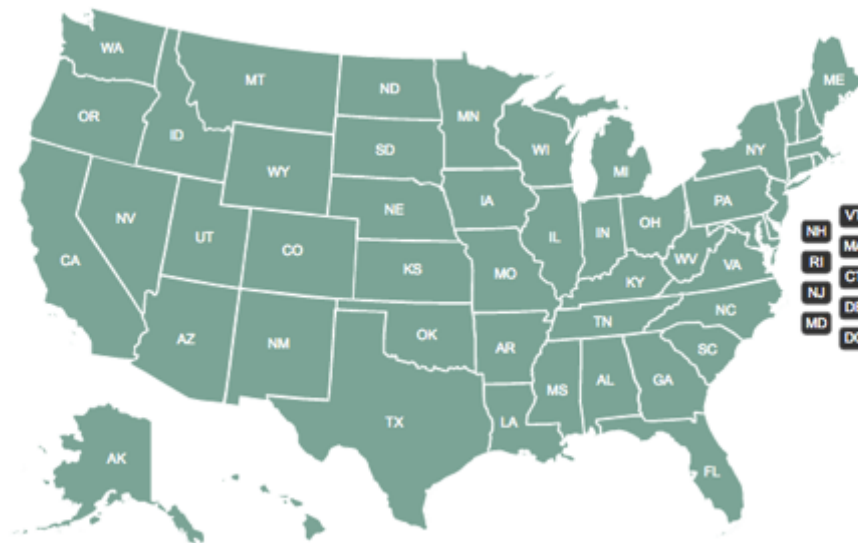


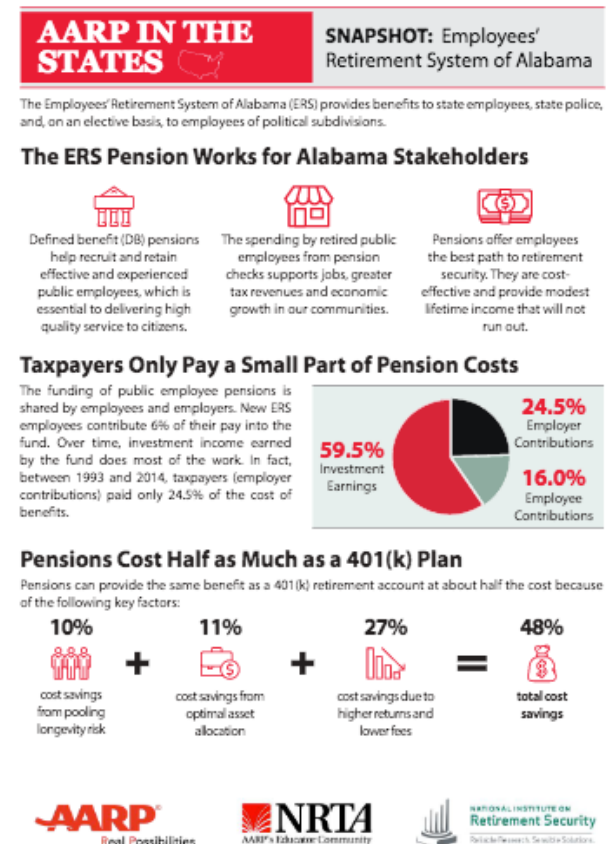
Public Pension State Fact Sheets



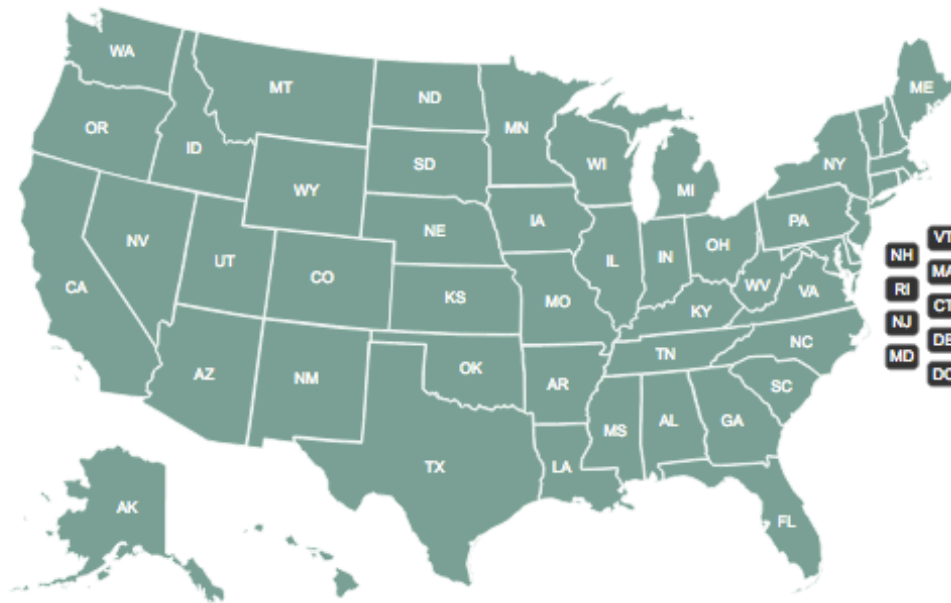
NATIONAL INSTITUTE ON
Retirement Security
Reliable Research. Sensible Solutions.

Why Fact Sheets?

- Update to previous fact sheets.
- Simpler “infographic” format.
- Education tool for plan participants, policymakers and stakeholders on complex pension issues, funding and benefits.



Interactive U.S Map to Download Fact Sheets



NOTE: Guam, Puerto Rico and the U.S. Virgin Islands are not included in this study.



<https://www.nirsonline.org/resources/nirs-fact-sheets/>

Up to 5 Fact Sheets for States

*Fewer for some states depending on state

AARP IN THE STATES

SNAPSHOT: Employees' Retirement System of Texas

AARP IN THE STATES

BY THE NUMBERS: Employees' Retirement System of Texas

AARP IN THE STATES

SNAPSHOT: Teacher Retirement System of Texas

AARP IN THE STATES

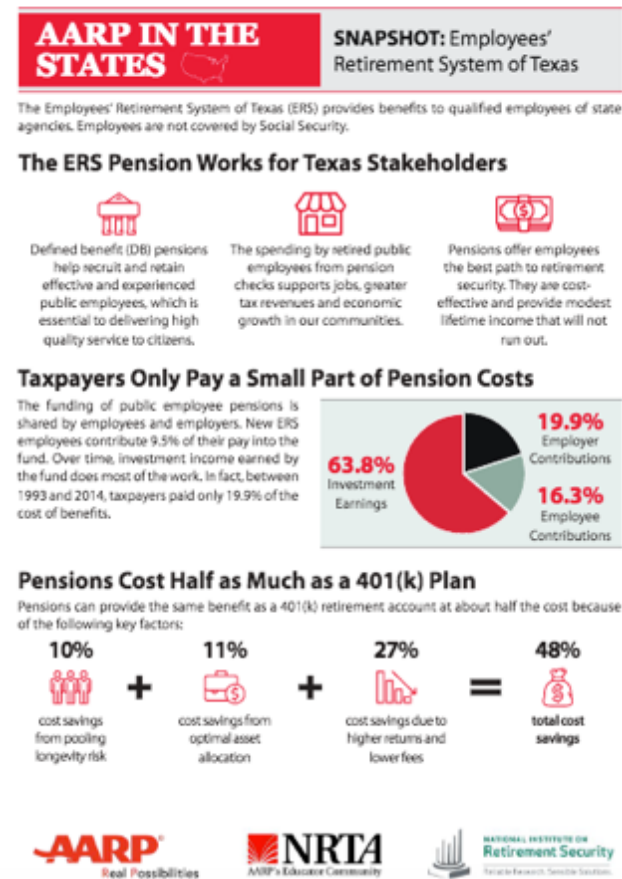
BY THE NUMBERS: Teacher Retirement System of Texas

AARP IN THE STATES

Why Pensions Work
for Texas and Teachers

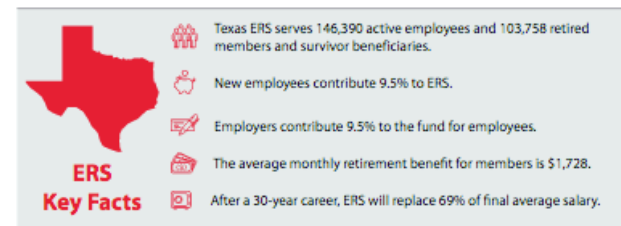
Fact Sheet 1 – Snapshot State Retirement System

- How does the retirement system help stakeholders?
- Where does the money to fund the retirement system come from?
- How much savings come from a DB pension?



Fact Sheet 1 –*Snapshot State Retirement System*

- Retirement system key facts.
- Funding history
 - Money system holds
 - System contributions history
- Summary of pension changes.
- State *Pensionomics* data.



Historical ERS Funding Experience

Texas established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2016 year, ERS had \$26.6 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund becomes financially sound over time.

Texas Paid 72.7% of Weighted Average Percent of ADC from FY2001-FY2015 for ERS



Texas Made Plan Changes to ERS in Recent Years

Following the global stock market crash in 2008-2009, Texas policymakers proactively made changes to ERS to ensure long-term sustainability. These included:

- For new employees in Groups 2 and 3, their ERS benefits are lowered due to expanding the calculation of average final salary and a reduction in early retirement benefits.
- Employee contributions increased up to 9.5% of salary and future contributions will increase with employer cost.

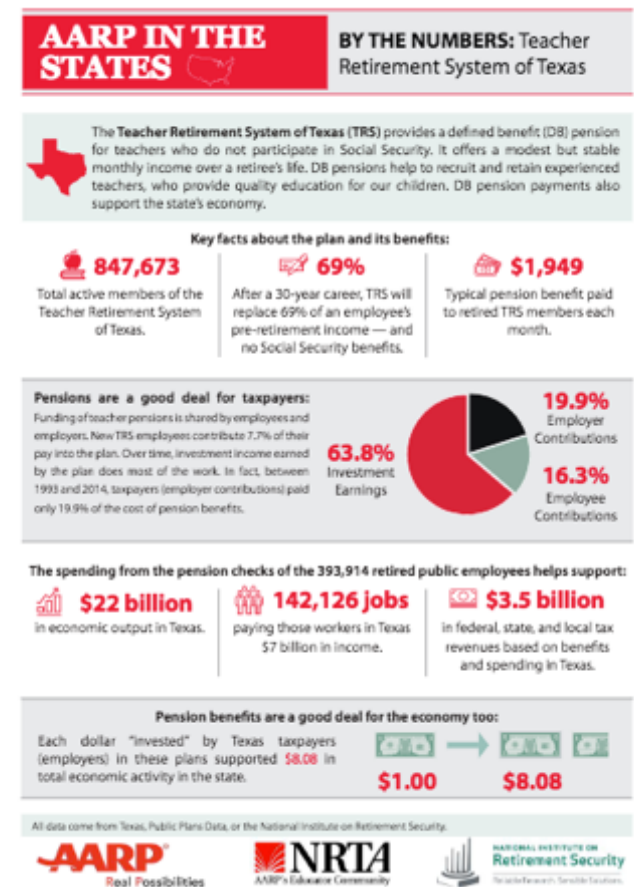
The Economic Impact of Texas Pensions:



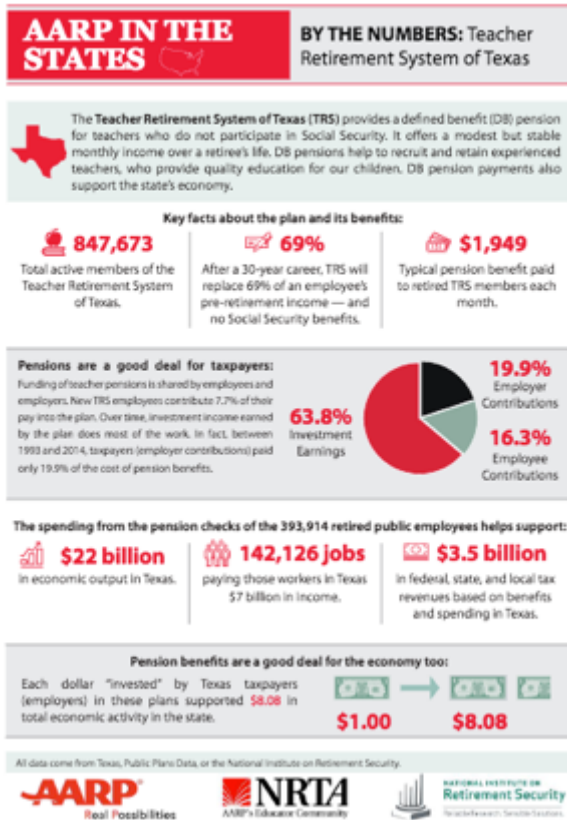
All data come from Texas, Public Plans Data, or the National Institute on Retirement Security.

Fact Sheet 2 – *By the Numbers* State Retirement System

- Teacher system key facts.
- Sources of retirement system assets.
- State *Pensionomics* data:
 - Jobs
 - Output
 - Revenue
 - Taxpayer Value/\$

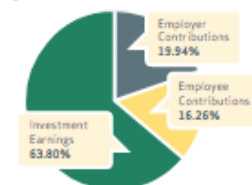


Fact Sheet 2 – *By the Numbers* State Retirement System



Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Texas communities and the state economy. In 2014, 624,889 residents of Texas received a total of \$13.9 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$1,841 per month or \$22,094 per year. These modest benefits provide retired teachers, public safety personnel, and others who served the public during their working careers income to meet basic needs in retirement.

Between 1993 and 2014, 19.94% of Texas's pension fund receipts came from employer contributions, 16.26% from employee contributions, and 63.80% from investment earnings.* Earnings on investments and employee contributions—not taxpayer based contributions—have historically made up the bulk of pension fund receipts.

Taxpayer Contribution Factor*



Fact Sheet 3 – *Snapshot* *Teacher Retirement System*

AARP IN THE STATES

SNAPSHOT: Teacher Retirement System of Texas

The Teacher Retirement System of Texas (TRS) provides benefits to qualified public education employees. Teachers do not participate in Social Security.

The TRS Pension Works for Texas Stakeholders



Effective teachers are the cornerstone of education quality, but teachers are underpaid. Pensions help schools keep teachers and compensate for low pay.



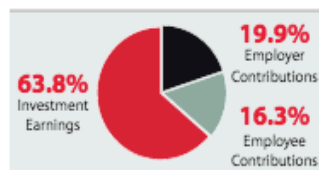
Retaining experienced midcareer teachers boosts student performance. Pensions help keep effective midcareer teachers in the classroom, increasing education quality.



Pensions offer teachers the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New TRS employees contribute 7.7% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers paid only 19.9% of the cost of benefits.



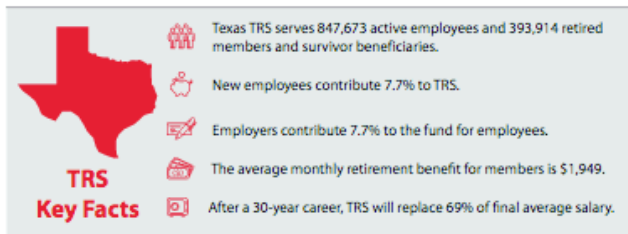
Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:



- How does teacher's retirement system help stakeholders?
- Where are sources of retirement system funds?
- How much does DB pension plan save?

Fact Sheet 3 - *Snapshot Teacher Retirement System*



Historical TRS Funding Experience

Texas established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2016 year, TRS had \$138.8 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund becomes financially sound over time.

Texas Paid 86.6% of Weighted Average Percent of ADC from FY2001-FY2015 for TRS



Texas Made Plan Changes to TRS in Recent Years

Following the global stock market crash in 2008-2009, Texas policymakers proactively made changes to TRS to ensure long-term sustainability. These included:

- Employee contributions for current members increased to 7.7% of salary and new teachers must work longer to be eligible for normal retirement benefits.

The Economic Impact of Texas Pensions:

\$22 billion
in economic output generated by retirees' spending from public pensions in Texas.

142,126 jobs
paying \$7 billion in wages supported by retirees spending from public pensions in Texas.

\$3.5 billion
in federal, state, and local tax revenues generated by retiree benefits and spending in Texas.

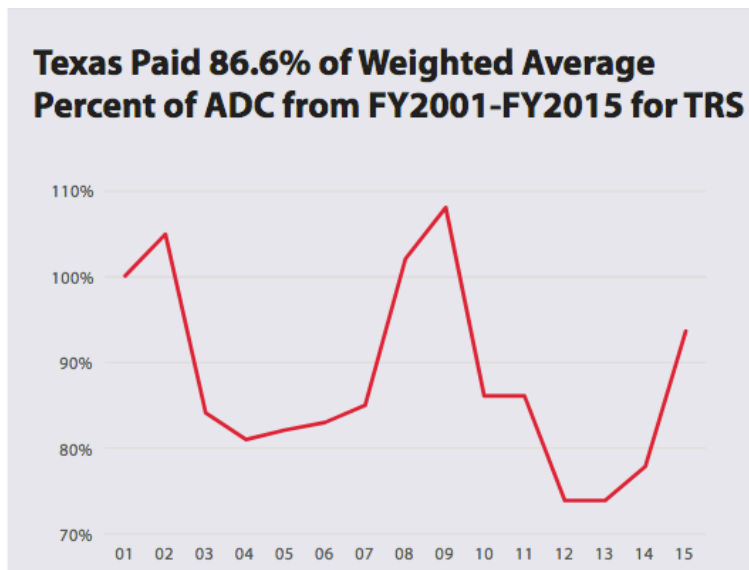
- Key facts about teacher retirement system.
- Funding experience.
- Amount of assets system holds.
- History of system contributions.
- Summary of pension changes.
- State *Pensionomics* data.

All data come from Texas, Public Plans Data, or the National Institute on Retirement Security.

Fact Sheet 3 – Resources

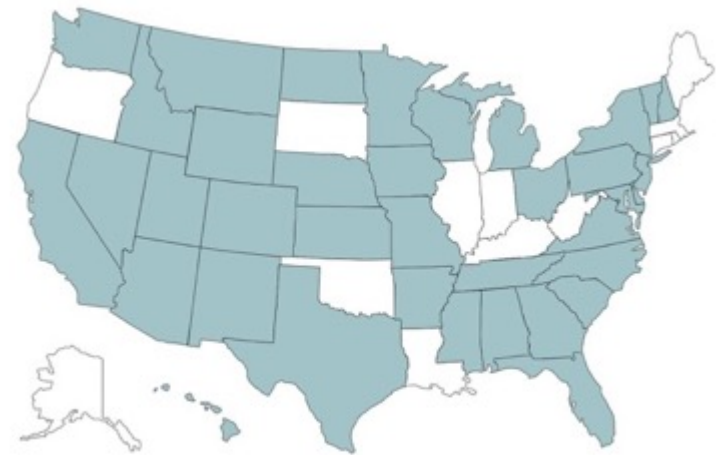
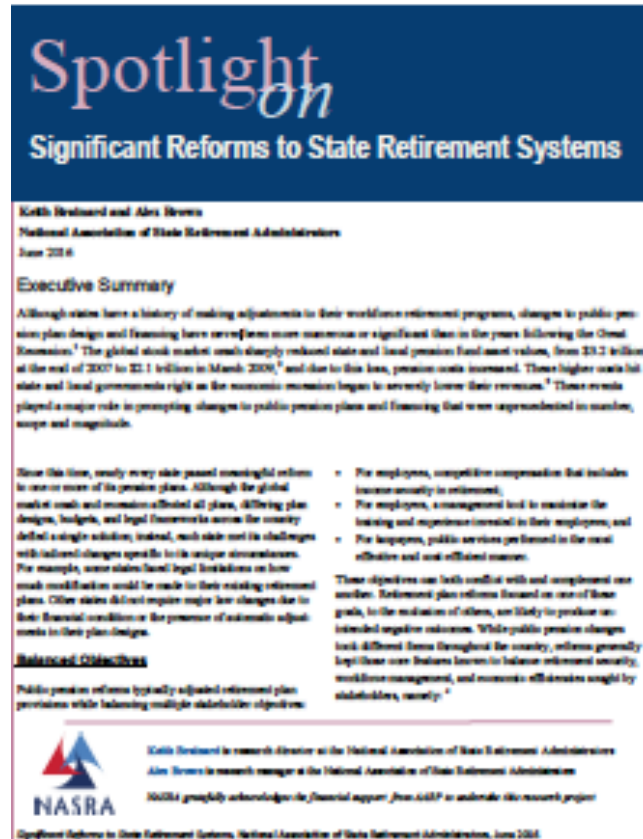
Teacher Retirement System

- What is Actuarial Determined Contribution (ADC)?
- How much of ADC paid each year?



NASRA Spotlight on Reforms to State Retirement Systems

Increased Employee Contributions



Adjusted Benefits



NASRA Spotlight on Reforms to State Retirement Systems

Texas

Teacher Retirement System of Texas

Types of Pension Changes

Increased Employee Contributions • Increased Age/Service Requirement

Overview

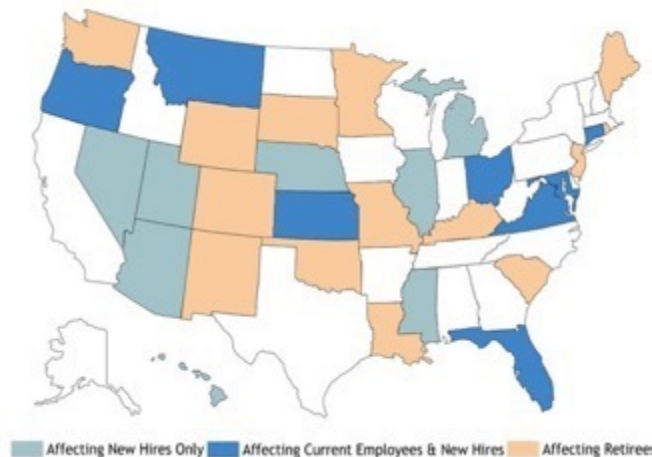
The [Teacher Retirement System of Texas](#) (TRS) administers pension, disability, health care, and survivor's benefits for school teachers and other employees of more than 1,300 educational institutions--school districts, community colleges, universities, and other educational entities throughout Texas. TRS also administers TRS-Active Care, a health insurance program for more than 200,000 active members employed by school districts that elect to participate; and TRS-Care, a health care benefit for 200,000 retired TRS members and their beneficiaries.

In 2013, the Texas legislature increased the percentage of salary employees must contribute toward their pension and required that newly hired teachers work longer to qualify for an unreduced retirement benefit. These changes reduced the period in which the plan is expected to pay off its unfunded liabilities from infinite to 30 years.

Reform Detail

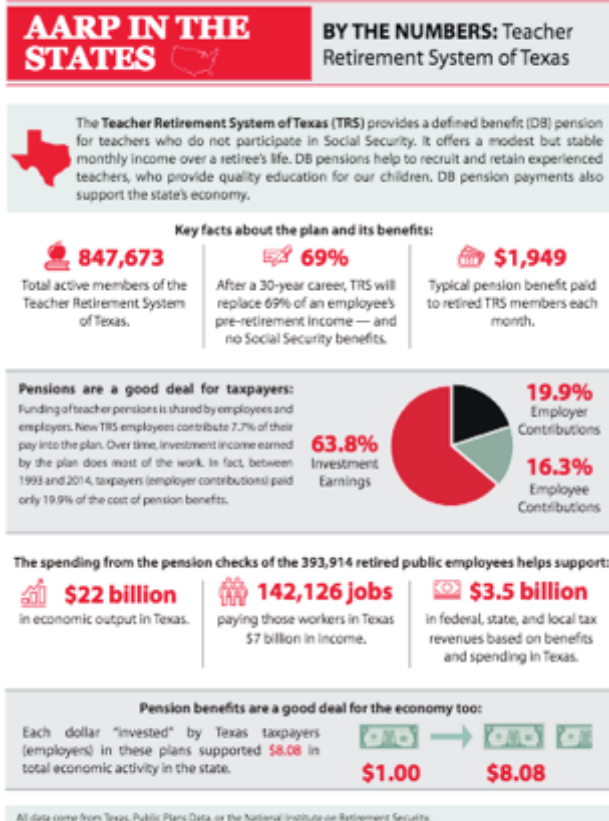
Year	Affected Worker Groups	Modifications
2013	Current active members; new hires and unvested members as of 9/1/13	<p>For current active members:</p> <ul style="list-style-type: none"> Increased employee contribution rates gradually over 4 years, from 6.4% of salary in FY14 to 7.7% in FY17. <p>For new hires and unvested members as of 9/1/13:</p> <ul style="list-style-type: none"> Established a minimum age of 62 to qualify for normal (unreduced) retirement under the Rule of 80 (age and service add to 80).

Adjusted Retiree COLAs



Fact Sheet 4 – Resources

Teacher by the Numbers



AARP
Real Possibilities

NRTA
AARP's Educators Community

NATIONAL INSTITUTE ON RETIREMENT SECURITY
To make Research, Provide Solutions

Overview

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The average pension benefit received was \$1,841 per month or \$22,094 per year. These modest benefits provide retired teachers, public safety personnel, and others who served the public during their working careers income to meet basic needs in retirement.

Between 1993 and 2014, 19.94% of Texas's pension fund receipts came from employer contributions, 16.26% from employee contributions, and 63.80% from investment earnings.* Earnings on investments and employee contributions—not taxpayer based contributions—have historically made up the bulk of pension fund receipts.

Taxpayer Contribution Factor*



\$1.00
contributed by taxpayers to
Texas pensions over 30 years



\$8.08
total output

Fact Sheet 5

Why Pensions Work for Taxpayers, Teachers

AARP IN THE STATES

Why Pensions Work for Texas and Teachers

Pensions Help Deliver Quality Education in Texas

Defined benefit (DB) pensions play a fundamental role in retaining high-quality, experienced teachers in the classroom. These effective, experienced teachers are the most important school-based element that provides quality educational outcomes for our children.

A wide body of academic research on teacher productivity finds that teachers become more effective with experience. These studies demonstrate that experienced teachers have students who achieve at higher levels. In contrast, when experienced, mid-career teachers are replaced by inexperienced teachers, other studies show productivity drops across the school.

DB pensions give schools an effective tool to retain experienced teachers. These benefits provide teachers an incentive to continue delivering quality education to K-12 students.¹ This incentive becomes all the more important over a teaching career as the erosion of teachers' wages, when compared to the wages of similar college educated workers, widens for more experienced teachers.

There are important policy reasons to continue offering teachers DB pensions. Because pensions help attract and retain workers, Texas can keep teachers in the classrooms and empower students to achieve their highest potential.

Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 17 percent pay gap relative to comparable private sector workers in 2015. At the same time, teachers' benefits, including pensions, help bridge that gap and allow states to attract and retain highly qualified educators by reducing that overall gap in compensation to 11 percent. In Texas, teachers experience a 27% wage gap when compared to other college graduates in the workforce.²



Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.

92%
92 percent of Americans say pensions are a good way to recruit and retain qualified teachers.

81%
81 percent of Americans agree that teachers deserve pensions to compensate for lower pay.³

Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are better 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.⁴

7.3%



Percentage of teachers who leave education in Texas.

3,235



The number of teachers retained each year due to the DB pension.

\$14.1B to \$30.7B



The DB system savings in teacher turnover costs in school districts across Texas.



TRS Key Facts



Texas TRS serves 847,673 active employees and 393,914 retired members and survivor beneficiaries.



New employees contribute 7.7% to the fund.



Employers contribute 7.7% to the fund.



The average monthly retirement benefit for members is \$1,949.



TRS has \$138.8 billion in actuarial value of assets and \$35.5 billion in unfunded actuarial accrued liability.⁵

The Economic Impact of Texas Pensions

\$22 billion



In economic output generated by retirees' spending from public pensions in Texas.

142,126 jobs



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¹ Weller, C. 2017. "Win-Win: Pensions Effectively Serve American Schools and Teachers." Washington, DC: National Institute of Retirement Security (NIRS).

² Allegretto, S. A. and Mishel, L. 2016. "The Teacher Pay Gap Is Wider than Ever." Washington, DC: Economic Policy Institute.

³ Oakley, D. and Kenneally, K. 2017. Pensions and Retirement Security 2017: A Roadmap for Policy Makers. Washington, DC: NIRS.

⁴ Bolvie, I. 2017. "Revisiting the Three Rs of Teacher Retirement Systems: Recruitment, Retention, and Retirement."

⁵ All data, unless otherwise noted, as of fiscal year ended 2016.

⁶ Brown, J. 2016. "Pensions 2016: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC: NIRS.

Fact Sheet 5 – Resources

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AARP IN THE STATES

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Economic
Policy
Institute

The teacher pay gap is wider than ever

Teachers' pay continues to fall further behind pay of comparable workers

Report • By Sylvia A. Allegretto and Lawrence Mishel • August 9, 2016



Fact Sheet 5 – Resources

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⁴Boivie, I. 2017. "Revisiting The Three Rs of Teacher Retirement Systems: Recruitment, Retention, and Retirement."

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Issue Brief

Revisiting The Three Rs of Teacher Retirement Systems:
Recruitment, Retention, and Retirement

By Ilana Boivie

September 2017



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