

AARP IN THE STATES

OVERVIEW: Employees' Retirement System of Texas



The **Employees' Retirement System of Texas (ERS)** provides a defined benefit (DB) fund for public employees. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 124,504 retired public employees helps support:



\$34.3 billion

in economic output in Texas.



175,350 jobs

paying \$10.2 billion in wages supported by retirees' spending from public pensions in Texas.



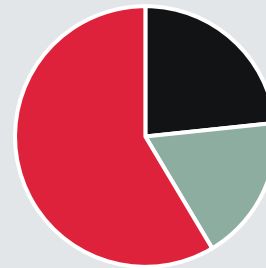
\$4.5 billion

in federal, state, and local tax revenues based on spending of pension benefits in Texas.

Pensions are a good deal for taxpayers:

Funding of public employee pensions is shared by employees and employers. New ERS employees contribute 6% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers (via employer contributions) paid only 23.3% of the cost of pension benefits in Texas.

58.6%
Investment Earnings



23.3%
Employer Contributions

18.1%
Employee Contributions

Key facts about the plan and its benefits:



139,958

Total active members of Employees' Retirement System of Texas.



69%

After a 30-year career, a pension benefit from ERS will replace 69% of an employees' pre-retirement income.



\$1,832

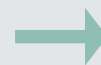
Average pension benefit paid to retired ERS members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by Texas taxpayers (employers) in these plans supported **\$6.45** in total economic activity in the state.



\$1.00



\$6.45

All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.



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PRIMER: Employees' Retirement System of Texas

The Employees Retirement System of Texas (ERS) provides benefits to qualified employees of state agencies.

The ERS Pension Works for Texas Stakeholders



Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.



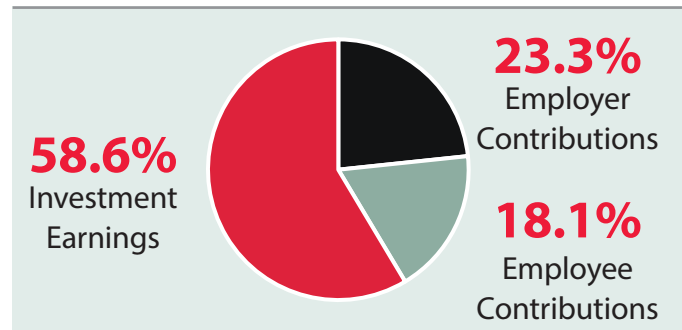
The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.



Pensions offer employees 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 ERS employees contribute 6% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers paid only 23.3% of the cost of benefits in Texas.



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:



Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.



ERS Key Facts



ERS serves 139,958 active employees and 124,504 retired members and survivor beneficiaries.



New employees contribute 6% of pay to ERS.



Employers contribute 9% to the cash balance fund.



The average monthly retirement benefit for members is \$1,832.



After a 30-year career, a pension benefit from ERS will replace 69% of an employee's final average salary.

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 2023 year, ERS had \$34.0 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 is financially sound over time.

Texas Paid 81% of Weighted Average Percent of ADC from FY2001-FY2022 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 the addition of a 5% per year reduction for early retirement.
- Employee contributions increased up to 9.5%.
- Established a cash balance plan for new hires on or after 9/1/2022 that includes employee contributions of 6.0% and employer contributions of 9.0%.

The Economic Impact of Texas Pensions:



\$34.3 billion

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



175,350 jobs

paying \$10.2 billion in wages supported by retirees spending from public pensions in Texas.



\$4.5 billion

in federal, state, and local tax revenues generated by retiree benefits and spending in Texas.

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OVERVIEW: Teacher Retirement System of Texas



The **Teacher Retirement System of Texas (TRS)** provides a defined benefit (DB) pension for teachers. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 489,921 retired public employees helps support:



\$34.3 billion

in economic output in Texas.



175,350 jobs

paying \$10.2 billion in wages supported by retirees' spending from public pensions in Texas.



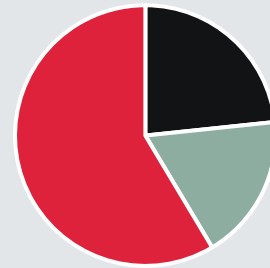
\$4.5 billion

in federal, state, and local tax revenues based on spending of public pension benefits in Texas.

Pensions are a good deal for taxpayers:

Funding of teacher pensions is shared by employees and employers. New TRS employees contribute 8.3% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers (via employer contributions) paid only 23.3% of the cost of pension benefits in Texas.

58.6%
Investment
Earnings



23.3%
Employer
Contributions

18.1%
Employee
Contributions

Key facts about the plan and its benefits:



953,295

Total active members of Teacher Retirement System of Texas.



69%

After a 30-year career, a pension benefit from TRS will replace 69% of an employee's pre-retirement income.



\$2,101

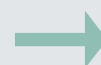
Average pension benefit paid to retired TRS members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by Texas taxpayers (employers) in these plans supported **\$6.45** in total economic activity in the state.



\$1.00



\$6.45

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PRIMER: Teacher Retirement System of Texas

The Teacher Retirement System of Texas (TRS) provides benefits to qualified public education employees.

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.



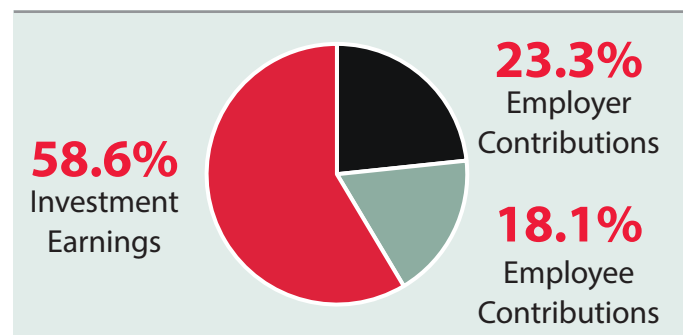
Retaining experienced midcareer teachers boosts student performance. Pensions help keep effective midcareer teachers in the classroom, increasing education quality.



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 8.3% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers paid only 23.3% of the cost of benefits in Texas.



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:



Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.



TRS Key Facts



TRS serves 953,295 active employees and 489,921 retired members and survivor beneficiaries.



New employees contribute 8.3% to TRS.



Employers contribute 10.3% to the fund for employees.



The average monthly retirement benefit for members is \$2,101.



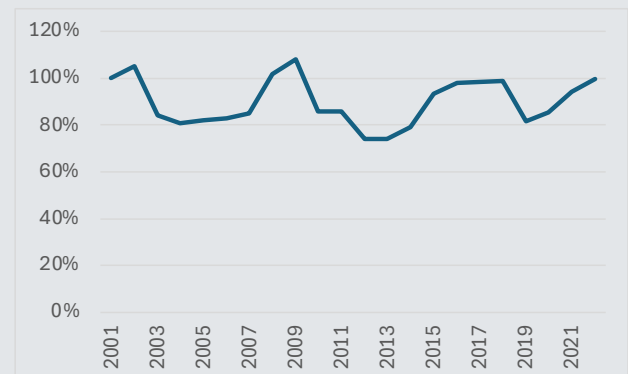
After a 30-year career, a pension benefit from TRS will replace 69% of final average salary.

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 2023 year, TRS had \$200 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 is financially sound over time.

Texas Paid 90% of Weighted Average Percent of ADC from FY2001-FY2022 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:

- Legislation passed in 2019 increased contribution rates for employees, school districts, and the state: For employees, contributions increased from 7.7% to 8.0% effective 9/1/2021, and to 8.25% effective 9/1/2023.

The Economic Impact of Texas Pensions:



\$34.3 billion

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



175,350 jobs

paying \$10.2 billion in wages supported by retirees' spending from public pensions in Texas.



\$4.5 billion

in federal, state, and local tax revenues based on spending of pension benefits in Texas.

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Pensions Help Deliver Quality Education in Texas

There are important policy reasons to continue offering teachers defined benefit (DB) pensions. DB pensions give schools an effective tool to retain high-quality, experienced teachers. These teachers are the most important school-based element that provides positive educational outcomes for our children.

Pension benefits provide teachers an incentive to continue delivering quality education to K-12 students. 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.¹

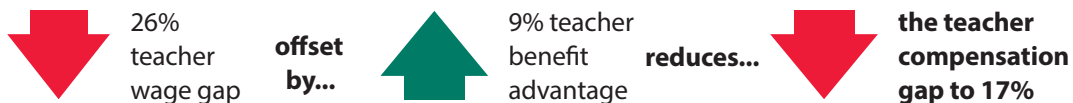
Because pensions help attract and retain workers, Texas can keep skilled teachers in the classroom and empower students to achieve their highest potential. The nationwide teacher shortage is impacting Texas, as enrollment in traditional teacher preparation programs has *declined by 23%* between 2009-2010 and 2021-2022.

Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 26 percent pay gap relative to comparable private sector workers in 2022. 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 10 percent. In Texas, teachers experience a 23.4% 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.



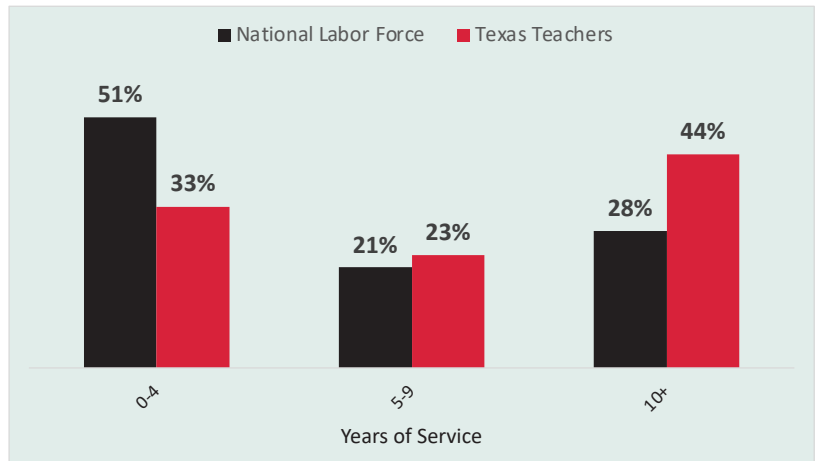
83 percent of Americans say pensions are a good way to recruit and retain qualified teachers.



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

Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are more effective teachers. DB pensions help to retain highly productive teachers longer, as compared with individual 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



TRS serves 953,295 active employees and 489,921 retired members and survivor beneficiaries.



New employees contribute 8.3% to the fund.



Employers contribute 10.3% to the fund.



The average monthly retirement benefit for members is \$2,101.



TRS has \$200 billion in assets and \$57.9 billion in unfunded actuarial accrued liability.⁵

The Economic Impact of Texas Pensions

\$34.3 billion



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

175,350 jobs



paying \$10.2 billion in wages supported by retirees' spending from public pensions in Texas.

\$4.5 billion



in federal, state, and local tax revenues based on spending of pension benefits in Texas.⁶

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

² Allegretto, S. 2023. "Teacher pay penalty still looms large." Washington, DC. Economic Policy Institute.

³ Doonan, D. and Kenneally, K. 2024. "Retirement Insecurity 2024: Americans' Views of Retirement." Washington, DC. NIRS.

⁴ Copeland, C. 2023. "Trends in Employee Tenure, 1983–2022." Washington, DC. Employee Benefit Research Institute.

⁵ All data, unless otherwise noted, as of fiscal year ended 2023.

⁶ Boivie, I. 2025. "Pensionomics 2025: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.