TASA
Texas Association of School Administrators

A Snapshot of TRS:
A Strong Economic Driver in Texas

Since 1936, the Teacher Retirement System of Texas has provided retirement benefits to public school teachers and other public school employees, and to employees of state colleges and universities. TRS is an invaluable tool to attract and retain a quality workforce to serve Texas students and provides retirement security for those who dedicate their lives to education. During the recent economic crisis, the TRS pension plan has been a stellar example of a strong, well-managed plan that not only provides benefits to its members but also to the state and local economies. Of the more than 1.3 million people TRS serves, more than 1 million are active employees and nearly 300,000 are retired.

Economic Impact of TRS in Texas: A Closer Look

- One out of every 20 Texans is a member of TRS.
- In 2011, TRS paid almost $7.2 billion in retirement benefits. Almost 95 percent went directly to retirees who live and spend that money in Texas.
- In 2009, Texas spent only 2 percent of *all* state and local government spending for contributions to state and local pensions.
- TRS benefits provided for 98,900 jobs across Texas in 2011.
- Retirement benefits generated an estimated $690 million in state revenue and $280 million in local government revenue.
- TRS provides capital for businesses in Texas and has investment holdings in 73 percent of the 51 Texas companies included on the May 2011 Fortune 500 list.
- Defined benefit pension plans help recruit high quality teachers and retain those quality teachers longer, as compared with defined contribution plans.

Stability & Cost Effectiveness of TRS

- If all current contributions from the state, employers, and active employees remain constant and there are no retiree benefit increases, the trust fund assets are enough to make benefit payments through 2075.
- Despite an unfunded liability of $24 billion, the system's actuarial funding ratio for 2011 was 82.7 percent, which exceeds the 80 percent industry standard threshold.
- Approximately 80 percent of TRS members *do not* contribute to Social Security through their work for which TRS provides Social Security replacement. It would have cost an additional $3 billion of combined employer and employee contributions in 2011 to participate in Social Security.
- A November 2011 State Auditor's Office report found that TRS's financial statements for FY 2011 were materially correct and were presented in accordance with generally accepted accounting principles.
- A report by the National Institute on Retirement Security found that a major investment advantage inherent in public pension plans is the very long investment range they require:

  Because of this, funds can withstand short-to-medium-term investment losses, and stick to an asset allocation strategy in a disciplined way through different phases of an investment cycle. This allows pensions to achieve an investment return that is better than individual investors can achieve on their own, on average, over the long term. In addition, unlike an individual who ages and should adopt a more conservative investment strategy over time, pension funds do not age, and are able to take advantage of the enhanced investment returns that come from a balanced portfolio.
- In 2008, the annual TRS administrative cost was $24 per member, which is well below the peer average of $63 for that same year.
- The median household headed by a person aged 60-62 with a 401(k) account has less than one-quarter of what is needed in that account to maintain its standard of living in retirement, according to data compiled by the Federal Reserve and analyzed by the Center for Retirement Research at Boston College.

Sources: Teacher Retirement System of Texas; National Association of State Retirement Administrators; Texas State Auditor; National Institute on Retirement Security; The Wall Street Journal.