

# TEACHERS' RETIREMENT SYSTEM AT A GLANCE

Overview of the key elements in the retirement system's design, its financial health, and the share of teachers receiving pension benefits.

As of August 31, 2020

## Features of the Retirement System

What retirement savings options are available?	Guaranteed Income Plan
How long does a teacher have to work before they are eligible for retirement benefits?	5 years
Does a teacher's service transfer with them to a new plan if they move to another state?	No
Are teachers enrolled in social security? <sup>1</sup>	No
How long before the value of a teacher's pension is worth more than just what they have paid into the plan? <sup>2</sup>	21 years
What percentage of teachers remain in the plan long enough for benefits to be worth more than they put in?	29%
What percentage of new teachers will receive a full pension? <sup>3</sup>	12%
What percentage of teachers will receive no pension benefit? <sup>4</sup>	46%
What percentage of active teachers with more than 5 years' experience will remain in the system long enough to receive a full pension? <sup>5</sup>	67%



## Breakdown of Pension Contributions Paid in Fiscal 2021<sup>6</sup>

Pension fund costs, as shown below, are typically determined as a percentage of the total salary paid to workers in the retirement system.

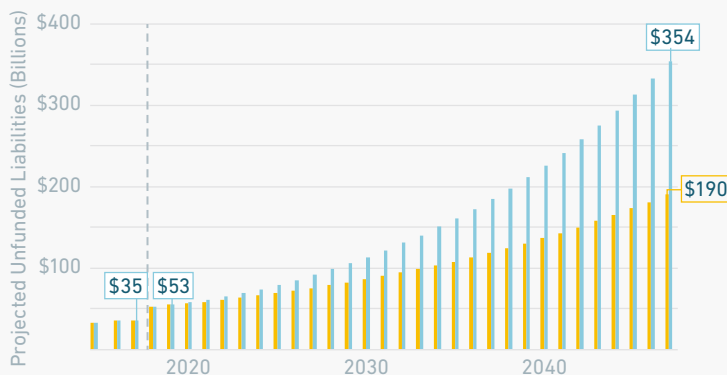
Employees' contributions into the fund	7.7%
+ State + school district contributions for pension benefits earned this year	4.1% <sup>8</sup>
<b>= Total amount required for pension benefits earned this year</b>	<b>11.6%</b>
+ State + school district contributions remaining for paying down pension debt	4.5% <sup>9</sup>

## Financial Status for Texas Teachers' Retirement System<sup>7</sup>

Promised pension benefits	\$219.0B
- Assets for paying promised benefits	\$165.4B
<b>= Shortfall in assets that should already be saved and invested to pay future benefits</b>	<b>\$53.6B</b>
Number of years until the asset shortfall is paid off	29

## Funded Status of Teacher Pensions

As things stand, pension debt will continue to grow quickly – increasing by nearly \$150 billion – because legislatively authorized contributions are less than actuarially recommended.

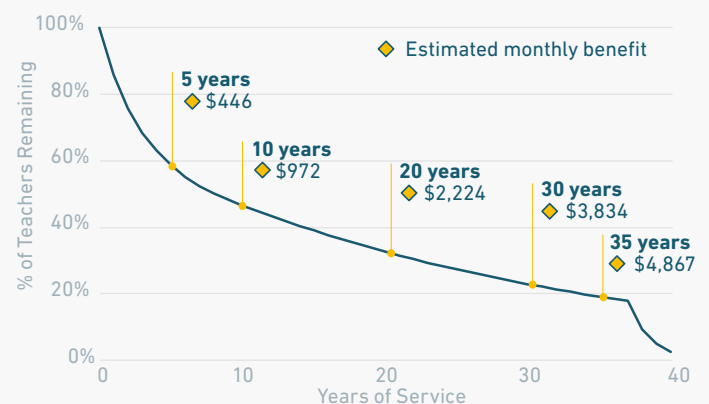


Assumed rate of return changed to 7.25% in 2018

- Pension Debt based on current market returns: 7.25% return
- Pension Debt based on recent market returns: 6.21%

## Teacher Retention and Estimated Benefits

The majority of new Texas teachers leave before substantial pension benefits kick-in, will earn less than \$1,000 a month in retirement income, and receive no Social Security.





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## Source of Information

All pension finance data and benefit rules information is drawn from retirement system actuarial valuation reports.

Because of variance in how states report their contribution rates, the contribution rates shown may be the determined rate for the following fiscal year or two years in advance. Employer contribution rate shown reflects any non-member contributions, i.e. combined state and/or school district or school specific contributions. Projections for benefit earnings were created by Bellwether Education Partners and published in EducationNext.

## Assumed Rate of Return

The TRS board changed the assumed return from 8% to 7.25% in July 2018. As of this writing, the legislature has not yet adopted a change to contribution rates that would match this adjustment to investment and inflation assumptions.

## Normal Retirement Age and Years of Service Rules, FYE 2017

Age 65 and 5 years of creditable service; pre-2007 hires: Rule of 80; pre-2014: Rule of 80 and at least age 60; post-2014: Rule of 80 and at least age 62.

## Teacher Retention and Benefit Figure – Notes

Source: Equable analysis of average salaries, service, and benefits using August 2018 actuarial valuation report.

- Texas teacher retention rates are projected as part of Texas TRS' annual actuarial valuation report. Percentages reported assume a 25-year-old female teacher.

Estimated benefits are based on figures reported in the 2020 actuarial valuation report (distribution of active members by age and years of service table).

Benefit estimates are calculated using average salary for service cohorts assumed as the final average salary. The standard 2.3% multiplier is multiplied by the years of service, multiplied by average salary figures for each cohort, and then divided by 12 to calculate the estimated benefit.

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## Notes

- 1 San Antonio and Austin school districts (and some others) are enrolled in Social Security.
- 2 Based upon a typical, 25-year-old female entrant, assuming today's contributions and discount rate.
- 3 Based on teacher retention assumptions provided by the retirement system. This percentage assumes a 25-year-old, new, female teacher and reports the share that will reach normal retirement.
- 4 Based on teacher retention assumptions provided by the retirement system. This percentage assumes a 25-year-old, new, female teacher and reports the share that will not reach the vesting point.
- 5 Rhee, Nari and Leon F. Joyner, Jr. (2019). Teacher Pensions vs. 401(k)s in Six States: Connecticut, Colorado, Georgia, Kentucky, Missouri, and Texas. Berkeley, CA: UC Berkeley Labor Center and the National Institute on Retirement Security.
- 6 Contribution rate figures are based on the new normal cost rate of 11.62%, based on a 7.25% assumed rate of return.
- 7 Financial status of the Texas TRS pension plan based on GASB 68 accounting. Projected using the pension system's assumed market return of 7.25% (current assumptions) and an average of market returns for the last ten years (recent market returns).
- 8 The actual employer contribution for pension benefits earned this year is 4.06%. It has been rounded to 4.1%.
- 9 The actual employer contribution toward paying down debt is 4.45%. It has been rounded to 4.5%.

## For More Information

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