



# Teacher Retirement System of Texas

A Great Value for all Texans





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## TRS Mission Statement

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**The mission of the Teacher Retirement System of Texas is:**

1. to deliver retirement and related benefits authorized by law for members and their beneficiaries; and
2. to prudently invest and manage the assets held in trust for members and beneficiaries in an actuarially sound system administered in accordance with applicable fiduciary principles.

# Teacher Retirement System of Texas

*TRS has grown dramatically since its inception in 1937 from 38,000 members to today's 1.2 million participants.*

## A Great Value for all Texans

**T**he Teacher Retirement System of Texas (TRS) is one of the largest retirement systems in the nation. The system's core mission is to deliver retirement and related member benefits authorized by the Texas Legislature and to manage the trust fund that finances those benefits. Not only does TRS provide great value to its members, but it also benefits all Texans by adding significant dollars to the state and local economies.

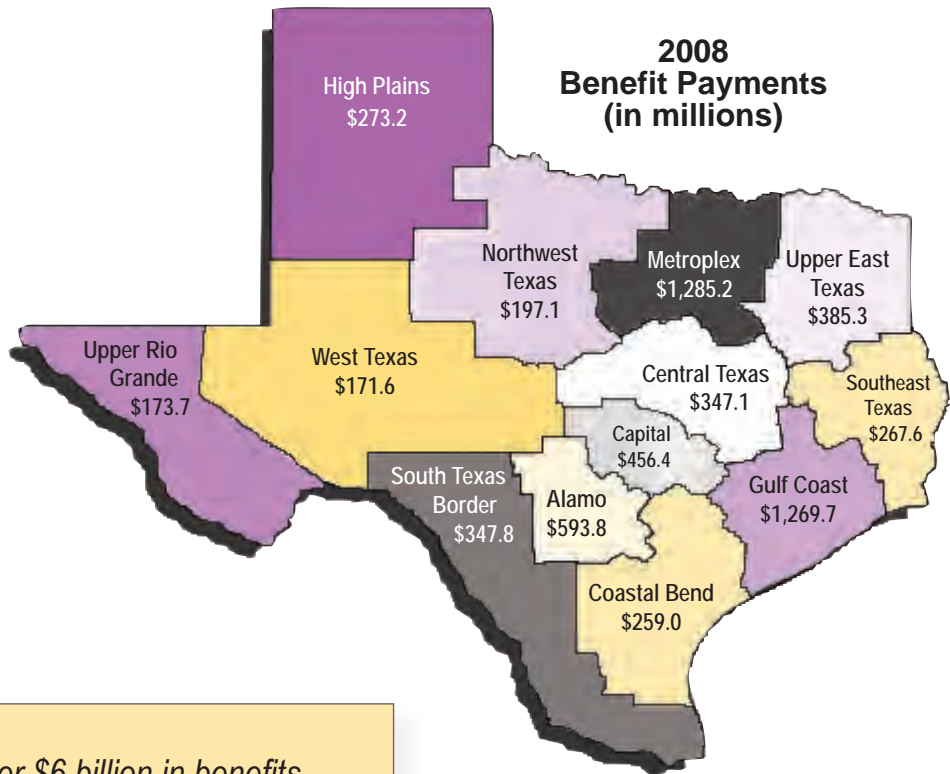
*One out of every 20 Texans is a member of TRS.*



# Value to the Texas Economy

## Benefits Stay in Texas and Stimulate the Economy

- In 2008, TRS paid approximately \$6.4 billion in retirement benefits. Nearly 95% of these benefits, over \$6 billion, went directly to retirees who live and spend these dollars in Texas. (See pages 10-11 for detail by county.)



*Over \$6 billion in benefits were paid to Texas residents in 2008.*

- These benefit payments serve as a significant source of economic stimulus for Texas, as illustrated below.



**Annual Impact of Payments  
on Texas Business  
2008**

Total Expenditures	\$ 11.6 billion
Personal Income	\$ 3.4 billion
Permanent Jobs	84,300

*TRS benefits  
provided for 84,300  
jobs across Texas.*

## **Tax Revenue for Texas State & Local Governments**

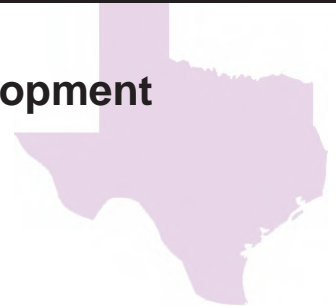
Retirement benefits generated an estimated \$547 million in state revenues and \$114 million in local government revenues in 2008.

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Source: The economic stimulus information was prepared by TRS using data from the "Beyond the Classroom: Impact of Pension Benefits Paid by the Teacher Retirement System of Texas (TRS) on Business Activity in Texas, Its Regions, Metropolitan Areas, and Counties" (The Perryman Group, July 2006) and modifying that data to reflect 2008 benefit payments.

# Value for the State's Contributions

## State Contributions Fuel Economic Development



### Impact on Texas Business Activity per State Dollar Contributed 2008

	Impact per State Dollar Contributed	Impact per State Dollar Contributed Net of Tax Revenues
Total Expenditures	\$6.79	\$10.01
Personal Income	\$2.01	\$ 2.97
Permanent Jobs (per million dollars contributed)	50	73

Table Source: The Impact on Texas Business Activity information was prepared by TRS using data from the "Beyond the Classroom: Impact of Pension Benefits Paid by the Teacher Retirement System of Texas (TRS) on Business Activity in Texas, Its Regions, Metropolitan Areas, and Counties" (The Perryman Group, July 2006) and modifying that data to reflect 2008 benefit payments.

## Taxpayers Save Billions in Social Security Costs by Contributing to TRS

For most of the last 10 years, TRS members contributed 6.4%, and the state contributed 6% to TRS for retirement benefits, a combined 12.4% of payroll.\* Social Security requires a 6.2% contribution by both the employee and the employer, also 12.4% combined.

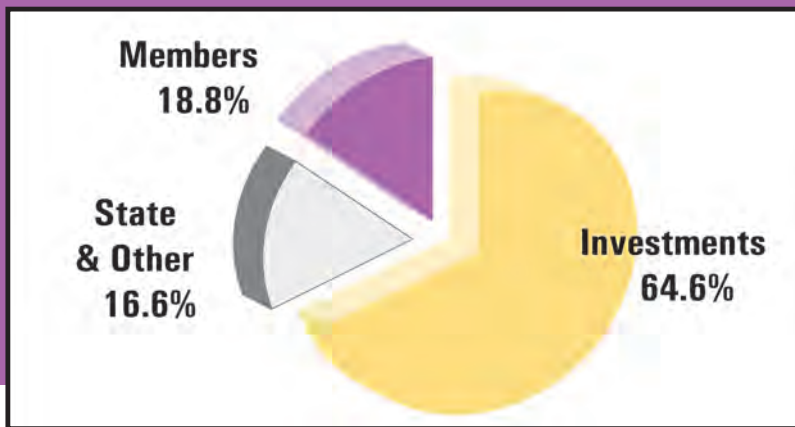
Most TRS members, approximately 80%, do not contribute to Social Security. If they did participate in Social Security, an estimated additional \$2.8 billion of combined employer and employee contributions would have been required in 2008.

\*Current law requires that the state contribution rate cannot be lower than the member contribution rate. Effective 9/1/07, the state contribution for the TRS pension fund increased to 6.58% of payroll, while the member rate remained 6.4%, making the combined employee and state contribution 12.98%. The 6.58% contribution rate expires 8/31/09.

# TRS Investments Drive Retirement Benefits



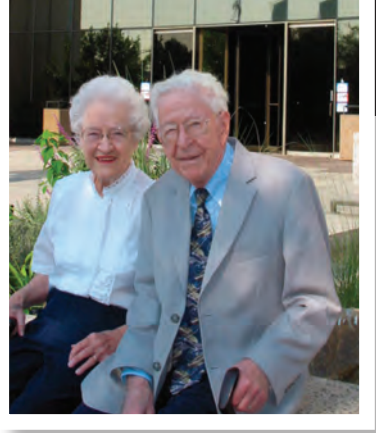
Sources of Pension Fund Revenue  
Ten-Year Average (1999 - 2008)



*The vast majority of funding, 64.6% comes from investment income.*



# Value to Public Education



## TRS Provides Financial Security to Public Educators and their Families

TRS serves a vital role to 1.2 million active and retired state educators and their families by providing service and disability retirement benefits, and death benefits.

### Lifetime Annuities -

Eligible retirees receive a monthly defined benefit throughout their lifetime and may select a payment plan that extends throughout their beneficiary's lifetime. In 2008, TRS paid \$5.3 billion in service retirement benefits (excludes the 13th check).

### Disability Benefits -

Eligible members who are disabled may receive a monthly disability retirement benefit. In 2008, TRS paid \$147 million in disability benefits.



*TRS has paid out \$70 billion in pension benefits since 1937.*

### Death and Survivor Benefits -

TRS provides benefits to eligible beneficiaries of retirees, and to active members in the event of the participant's death before retirement. In 2008, TRS paid \$222 million in death and survivor benefits.

### 13th Check -

In 2007, the Texas Legislature authorized a one-time supplemental benefit payment. The actuarial valuation as of August 31, 2007 showed an improvement in the system's actuarial soundness, allowing for a 13th check for eligible retirees. Disbursed in January 2008, this additional benefit provided a total of \$372 million to annuitants.

*TRS supports the quality of education by providing benefits that make the teaching profession more attractive.*



## More Benefits for Contributions

For most of the last 10 years, TRS and Social Security required 12.4% of payroll as contributions from employees and the state/employers.\* Although funding over the years has been substantively equal, TRS benefits are significantly better. In September 2008, the average monthly Social Security benefit for retirees was \$1,087, about 40% less than the \$1,823 average 2008 monthly TRS benefit (after adjustment for the Partial Lump Sum Option).

Assume that a teacher retires in May 2009 at age 62 with 35 years of service. The teacher's final average salary at retirement is \$61,862.

The TRS monthly annuity would be \$4,150 as compared to a Social Security benefit of \$1,210. The example assumes that approximately the same total dollar amount is contributed to each system and that the Social Security benefit begins at age 62.

If this teacher were to purchase a retirement annuity at age 62 from an insurance company that provided the same TRS monthly benefit of \$4,150 per month for life, it could cost over \$580,000.

\*Current law requires that the state contribution rate cannot be lower than the member contribution rate.

Effective 9/1/07, the state contribution for the TRS pension fund increased to 6.58% of payroll, while the member rate remained 6.4%, making the combined employee and state contribution 12.98%. The 6.58% contribution rate expires 8/31/09.



**Monthly Retirement Benefit Comparison**

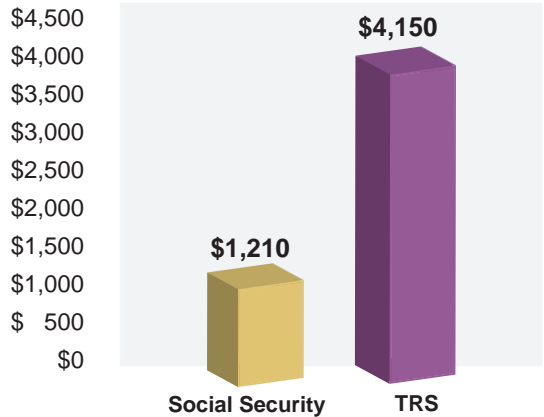


Chart Source: Social Security Online, [www.ssa.gov](http://www.ssa.gov)

*Under this scenario, TRS provides a monthly benefit that is more than triple that of Social Security.*

## Diversified Investments

The TRS investment strategy has continued to move toward a more diversified portfolio. The intent of this strategy is to protect against situations such as the fluctuations and decline experienced since 8/31/08. While market declines significantly impact the value of the portfolio, the fund can still easily accommodate payments that are required for years to come. TRS is well-positioned to take advantage of a declined market and invest cheaply in assets that should provide a healthy long-term return.

Since 1991, a significant portion of asset returns were used to fund \$5.6 billion for active employee benefit enhancements and \$11.1 billion for retiree benefit enhancements, including a 13th check in 2008.



## TRS Delivers Pension Benefits Efficiently and Cost Effectively

Based on an independent analysis (CEM Benchmarking, Inc.), the 2008 annual TRS administrative cost of \$24 per active member and annuitant is well below the peer average of \$76 for that year. In fact, TRS administered benefits for less than all other participants in the study and well below the benchmarked, or expected, cost of \$42 per year.

## High Quality Service to Satisfied Members

TRS members and retirees are pleased with the quality of TRS service, according to a 2008 member satisfaction survey conducted by the University of North Texas Survey Research Center. Retiree satisfaction was particularly high, with an overall approval rating (satisfied or very satisfied) of 98.3%. Active members also gave TRS a very high overall rating (satisfied or very satisfied) of 97.9%. Although our approval ratings are high, TRS continues to look for ways to improve our service delivery and communication with members.

### TRS Administers Several Valuable Programs

In addition to delivering pension benefits to public educators, TRS administers several other valuable programs for members:

**TRS-Care** – The health care program for public school retirees expended \$873 million for services covering over 190,000 participants in 2008.

**TRS-ActiveCare** – The health care program for active public school employees expended \$1.08 billion for services covering over 330,000 participants in 2008.

**Long-Term Care Insurance** – Active and retired public educators can obtain insurance for services needed in the event of an accident or illness.

**403(b) Certification and Product Registration** – TRS publishes information on companies meeting 403(b) certification requirements and the 403(b) products registered by these companies.



*The majority of expenditures for TRS-Care and TRS-ActiveCare went to providers located in Texas.*



COUNTY NAME	ANNUITY PAYMENTS (in millions)	NUMBER OF ANNUITANTS
ANDERSON	\$ 16.8	760
ANDREWS	5.0	195
ANGELINA	25.3	1,157
ARANSAS	11.0	480
ARCHER	3.5	155
ARMSTRONG	0.8	37
ATASCOSA	14.0	617
AUSTIN	9.6	442
BAILEY	1.8	91
BANDERA	8.3	359
BASTROP	21.3	1,033
BAYLOR	1.7	85
BEE	8.5	436
BELL	61.9	2,828
BEXAR	393.8	17,136
BLANCO	4.8	205
BORDEN	0.4	20
BOSQUE	8.0	382
BOWIE	27.9	1,192
BRAZORIA	77.0	3,257
BRAZOS	76.5	3,379
BREWSTER	5.0	218
BRISCOE	1.0	50
BROOKS	4.4	179
BROWN	16.5	773
BURLESON	8.6	461
BURNET	21.5	863
CALDWELL	13.1	631
CALHOUN	7.8	358
CALLAHAN	4.9	234
CAMERON	80.4	3,584
CAMP	4.0	189
CARSON	3.0	139
CASS	12.4	540
CASTRO	2.9	139
CHAMBERS	11.7	434
CHEROKEE	16.3	805
CHILDRESS	1.9	106
CLAY	4.1	195
COCHRAN	1.3	68
COKE	2.6	97
COLEMAN	4.1	184
COLLIN	111.3	4,434

COUNTY NAME	ANNUITY PAYMENTS (in millions)	NUMBER OF ANNUITANTS
COLLINGSWORTH	\$ 1.5	65
COLORADO	9.0	390
COMAL	50.0	2,050
COMANCHE	6.5	306
CONCHO	2.1	91
COOKE	13.9	620
CORYELL	13.6	648
COTTLE	0.9	44
CRANE	1.7	68
CROCKETT	1.0	49
CROSBY	2.4	130
CULBERSON	0.5	30
DALLAM	1.1	57
DALLAS	414.0	16,727
DAWSON	3.8	195
DE WITT	7.9	392
DEAF SMITH	4.4	213
DELTA	3.4	159
DENTON	105.2	4,379
DICKENS	1.1	48
DIMITT	3.4	154
DONLEY	2.1	97
DUVAL	6.1	292
EASTLAND	7.7	355
ECTOR	33.3	1,429
EDWARDS	1.2	66
EL PASO	163.6	7,581
ELLIS	33.2	1,384
ERATH	16.3	752
FALLS	5.4	273
FANNIN	12.1	577
FAYETTE	10.7	505
FISHER	2.1	113
FLOYD	2.6	141
FOARD	0.6	34
FORT BEND	110.3	4,326
FRANKLIN	4.1	174
FREESTONE	6.8	317
FRIO	4.0	218
GAINES	3.9	183
GALVESTON	122.8	5,325
GARZA	1.5	74
GILLESPIE	16.1	678

COUNTY NAME	ANNUITY PAYMENTS (in millions)	NUMBER OF ANNUITANTS
GLASSCOCK	\$ 0.5	20
GOLIAD	3.2	153
GONZALES	8.0	358
GRAY	6.3	301
GRAYSON	40.2	1,743
GREGG	41.7	1,840
GRIMES	7.8	400
GUADALUPE	34.7	1,569
HALE	9.9	456
HALL	1.2	52
HAMILTON	4.9	224
HANSFORD	1.9	87
HARDEMAN	1.9	96
HARDIN	15.9	762
HARRIS	740.5	30,272
HARRISON	20.8	945
HARTLEY	1.7	78
HASKELL	3.0	143
HAYS	46.2	1,997
HEMPHILL	1.3	64
HENDERSON	27.9	1,247
HIDALGO	146.4	6,155
HILL	14.1	627
HOCKLEY	9.2	428
HOOD	25.7	1,022
HOPKINS	12.0	537
HOUSTON	9.6	488
HOWARD	9.0	445
HUDSPETH	0.6	34
HUNT	26.7	1,290
HUTCHINSON	6.8	309
IRION	0.9	38
JACK	3.0	126
JACKSON	5.9	261
JASPER	14.1	651
JEFF DAVIS	1.9	84
JEFFERSON	82.3	3,519
JIM HOGG	2.4	120
JIM WELLS	13.8	637
JOHNSON	32.7	1,474
JONES	5.4	239
KARNES	5.7	275
KAUFMAN	24.4	1,008

COUNTY NAME	ANNUITY PAYMENTS (in millions)	NUMBER OF ANNUITANTS
KENDALL	\$ 16.2	655
KENEDY	0.0	2
KENT	0.7	33
KERR	23.3	1,029
KIMBLE	2.8	117
KING	0.1	2
KINNEY	1.5	69
KLEBERG	14.1	684
KNOX	2.5	116
LA SALLE	2.0	86
LAMAR	18.2	852
LAMB	4.2	199
LAMPASAS	9.4	412
LAVACA	8.9	434
LEE	5.4	274
LEON	9.3	412
LIBERTY	15.6	767
LIMESTONE	8.5	391
LIPSCOMB	1.3	66
LIVE OAK	5.3	220
LLANO	12.1	487
LUBBOCK	97.6	4,176
LYNN	1.9	101
MADISON	5.2	253
MARION	3.3	166
MARTIN	0.9	42
MASON	3.5	138
MATAGORDA	12.9	595
MAVERICK	9.9	373
MCCULLOCH	5.4	235
MCLENNAN	68.4	3,065
MCMULLEN	0.5	20
MEDINA	15.6	715
MENARD	1.4	66
MIDLAND	35.3	1,458
MILAM	9.3	430
MILLS	3.8	159
MITCHELL	3.4	172
MONTAGUE	7.7	354
MONTGOMERY	94.6	4,136
MOORE	4.0	172
MORRIS	6.4	288
MOTLEY	0.9	36

COUNTY NAME	ANNUITY PAYMENTS (in millions)	NUMBER OF ANNUITANTS
NACOGDOCHES	\$ 28.4	1,217
NAVARRO	16.2	713
NEWTON	4.3	221
NOLAN	6.4	309
NUECES	100.8	4,241
OCHILTREE	2.6	122
OLDHAM	1.3	54
ORANGE	26.2	1,214
PALO PINTO	8.3	408
PANOLA	9.7	444
PARKER	30.5	1,330
PARMER	2.6	129
PECOS	5.4	241
POLK	19.0	858
POTTER	21.3	1,092
PRESIDIO	2.1	91
RAINS	3.2	161
RANDALL	54.1	2,231
REAGAN	0.7	37
REAL	2.5	111
RED RIVER	5.8	285
REEVES	3.2	165
REFUGIO	3.3	140
ROBERTS	0.3	11
ROBERTSON	8.0	411
ROCKWALL	18.1	680
RUNNELS	5.8	251
RUSK	19.2	887
SABINE	4.5	209
SAN AUGUSTINE	4.9	216
SAN JACINTO	9.3	418
SAN PATRICIO	19.9	908
SAN SABA	3.2	141
SCHLEICHER	1.5	57
SCURRY	8.4	342
SHACKELFORD	1.1	55
SHELBY	9.1	426
SHERMAN	0.7	37
SMITH	74.2	3,367
SOMERVELL	3.4	139
STARR	13.2	684
STEPHENS	3.1	139
STERLING	0.4	20

COUNTY NAME	ANNUITY PAYMENTS (in millions)	NUMBER OF ANNUITANTS
STONEWALL	\$ 0.6	33
SUTTON	1.2	57
SWISHER	3.2	163
TARRANT	338.3	13,860
TAYLOR	43.4	1,882
TERRELL	0.4	19
TERRY	4.1	197
THROCKMORTON	1.1	47
TITUS	8.3	379
TOM GREEN	38.3	1,711
TRAVIS	230.5	9,538
TRINITY	7.2	313
TYLER	7.5	376
UPSHUR	12.1	599
UPTON	1.0	45
UVALDE	11.7	559
VAL VERDE	14.1	565
VAN ZANDT	18.4	845
VICTORIA	29.6	1,334
WALKER	31.9	1,259
WALLER	17.2	717
WARD	3.9	188
WASHINGTON	14.4	690
WEBB	44.5	1,751
WHARTON	16.6	751
WHEELER	2.3	109
WICHITA	34.8	1,540
WILBARGER	5.1	254
WILLACY	7.7	338
WILLIAMSON	90.8	3,906
WILSON	12.1	546
WINKLER	2.1	105
WISE	14.7	664
WOOD	19.2	822
YOAKUM	3.0	126
YOUNG	7.1	317
ZAPATA	3.8	167
ZAVALA	3.1	139

2008  
Annuity Benefit Payments  
by County: Total \$6 Billion



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