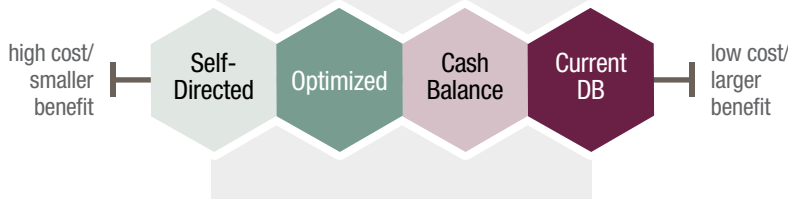
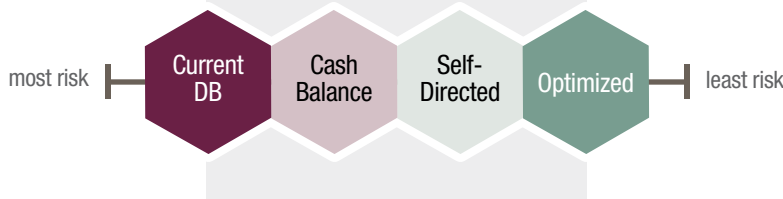


The Teacher Retirement System of Texas updated its 2012 Pension Benefit Design Study to provide information on the current defined benefit plan as compared to other types of retirement plans. The study examines a range of retirement plans from the TRS defined benefit plan to defined contribution plans. The study evaluates these plans against a variety of plan design metrics including economic efficiency, investment risk, and longevity risk. Below shows the plans compared to these considerations in plan design.

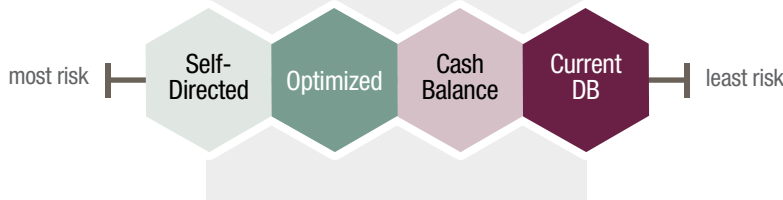
COST TO PROVIDE DESIRED LEVEL OF BENEFIT



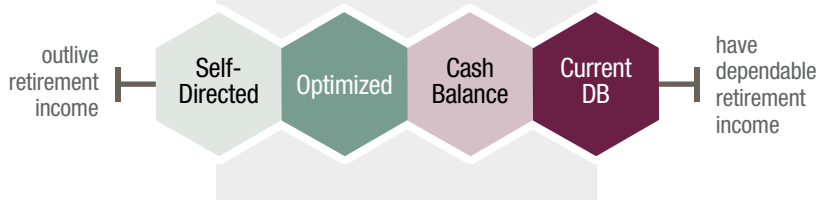
PLAN SPONSOR INVESTMENT RISK



TRS MEMBER INVESTMENT RISK



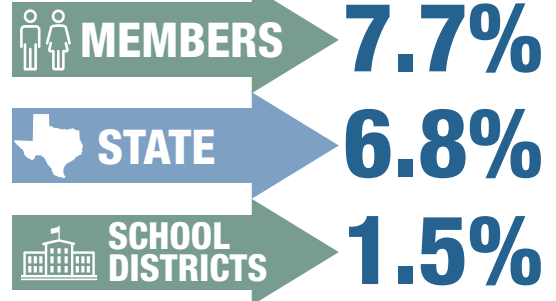
TRS MEMBER LONGEVITY RISK



2%

Phased-in Contribution increase needed to lower the funding period to 31 years. As plan fiduciaries, TRS has requested a contribution increase in its Legislative Appropriations Request.

CURRENT CONTRIBUTION RATES



2018 Financial Indicators

UAAL \$46.2B

Funding Period 87 years

Funded Ratio 76.9%



MAJOR FINDINGS

- 1 A total of **96 percent** of public school employees do not participate in Social Security.
- 2 The current defined benefit plan provides current benefits at a **lower cost** than alternative plans.
- 3 Moving new hires to an alternative plan **will not eliminate existing liabilities**.
- 4 A contribution rate **increase of 1.82 percent** beginning in fiscal year 2020 will lower the funding period to 30 years.
- 5 A phased-in contribution rate **increase of 2 percent** beginning in fiscal year 2021 will lower the funding period to 31 years.
- 6 Combined employee and employer contribution rates for TRS are the **lowest** in the nation among teacher plans.
- 7 The value of the retirement benefit available to TRS members is **30 percent less** than the average benefits available to members of peer systems.
- 8 Active members have borne approximately **70 percent** of plan changes since 2005.
- 9 All plan structures carry differing levels of risk. When examining important aspects of pension plan design, the current defined benefit plan places more risk with the State and generally offers **more favorable outcomes** for TRS members.
- 10 The majority of TRS members will do **significantly worse** investing on their own in a plan with a defined contribution component.