The Employees’ Retirement System of Alabama (ERS) provides benefits to state employees, state police, and, on an elective basis, to employees of political subdivisions.

**The ERS Pension Works for Alabama 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 2014, taxpayers (employer contributions) paid only 24.5% of the cost of benefits.

**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:

- 10% cost savings from pooling longevity risk
- 11% cost savings from optimal asset allocation
- 27% cost savings due to higher returns and lower fees

Total cost savings: 48%
Following the global stock market crash in 2008-2009, Alabama policymakers proactively made changes to ERS of Alabama to ensure long-term sustainability. These included:

- Increasing employee contributions for employees hired before 12/31/2012.
- Reducing benefits for employees hired after 1/1/13 by a reduced multiplier, older normal retirement ages, and lower average salary.

Alabama 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 2016 year, ERS had $10.6 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 the fund is financially sound over time.

Alabama MADE PLAN CHANGES TO ERS IN RECENT YEARS

Following the global stock market crash in 2008-2009, Alabama policymakers proactively made changes to ERS of Alabama to ensure long-term sustainability. These included:

- Increasing employee contributions for employees hired before 12/31/2012.
- Reducing benefits for employees hired after 1/1/13 by a reduced multiplier, older normal retirement ages, and lower average salary.

THE ECONOMIC IMPACT OF ALABAMA PENSIONS:

- $4 billion in economic output generated by retirees’ spending from public pensions in Alabama.
- 27,814 jobs paying $1.2 billion in wages supported by retirees spending from public pensions in Alabama.
- $703.2 million in federal, state, and local tax revenues generated by retiree benefits and spending in Alabama.

All data come from Alabama, Public Plans Data, or the National Institute on Retirement Security.
The Employees’ Retirement System of Alabama (ERS) provides a defined benefit (DB) pension 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 to better serve taxpayers. DB pension payments also support the state’s economy.

Key facts about the plan and its benefits:

- **55,330**
  Total active members of the Employees’ Retirement System of Alabama.
- **49.5%**
  After a 30 year career, ERS will replace 49.5% of an employee’s pre-retirement income.
- **$1,869**
  Typical pension benefit paid to retired ERS members each month.

Pensions are a good deal for taxpayers:

Funding of public 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 2014, taxpayers (employer contributions) paid only 24.5% of the cost of pension benefits.

The spending from the pension checks of the 46,514 retired public employees supports:

- **$4 billion**
  in economic output in Alabama.
- **27,814 jobs**
  paying those workers in Alabama $1.2 billion in income.
- **$703.2 million**
  in federal, state, and local tax revenues based on benefits and spending in Alabama.

Pension benefits are a good deal for the economy too:

Each dollar “invested” by Alabama taxpayers (employers) in these pension plans supported $5.18 in total economic activity in the state.

$1.00  $5.18

All data come from Alabama, Public Plans Data, or the National Institute on Retirement Security.
The Teachers’ Retirement System of Alabama (TRS) is a component of Retirement Systems of Alabama. It provides benefits to employees of educational institutions in the state.

The TRS Pension Works for Alabama 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 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 2014, taxpayers paid only 24.5% of the cost of benefits.

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:

- 10% cost savings from pooling longevity risk
- 11% cost savings from optimal asset allocation
- 27% cost savings due to higher returns and lower fees

48% total cost savings
Following the global stock market crash in 2008-2009, Alabama policymakers proactively made changes to TRS to ensure long-term sustainability. These included:

- Increasing employee contributions for employees hired before 12/31/12.
- Reducing benefits for employees hired after 1/1/13 by a reduced multiplier, older normal retirement ages, and lower average salary.

Alabama Made Plan Changes to TRS in Recent Years

Following the global stock market crash in 2008-2009, Alabama policymakers proactively made changes to TRS to ensure long-term sustainability. These included:

- Increasing employee contributions for employees hired before 12/31/12.
- Reducing benefits for employees hired after 1/1/13 by a reduced multiplier, older normal retirement ages, and lower average salary.

The Economic Impact of Alabama Pensions

- $4 billion in economic output generated by retirees’ spending from public pensions in Alabama.
- 27,814 jobs paying $1.2 billion in wages supported by retirees spending from public pensions in Alabama.
- $703.2 million in federal, state, and local tax revenues generated by retiree benefits and spending in Alabama.

All data come from Alabama, Public Plans Data, or the National Institute on Retirement Security.
The Teachers' Retirement System of Alabama (TRS) provides a defined benefit (DB) pension for public school employees. It offers a modest but stable monthly income over a retiree’s life. DB pensions help to recruit and retain experienced teachers who provide quality education for our children. DB pension payments also support the state’s economy.

Key facts about the plan and its benefits:

- **135,986**
  - Total active members of the Teachers’ Retirement System of Alabama.
- **49.5%**
  - After a 30 year career, TRS will replace 49.5% of an employee’s pre-retirement income.
- **$2,016**
  - Typical pension benefit paid to retired teachers each month.

Pensions are a good deal for taxpayers:

Funding of teacher pensions is shared by employees and employers. New TRS 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 2014, taxpayers (employer contributions) paid only 24.5% of the cost of pension benefits.

The spending from the pension checks of the 89,332 retired public employees supports:

- **$4 billion**
  - in economic output in Alabama.
- **27,814 jobs**
  - that pay those Alabama workers $1.2 billion in income.
- **$703.2 million**
  - in federal, state, and local tax revenues based on benefits and spending in Alabama.

Pension benefits are a good deal for the economy too:

Each dollar “invested” by Alabama taxpayers (employers) in these pension plans supported $5.18 in total economic activity in the state.

All data come from Alabama, Public Plans Data, or the National Institute on Retirement Security.
Pensions Help Deliver Quality Education in Alabama

Defined benefit (DB) pensions play a fundamental role in retaining high-quality, experienced teachers in the classroom. These effective, experienced teachers are the most important school-based element that provides quality educational outcomes for our children.

A wide body of academic research on teacher productivity finds that teachers become more effective with experience. These studies demonstrate that experienced teachers have students who achieve at higher levels. In contrast, when experienced, mid-career teachers are replaced by inexperienced teachers, other studies show productivity drops across the school.

DB pensions give schools an effective tool to retain experienced teachers. These benefits provide teachers an incentive to continue delivering quality education to K-12 students.¹ 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.

There are important policy reasons to continue offering teachers DB pensions. Because pensions help attract and retain workers, Alabama can keep teachers in the classroom and help empower students to achieve their highest potential.

Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 17 percent pay gap relative to comparable private sector workers in 2015. 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 11 percent. In Alabama, teachers experience a 28 percent wage gap when compared to other college graduates in the workforce.²

17% teacher wage gap  
offset by: 6% teacher benefit advantage  
reduces... the teacher compensation gap to 11%

Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.

92% 92 percent of Americans say pensions are a good way to recruit and retain qualified teachers.

81% 81 percent of Americans agree that teachers deserve pensions to compensate for lower pay.³
Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are better teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (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

8.5%

The percentage of teachers who leave education in Alabama.

333 teachers

The number of Alabama teachers retained each year due to the DB pension.

$2.6M to $5.6M

The DB system savings in teacher turnover costs in school districts across Alabama.

TRS Key Facts

Alabama TRS serves 135,986 active employees and 89,332 retired members and survivor beneficiaries.

New TRS employes contribute 6% to the plan.

Employers contribute 11% to the fund for employees.

The average monthly retirement benefit for members is $2,016.

TRS has $24.7 billion in actuarial value of assets and $10.1 billion in unfunded actuarial accrued liability.5

The Economic Impact of Alabama Pensions

$4 billion

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

27,814 jobs

paying $1.2 billion supported by retirees spending from public pensions in Alabama.

$703.2 million

in federal, state, and local tax revenues generated by retiree benefits and spending in Alabama.6

5 All data, unless otherwise noted, as of fiscal year ended 2016.