

TMRS and Public Retirement Systems in the Current Economy

Presentation to the Texas Municipal Retirement
System Annual Convention

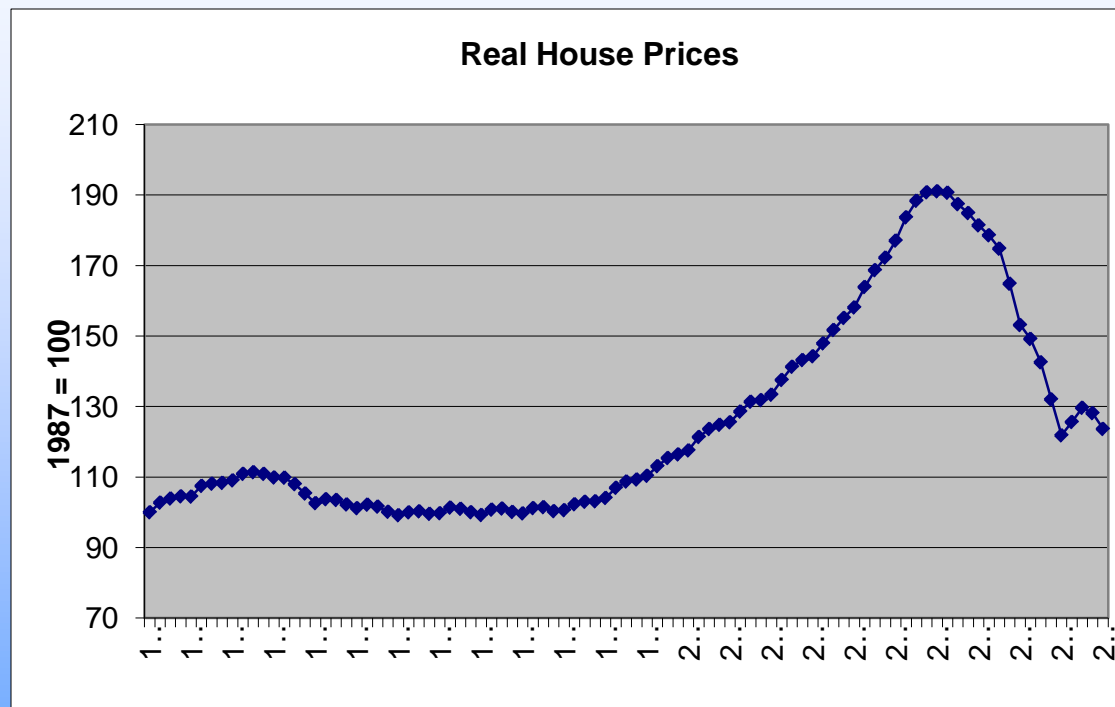
Dean Baker, Co-Director

Center for Economic and Policy Research

August 16, 2011

- The State of the Economy
- Washington Budget Battles
- The State of the National Retirement System
- The Texas Municipal Retirement System

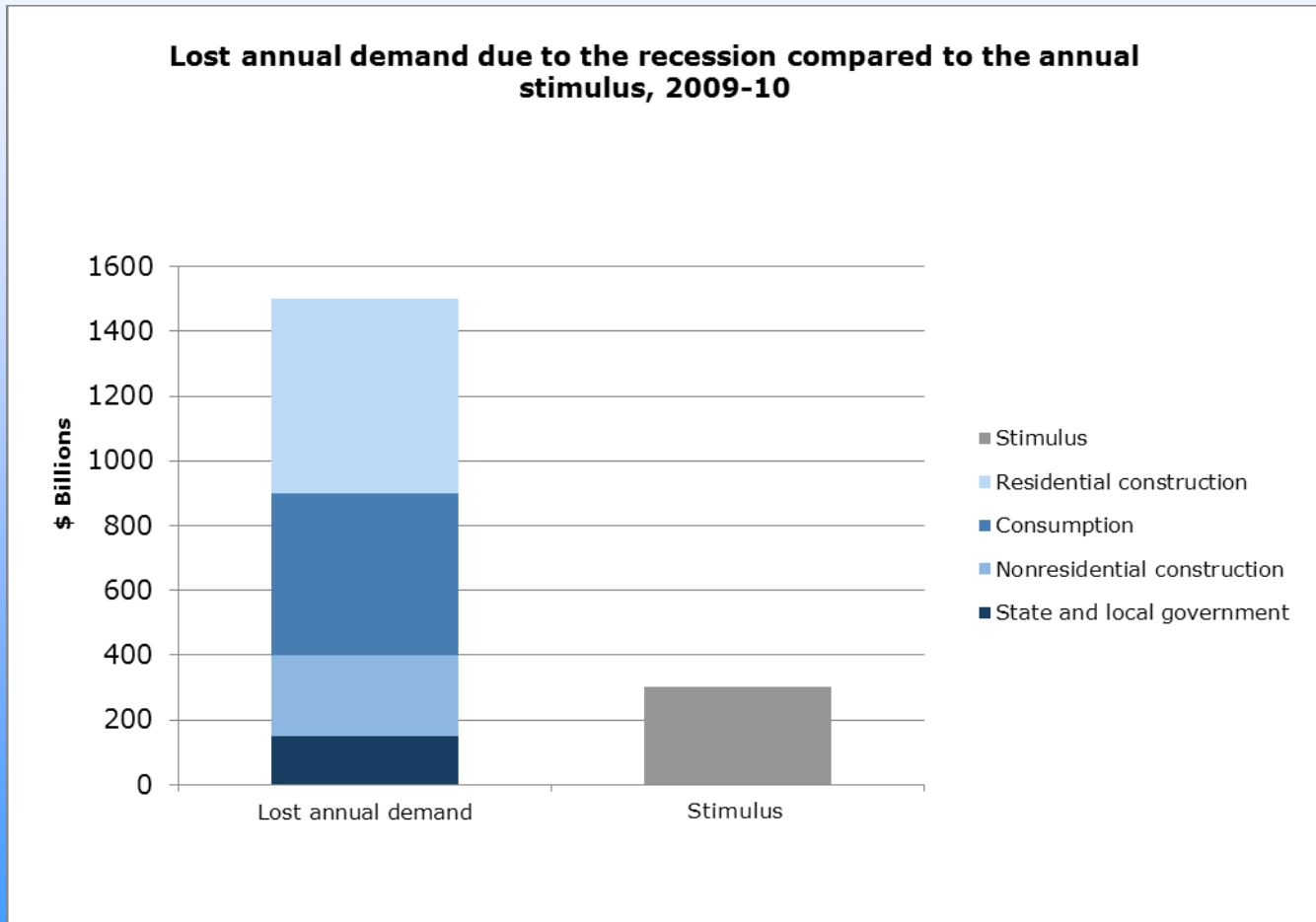
The Housing Bubble That Crashed the Economy



Source: Case-Shiller Index, Standard and Poor's.

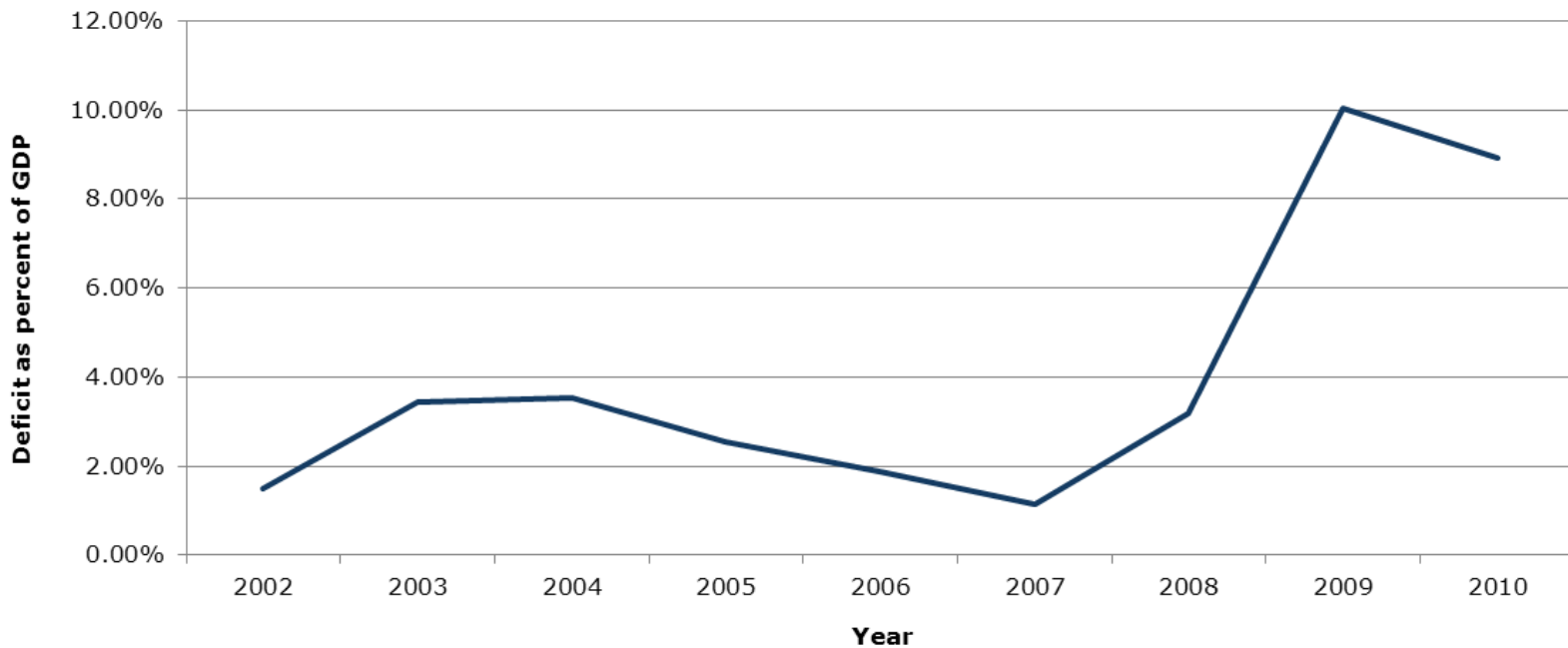
- Led to building boom that went bust
- \$8 trillion in housing bubble wealth drove consumption

The Stimulus Was Not Big Enough

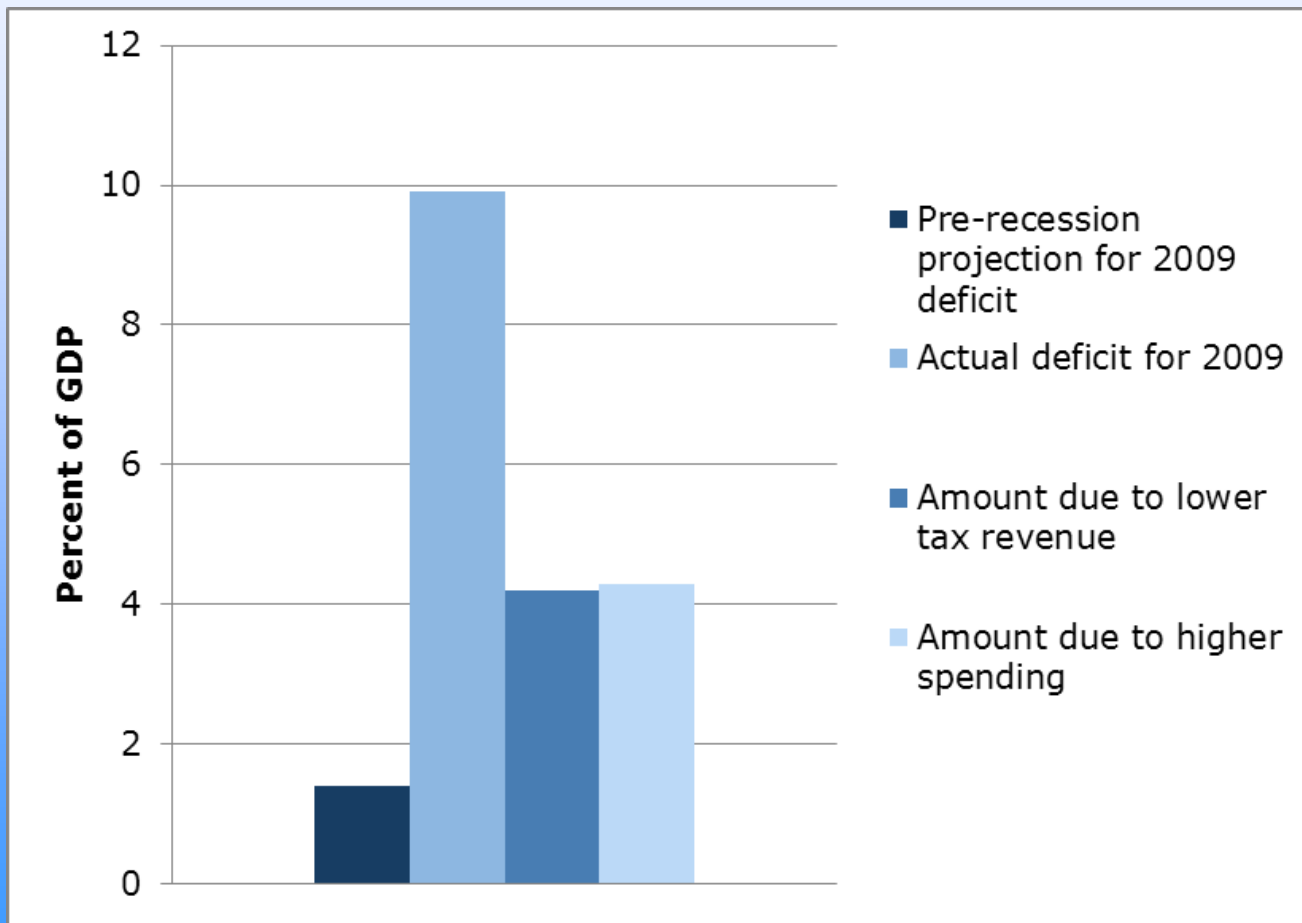


The Housing Crash Is the Cause of Huge Deficits

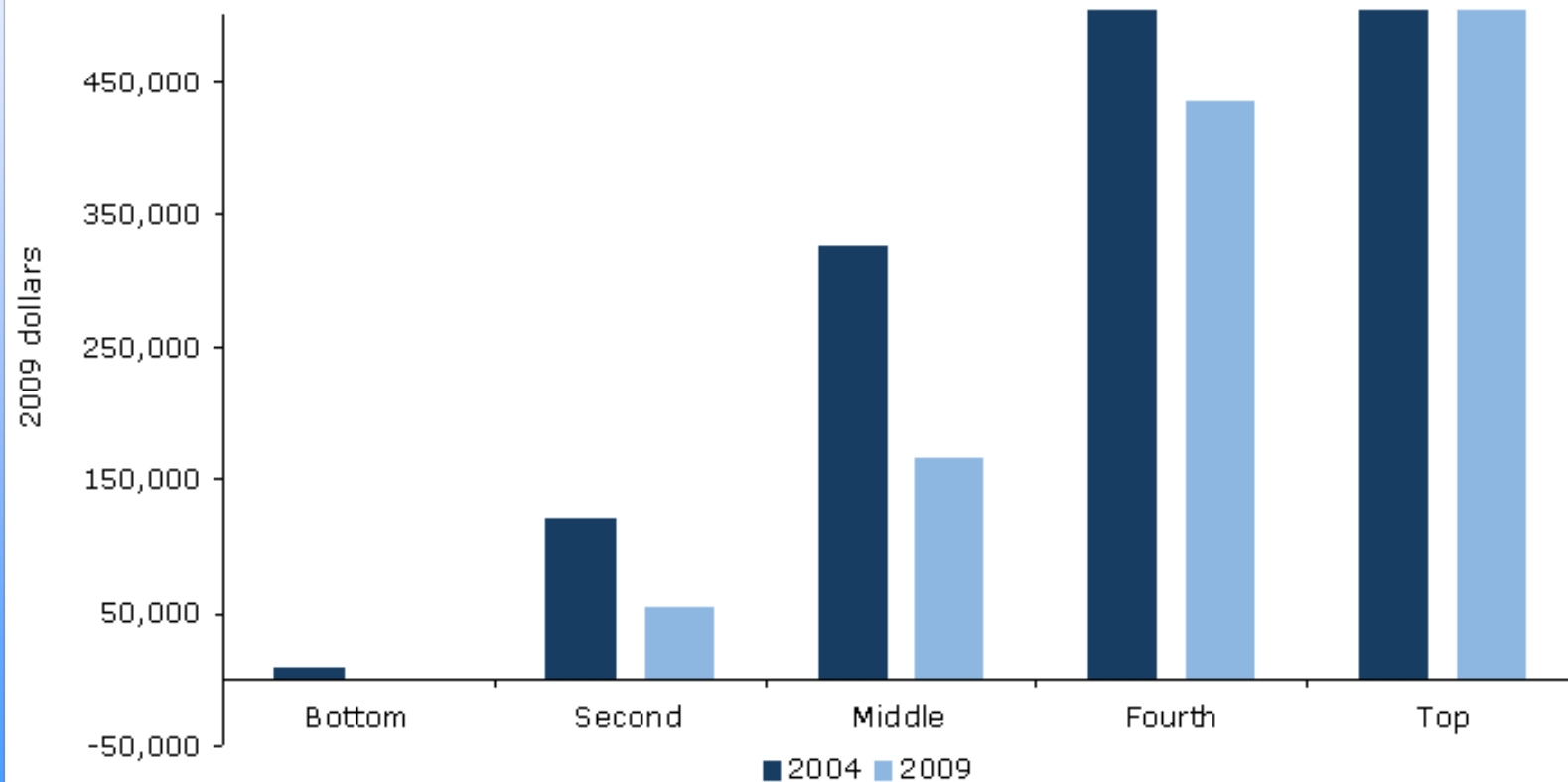
**Figure 2-1. Budget deficit as percentage of GDP,
2002-10**



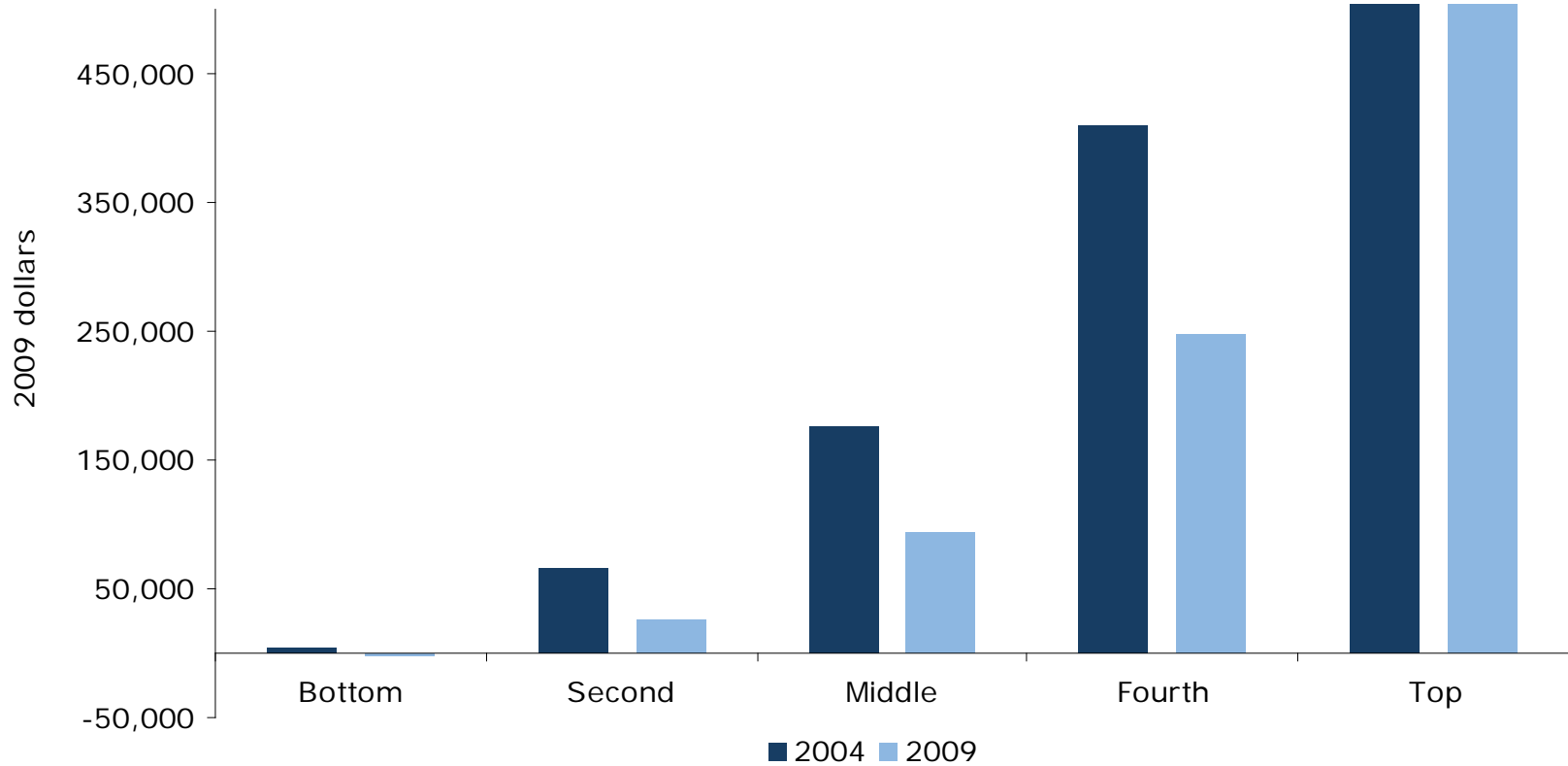
The Change in the Budget Deficit for 2009, Projected versus Actual



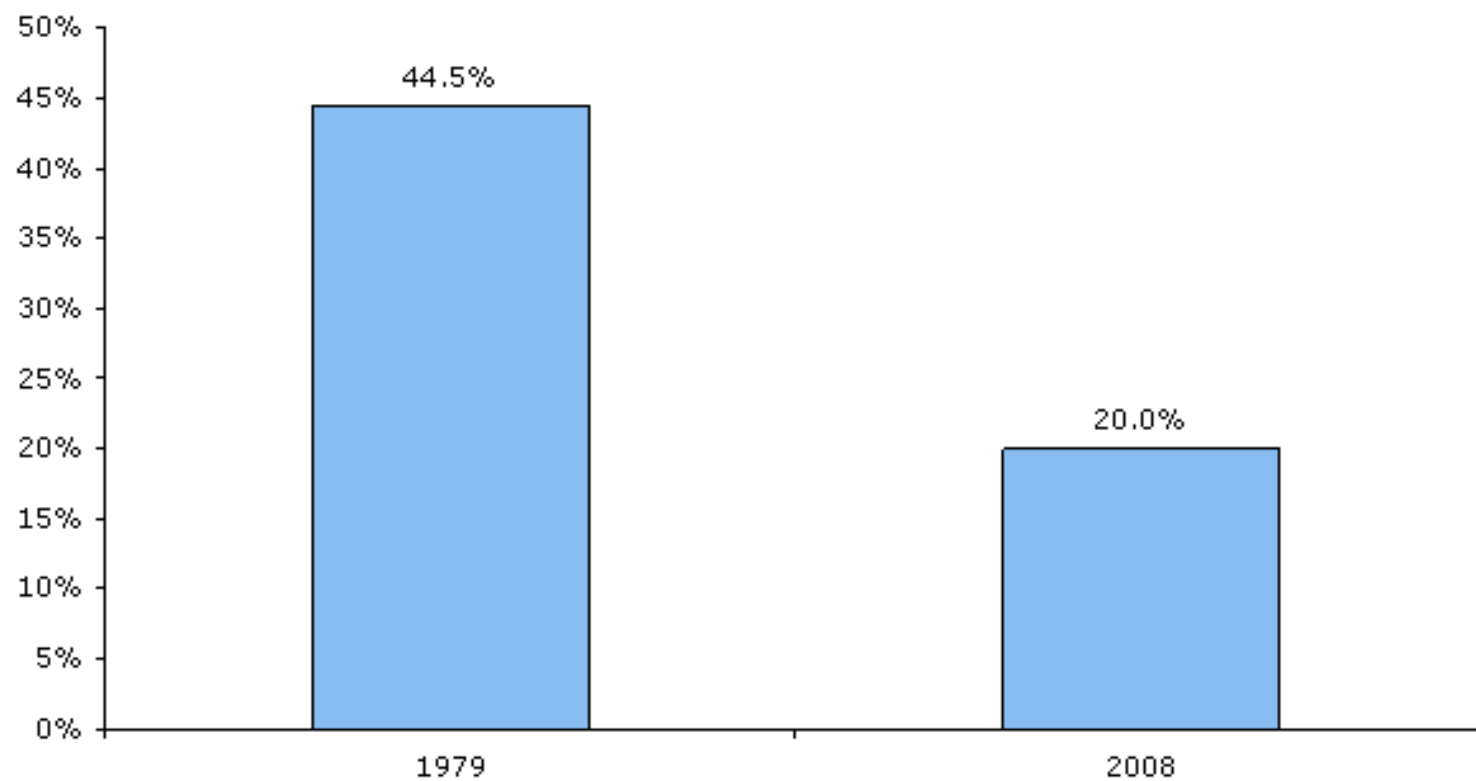
Net Worth of Households Aged 55-64 in 2004 and 2009,
by Income Quintile



Net Worth of Households Aged 45-54 in 2004 and 2009, by Income Quintile

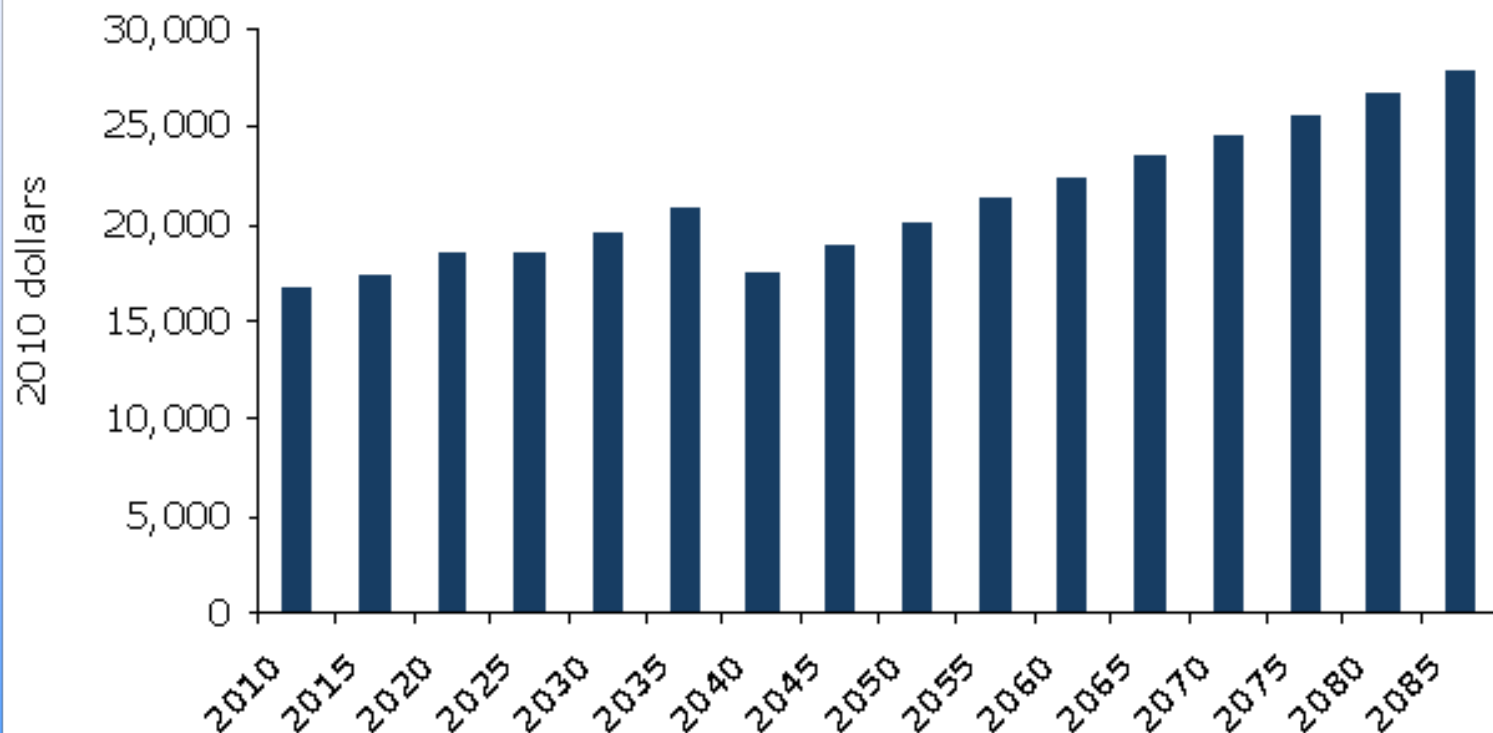


Percent of Private Sector Workers with Defined Benefit Pension



Source: Bureau of Labor Statistics and Census Bureau

Payable Social Security Benefits, 2010-2085

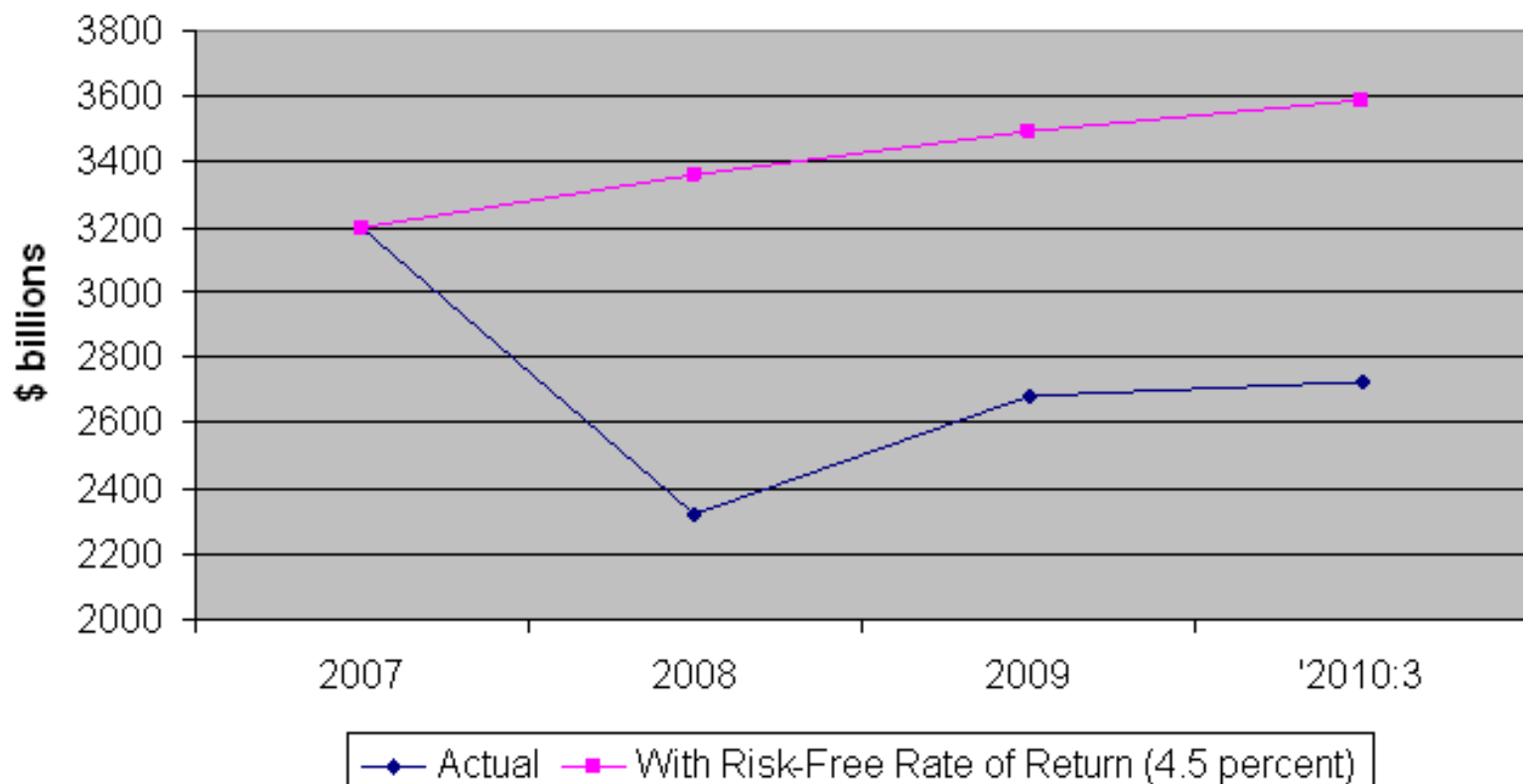


Source: Social Security Trustees Report, 2010; Notes: Scheduled benefits amounts for median worker retiring at age 65, 2040-2085 calculated with income-to-cost ratio at intermediate level

The Texas Municipal Retirement System

- 82.9% funded at the end of 2010
- Low Administrative costs – .13 percent of assets
- Defined Benefit features – 5 percent annual interest credit and optional Updated Service Credit
- Post retirement Cost of Living Adjustment – optional by city up to 70 percent of CPI

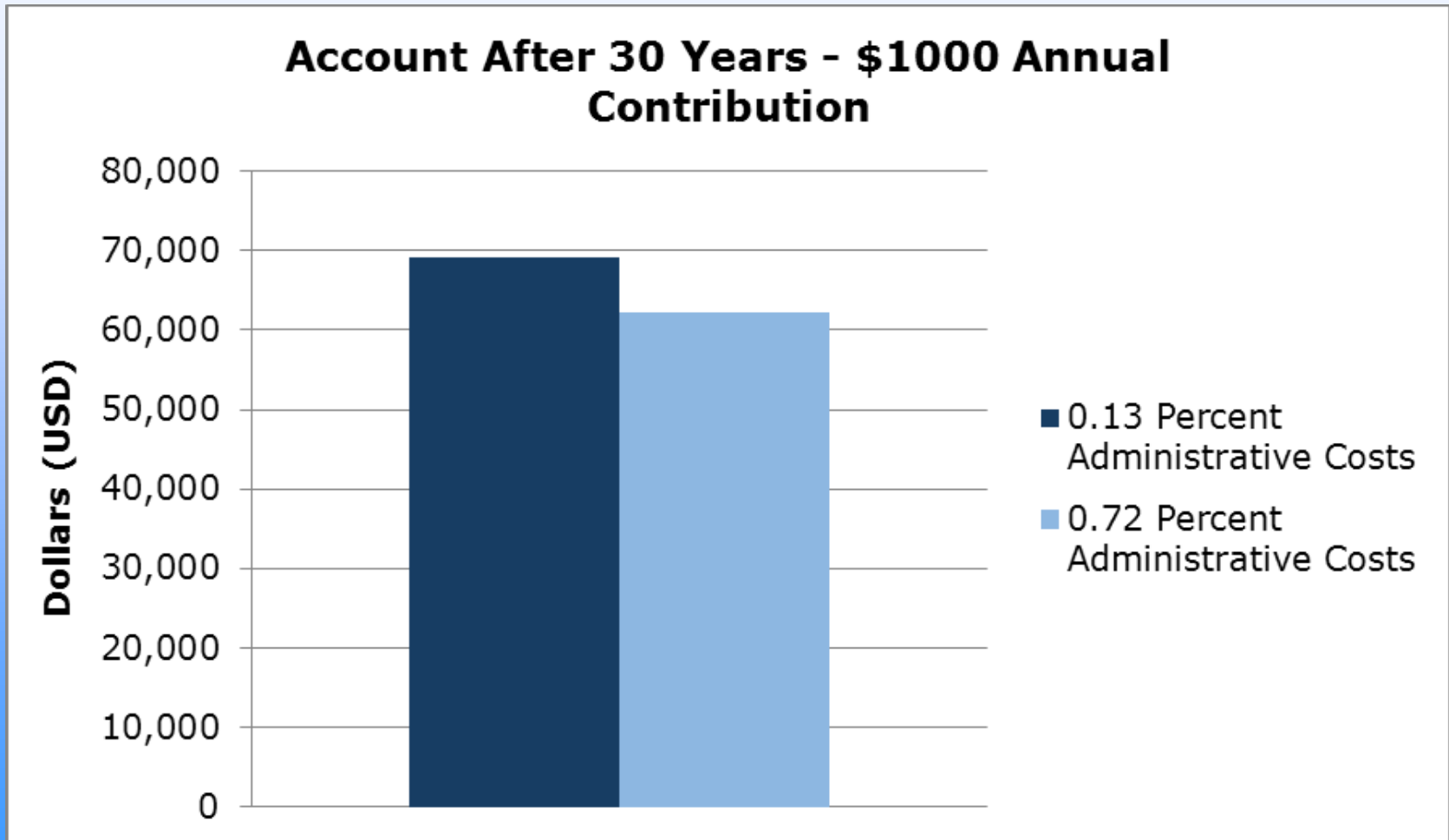
Change in Public Pension Assets Since the Recession





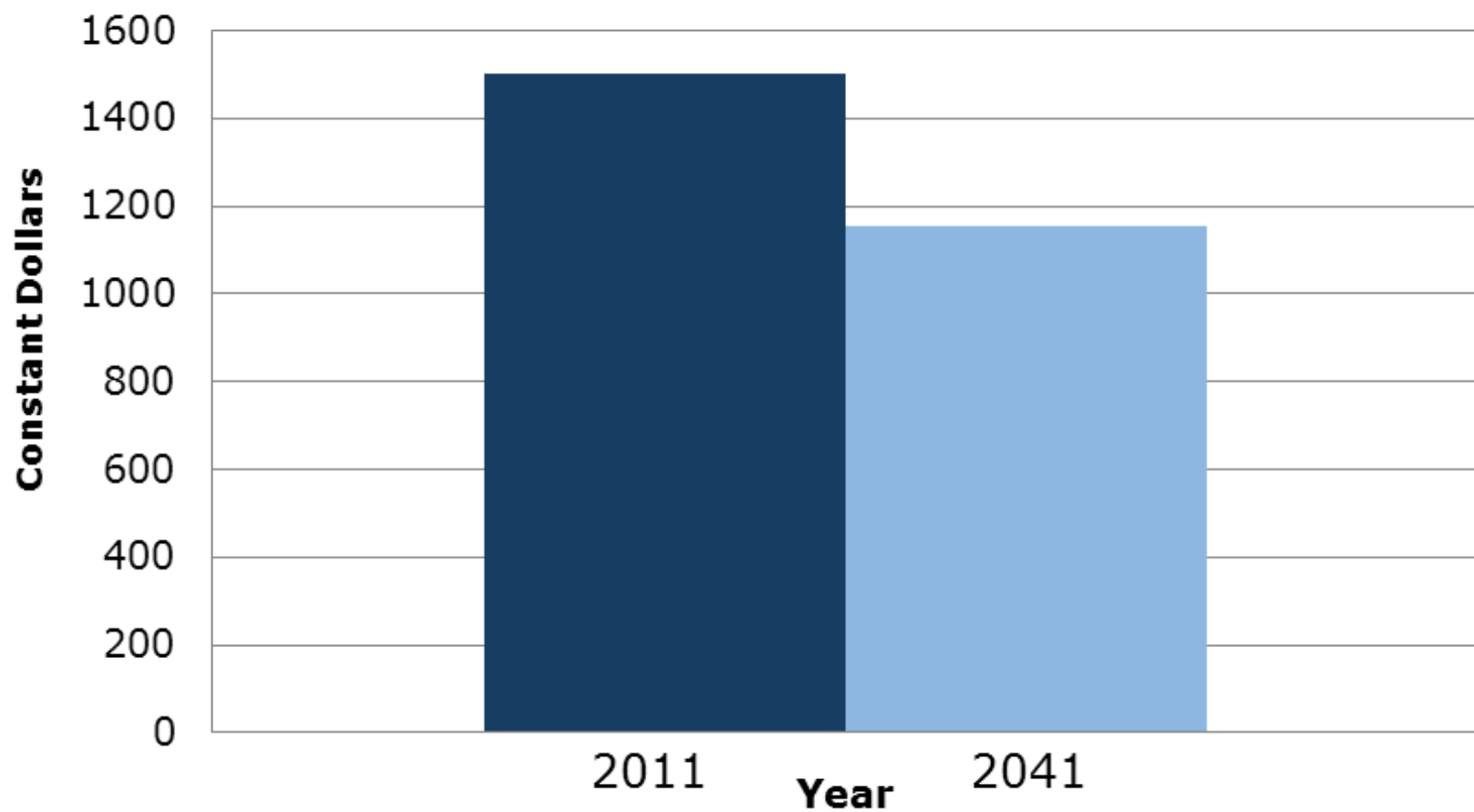
Source: BEA, Federal Reserve Board, and author's calculations

The Impact of Administrative Costs



Cost of Living Adjustments Over Time

Benefits Per Month



Conclusion

- TMRS finances look solid – barring U.S. economic collapse
- Administrative costs are extremely low
- Defined benefit feature provides substantial security
- COLAs protect against inflation, but may be eroded through time