How the Health of the Fund Is Calculated - TRANSCRIPT
***Understanding Your Pension Fund* video series**

The TRS pension fund has one goal.

To provide you with a dependable source of retirement income for life.

In this series of videos, industry expert Joe Newton will answer some of the most commonly asked questions by our members.

Join us as we help you *understand your pension fund.*

Hi! I'm Joe Newton and I am an actuary at GRS - the independent actuarial firm that analyzes pension funds across the nation, including TRS.

That means I'm the one who calculates the indicators used to determine how healthy the TRS Pension Trust Fund is.

This is one in a series of videos where I explain some of the key factors and processes we use and follow to make sure the pension fund ***stays*** healthy. We want to make sure it has enough money for current and future retirees.

First off, funding for the TRS Pension Fund comes from three sources.

Those include dollars from the state & employers, active TRS members, as well as investment returns.

And it's important to know that the majority of contributions come from investment income.

Every year, a "health checkup," called an actuarial valuation**,** is conducted on the TRS Pension Fund.

An actuarial valuation, simply put, is comparing the assets and liabilities of the fund.

This checkup begins by looking at how much money the TRS Pension Fund needs so it can deliver promised benefits to current and future retirees – not just for today and tomorrow, but for many years ahead.

The amount actually in the fund is then compared to the amount of money necessary for future benefits.

Any difference is defined as the **UNFUNDED LIABILITY.**

An unfunded liability is not a problem if there is a funding plan, or a contribution stream, to pay it off over time. It is similar to the way a family makes payments on a home mortgage using income from their jobs.

And just as a mortgage is a long-term plan to pay off the debt on the property, as an actuary, I will look at how long it will take to pay off the **UNFUNDED LIABILITY** based on current contributions, including investment income.

This is called the **FUNDING PERIOD.**

As long as the funding period is less than 31 years, Texas law states that the fund is **ACTUARIALLY SOUND**.

This soundness of the fund means it is likely that the combination of money in the fund, along with *future* contributions, *will be* enough to pay the promised benefits.

Another important piece of the **ACTUARIAL VALUATION – now remember, that's the "health checkup" that I do -** is to monitor the trend in the **UNFUNDED LIABILITY** to make sure it is getting smaller over time.

An **UNFUNDED LIABILITY** that is decreasing is good.

It's evidence that benefits are secure for all generations of TRS members.