

TRS NOW

THE TRS PENSION FUND AND HEALTH CARE PROGRAM OVERVIEW

The Texas Retired Teachers Association (TRTA) is the state's largest organization representing the interests of public education retirees. Our core mission is to protect the defined benefit retirement plan provided through the Teacher Retirement System of Texas (TRS).

There are 1.3 million TRS members, and over 300,000 retirees receive an annuity check every month as promised. TRS has never missed a payment in 75 years. TRS is Providing REAL retirement security. TRS is a legacy worth protecting.

TRTA will oppose ANY effort to reduce or eliminate the defined benefit plan. We will do whatever it takes to protect it. As policymakers, YOU SHOULD TOO.

THE TRS PENSION FUND

The opposition wants to introduce a radical scheme to implement a defined contribution (DC) plan for public educators. This may not sound "radical" to some. For TRS Texas, it is nothing short of ruinous.

■ **TRS is Not in Crisis:** Under current contributions levels and investment return assumptions, the plan can pay benefits through the year 2075. There is time for legislative action to be taken.

■ **TRS is Not Coordinated with Social Security:** 95% of Texas school district employees do not pay in to the federal Social Security program. TRS is the sole source of retirement security for almost all retired public school personnel.

■ **TRS is Not Being Ignored by the Texas Legislature:** The Legislature has maintained its commitment by making a contribution to the fund without fail for 75 years. In other states where pension funds are flailing, legislatures skipped their yearly contributions. However, since 1995 Texas' contributions have dropped from 7.31% to as low as 6.0%. At the time, those decreases were considered temporary measures. If the state had maintained a contribution of 7.31%, TRS would have \$7 billion more in assets than it does today.

■ **Implementing a DC Plan Is Not Good Public Policy:** Changing TRS to a DC plan would destroy the financial security of 1.3 million people, including the children and grandchildren of current

retirees. This change would add nearly \$12 billion in liabilities to TRS. DC plans fail when used as the primary source of retirement income. Households headed by a person aged 60–62 with a 401(k) plan have less than 1/4 of what is needed to maintain their standard of living in retirement. DC plans shift risk away from the state, but are far riskier for retirees. DC plans do not solve the issue of the plan's unfunded liability.

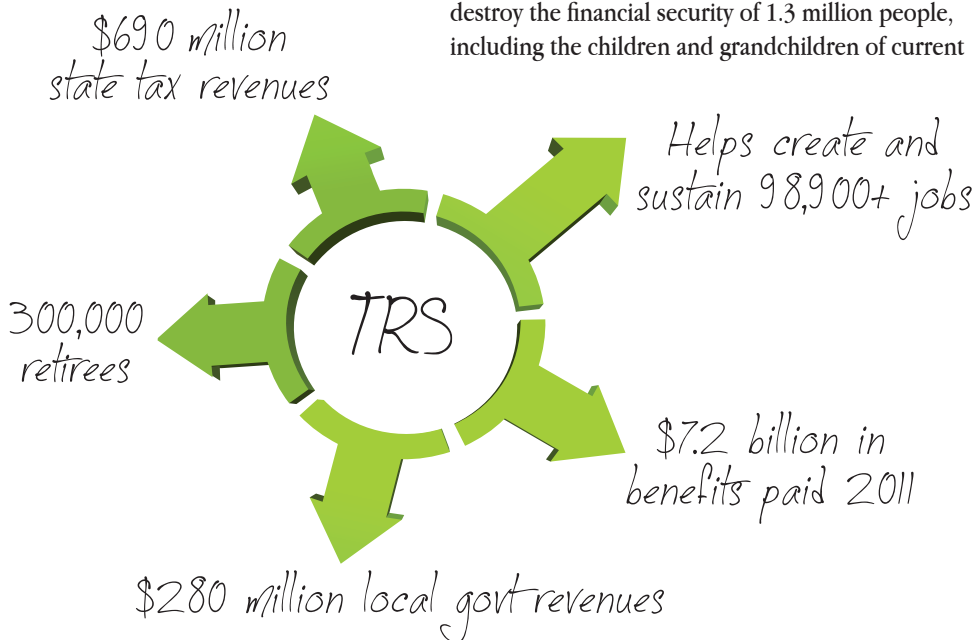
■ **TRS is Not a Tremendous Burden on Taxpayers:** In 2011, TRS earned \$14.6 billion in investments, while active members contributed \$2.2 billion, statewide taxpayers contributed \$1.6 billion and local taxpayers contributed \$400 million to the fund. Active school employees have been paying in 6.4% of their salaries since 1985, accounting for 20% of the fund's value; the state contributes 20%, while investments account for 60%.

■ **TRS Brings Tremendous Value to Texas:** TRS recruits and retains quality staff, a feature that would be lacking if future educators were offered only a DC plan and no Social Security. TRS pumps over \$7 billion into the state economy every year in benefit payments, generating \$690 million in state revenues and \$280 million in local government revenues.

■ **TRS is Well-Managed:** TRS is 83% funded with a record of high investment returns (8.6% over 25 years). TRS earned more than \$40 billion since market declines in 2008 & 2009.

■ **TRS Texas is Not a Rich Benefit Plan:** Retirees have not received a permanent annuity increase (COLA) in nearly 12 years. TRS is 36% less rich than comparison plans in other states (\$1,867 average monthly annuity).

■ **TRS Texas is Not Perfect:** Funding and benefit considerations may need to be made to protect TRS. Costly moves to do away with the system's defined benefit structure are NOT in the best interest of the state, taxpayers or public school retirees.



THE TRS PENSION FUND AND HEALTH CARE PROGRAM OVERVIEW

TRS-Care is the group retiree health benefits program administered by TRS. TRS retirees who are not eligible for ERS, UT, or Texas A&M system health benefit coverage may be eligible for TRS-Care. More than 200,000 retirees and their dependents participate in this plan.

TRS-Care is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding sources include retiree premiums, state funding, and school district and active personnel contributions.

During the 82nd legislative session, the state reduced its contribution to TRS-Care to .5% from 1% for one year of the current biennium, resulting in a loss of hundreds of millions of dollars for the insurance program.

TRTA expects action this session to improve the funding condition of the TRS-Care program! Restore the state contribution to 1% of aggregate teacher payroll!

THE TRS-CARE HEALTH INSURANCE PROGRAM

While it is important to be fully engaged in the existing attacks on the TRS defined benefit plan, the far more critical issue is adequate funding for the TRS-Care retiree health insurance program.

■ **The TRS-Care health insurance program is quickly running out of reserve funding** and may experience a funding shortfall in the next two to three years of as much as \$1.2 billion!

■ **At the end of the last legislative session, TRS was tasked with exploring options to sustain the insurance program for the long-term.** As a result, we have seen many changes, including the new TRS Medicare Advantage program for certain TRS members. TRS also re-bid its existing contract for a Pharmacy Benefit Manager and added a Medicare Part D plan as an option.

■ **While these changes are projected to save TRS-Care millions of dollars, they are not enough to prevent a shortfall in the 2016-2017 biennium.** These plans are dependent upon high participation rates in the Medicare Advantage program, as well as the state restoring its contribution to the full 1% of teacher payroll.

■ **The options available for extending the life of TRS-Care** are changes to benefits and eligibility, changes to retiree premiums, or increasing revenue through contributions from the state, school district, active employee or from the federal government.

■ **This program is not a “no-cost” health care plan:** TRS-Care participants pay significant premiums to participate in this plan. Combining what retirees pay in premiums, deductibles and out-of-pocket costs, plan participants are paying the highest portion of the costs associated with the program.

■ **TRTA members want the legislature to restore funding to the TRS-Care program** that was cut last session and be ready to provide any additional funding necessary to maintain the TRS-Care retiree health insurance program. TRTA members also want their premiums to remain the same, and for the level of benefits they receive to remain consistent or improve.

■ **TRS-Care is vital to the healthcare of 230,000 TRS annuitants.**

■ **Funding for this program should not fall on the backs of retirees,** who have received no permanent cost-of-living adjustment in nearly 12 years yet have experienced ever-growing medical care costs.

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TRS-CARE FUNDING SOURCES

