

SB 1458 protects all TRS members.



## General TRS Fund Improvements

- SB 1458 helps make the TRS fund actuarially sound and protects the benefit plan for retired and active public school employees;
- The bill increases contributions to the TRS fund from the state by over \$200 million this biennium;
- Additional state and employer revenue to TRS in the coming biennium totals \$530 million;
- The state's contribution to TRS is 6.8% in FY 2014 and 6.8% in FY 2015;
- TRS-Care (the retiree health care program) will receive approximately \$80 million more in funding this biennium;
- TRS is restricted by a budget rider in SB 1 (the budget bill) to maintain existing premiums for the coming biennium.

### Benefit Enhancement for TRS retirees

- TRS now will be actuarially sound;
- **TRS retirees who were retired on or before August 31, 2004 will receive a 3% cost-of-living increase;**
- The COLA provides a cap that limits the annuity increase to \$100 per month;
- The COLA provision brings the TRS amortization period to 29.5 years;
- Expanding the COLA to those who retired 9-1-2004 or later would have made the fund not actuarially sound, thus making the COLA invalid for any retiree;
- The COLA provision will help over 195,000 TRS retirees and/or surviving spouses;
- **Future increases will be more likely with the fund's improving actuarial status.**

### Changes for Active School Employees

- TRS members may retiree once they satisfy the Rule of 80 (combination of age and years of service that equals 80);
- SB 1458 implements an early retirement age-adjusted annuity;
- The age-adjusted annuity provision reduces an employee's retirement benefit by 5% for every year of age less than 62 at time of retirement;
- The bill grandfathers all vested active employees (those with 5 years of service as of 9/1/14) from the minimum age retirement provision;

- This part of the bill is prospective to FY 2014, meaning active employees will earn another year of service that may be used towards vesting;
- All active TRS members will make higher contributions to the TRS pension fund;
- Increased member contributions will be phased in over time, allowing for a smoother transition to the higher rate;
- **The new rates are:**
  - 6.4% in FY 2014 (no change);
  - 6.7% in FY 2015;
  - 7.2% in FY 2016; and
  - 7.7% in FY 2017
- Requires a future retiree to meet the Rule of 80 with a minimum age 62 in order to participate in TRS-Care 2 or 3;
- Any active member who retires prior to age 62 will have access to TRS-Care 1 and will be able to join TRS-Care 2 or 3 at age 62;
- This TRS-Care provision grandfathers any current active member **who meets the Rule of 70 (combination of years of service and age equal 70 or more) or who has at least 25 years of service as of September 1, 2014;**
- **Existing retirees participating in TRS-Care are not affected by this change.**

### **School District Information**

- School districts not paying into Social Security will be required to pay into the TRS fund at 1.5% of the district payroll based on the minimum salary schedule;
- While this is a new contribution, it is prospective and will not go into effect until FY 2015 and is far less costly than contributing to the federal Social Security program as some school districts do;
- The state is providing the funding to school districts for this new contribution in FY 2015 to ease the transition and assist with future budget planning.

This legislation assures TRS members that the fund is actuarially sound. Because the fund will be actuarially sound, TRS will avoid major penalties and scrutiny that would occur due to the new GASB 68 provision being implemented in January 2014.

It also protects the TRS defined benefit plan for all future retirees. SB 1458 protects the retirement security of 1.3 million Texans, many of whom do not have Social Security.

**Contact Tim Lee, TRTA Executive Director with questions. Office: 800.880.1650**