

## TRA Board adds new members and Reviews Condition of TRS

based Tim Lee, *Inside Line*, 2-24-16

The Teacher Retirement System of Texas (TRS) Board of Trustees met February 24-26 in Richardson, Texas at the Education Region 10 Service Center to discuss various issues including the status of the pension fund and the TRS-Care retiree health insurance program.

Prior to beginning a discussion about these vital issues, TRS Executive Director Brian Guthrie announced the new members of the TRS Retirees Advisory Committee:

**Dr. Celeste Cardenas** as an active teacher, term expiring January 31, 2018

**Ms. Teresa Koehler** as an active teacher, term expiring January 31, 2020

**Dr. Bruce Gearing** as an active school administrator, term expiring January 31, 2018

**Ms. Grace Mueller** as a retired teacher, term expiring January 31, 2020

**Dr. H. John Fuller** as a retired school administrator, term expiring January 31, 2020, and

**Mr. Jesus H. Soto** as a retired school auxiliary staff, term expiring January 31, 2018.

Four TRTA members serve on the committee, including newly appointed Chairman Grace Mueller. TRTA's own Legislative Coordinator and Chairman of the State Legislative Committee **Bill Barnes** was named Vice-Chair of this vital committee. Jesus H. Soto is also a well-known member of TRTA who has previously served as the State Historian. Teresa Koehler, another member of TRTA, has also joined this important committee.

TRS Executive Director Brian Guthrie reported that the agency now is nearing 1.5 million members with 378,000 retiree members. 253,000 people participate in the TRS-Care program.

## TRS Fund at \$124 Billion in February

Tim Lee, *Inside Line*, 2-24-16

The TRS pension fund, which sits at \$124 billion as of February 23, 2016, is "better off than anticipated," said TRS Director Guthrie. Despite recent market downturns, the funding period is at 33 years. Though not considered actuarially sound by state law, it was

feared that the funding period would be closer to 37 or 38 years at this point in time.

Due to the passage of Senate Bill 1458 during the 83rd Legislative Session in 2013, the pension fund continues to follow a path towards full funding.

Certain stipulations passed with the bill included a grandfathering period that will pass within a few years and have a very positive impact on the fund.

The figures provided February 24 are based upon an average rate of return of 8 percent over the long-term.

Guthrie reported that over the past five years, the fund has averaged a return of nearly 10 percent.

However, he stressed that the first several months of 2016 have been very volatile, but the investment team at TRS has a system in place to mitigate volatility through their asset allocation.

The unfunded actuarial accrued liability (UAAL) is at \$33 billion as of August 2015. Under the current plan, which includes an increase in the active teacher contribution to 7.7 percent by 2017, TRS is expected to pay off this unfunded liability by 2047. The UAAL will begin to decline more rapidly after 2025. This assumes the continued state contribution to the fund of 6.8 percent.

These figures also assume a lowered inflation rate of 2.5 percent, and adjusting the mortality rate to reflect the retiree population living for a longer period of time. Assumptions for payroll growth were also lowered from 3.5 percent to 2.5 percent. These assumptions result in the funding period and UAAL growing for a short period of time and then declining as the system moves toward full funding.

Guthrie also reported on TRS operations for 2015, noting that members made \$2.6 billion in deposits, while the state made \$3 billion in deposits to the pension fund. Almost two-thirds of TRS' revenue for the pension fund is generated by investments.

TRS made \$8.9 billion in pension payments to retirees in 2015. 21,000 new retirements were processed. TRS also gave 173 group presentations to members all across the state of Texas.

## TRS-Care faces a Shortfall by 2019

Tim Lee, *Inside Line*, 2-24-16

TRS Director Guthrie also reported on the TRS-Care health insurance program, which faced a shortfall of \$768 million during the 84th Legislative Session in 2015. Thanks to TRTA members and legislative leaders working together, House Bill 2 included supplemental funding to cover the shortfall.

As Brian Guthrie stated during February 24 meeting, "it is unlikely that those sources of revenue will be

available again” during the 2017 session. TRS-Care’s fund balance will be negative by the end of the current biennium, facing an even greater shortfall of \$1.5 billion as the next legislative session begins.

## **TRS-Care Select Joint Interim Committee to meet March 30**

based Tim Lee, *Inside Line*, 2-24/25-16

The Texas legislature has established a select joint committee of three senators and three representatives that will meet during the interim to discuss solutions to the coming TRS-Care crisis. This highly influential committee will investigate and report their conclusions to the 85<sup>th</sup> legislature next January. To emphasize the magnitude of these recommendations TRS Director Guthrie affirmed that “Programmatic changes are needed to make TRS-Care sustainable.”

**The first meeting of the committee is planned for 2:30 p.m. Wednesday, March 30, 2016 in Room E1.028 (Hearing Room) of the Texas Capitol building extension.**

The focus of this committee is to examine and assess:

1. the financial soundness of the TRS-Care and TRS-Active Care plans;
2. the cost and affordability of plan coverage; and
3. the sufficiency of access to physicians and health care providers under the plan.

The interim committee consists of the following:

**Sen. Joan Huffman** (R-Houston) - Co-Chair,

**Sen. Jane Nelson** (R-Flower Mound),

**Sen. Craig Estes** (R-Wichita Falls);

**Rep. Dan Flynn** (R-Canton) - Co-Chair,

**Rep. Trent Ashby** (R-Lufkin), and

**Rep. Justin Rodriguez** (D-San Antonio).

The findings from this committee are due to the Texas Legislature on January 15, 2017.

Progress on TRS-Care will happen in 2016 and it will happen quickly. TRTA needs your participation in every step of this process!

**The reality of systemic changes to TRS-Care must be faced head on. It is possible that your premiums may increase or your benefits may change, or both! TRS-Care is a top priority for TRTA as we head full steam into 2016.**

## **TRS Trustees Meeting grapples with cost containment**

based on Tim Lee, *Inside Line*, 2-25-16

TRS Chief Health Care Officer Katrina Daniel made a presentation to the TRS Board about internal efforts to provide efficient administration of the TRS-Care plan, as well as financial oversight and cost-containing measures. Some of those cost-containment measures include continued negotiations with the Medicare Advantage and Medicare Part D vendors to receive favorable terms. This helped save the program \$44 million in FY 2015. TRS also reviewed the costs and potentially wasteful or fraudulent activities that may be associated with certain compound drugs.

For 2016, the department’s major objectives include having a successful working relationship with the joint interim legislative committee established by Senate Bill 1940 in 2015, strengthening the agency’s data analytics, contact oversight and governance, use data to improve data-driven decision making in health care, enhance consumerism by improving communications with the TRS membership, and developing an internal strategic plan to help the department maintain its focus on priorities.

### **What is driving up the cost of TRS-Care?**

based on Tim Lee, *Inside Line*, 2-25-16

1. Medical and pharmacy costs continue to rise, and there are even dramatic increases in prices for generic drugs now.
2. TRS-Care continues to have more participants and more usage. As the TRS-Care population continues to age, utilization also increases.
3. As we have heard in the past, the greater costs to the program stem from non-Medicare eligible participants, as TRS-Care is the first payer until participants are 65 and Medicare becomes first payer.

TRS-Care continues to try and balance program accessibility with cost. More access creates more cost, but limiting the system is not good for the participants.

TRS Executive Director Brian Guthrie, explained that “funding streams for TRS-Care are in no way related to the increasing costs of health care.” As our members may know, funding for the program is based on a percentage of active educator payroll, which has tended to decline in recent years. As contributions to the program are not based on health care industry trends, this funding mechanism

continues to be a problem. Right now, the state contribution to TRS-Care is 1 percent of active teacher payroll.

As TRS internally looks at ways to contain costs, such as

1. creating integrated health care across disciplines to achieve an expected high value outcomes and
2. looking at alternatives such as telemedicine.

The funding mechanism for TRS-Care will still have to be a primary focus of consideration for the joint interim legislative committee. A wide array of options will be needed to wrangle the cost of health care for Texas' public education retirees.

## **Joint Interim Committees beginning March 30 will deal with details of COLA and TRS-Care Reform?**

based on Tim Lee, *Inside Line*, 2-25-16

**Ray Spivey**, Director of Governmental Relations and **Merita Zoga**, Assistant Director of Governmental Relations reviewed legislative interim charges for various committees and how they will impact TRS and its members. TRTA reviewed many of these charges in a November 20 *Inside Line*.

Of particular interest to our members is House Appropriations Committee charge 6, which will “examine issues and costs associated with granting cost-of-living adjustments or ‘13th Checks’ to retired state employees and teachers.”

In 2007, TRS annuitants received a one-time 13th check. While an attempt was made to provide TRS retirees with another 13th check in 2009, ultimately, the payment was not approved. While the status of the pension fund's solvency cannot be predicted at this time, this discussion opens the door for conversations with legislators about the possibility of a supplemental check for retirees in 2017.

In regards to TRS-Care, House Appropriations Committee charge 7 will “monitor the implementation of HB 2 (84R) as it pertains to the short-term funding provided to TRS-Care, evaluate additional methods to address the health care needs of retired teachers in light of the current health insurance market, including the feasibility and costs associated with retired teachers not eligible for Medicare remaining on a school district's health care plan until Medicare eligible.”

## **Lisa Falkenberg lauds Pension Expert Craig Mason**

Lisa Falkenberg, *Houston Chronicle*, 2-28-16

In a February 28<sup>th</sup> column Pulitzer Prize-winning journalist Lisa Falkenberg christened 40-yr veteran actuary Craig Mason as a “superhuman” pension expert who “understands Houston's pension mess like nobody else [and] speaks the truth, politics be damned.”

Falkenberg further declared that the former consultant who served on the three pension boards for fire, police and municipal employees as “one of the few people on Earth who truly, completely, honestly gets the \$5 billion pension hole” in Houston. Mayor Parker has called Mason “a competent and able professional who served the city well.” However, his advice often alarmed cost-conscious city fathers. As Mason put it “I'm a pretty dull guy, a ‘just the facts, ma'am’ kind of guy, But pension boards don't always like the facts.”

So, just what were his recommendations?

“In short, his plan increases city oversight of pension plans and requires the city to start paying its full, reasonable share. It leaves earned benefits in place and retains “defined” benefits – ones guaranteed regardless of economic conditions – for all employees. Mason does call for increasing employee contributions and reducing future benefits, including changes in cost-of-living allowances and a generous benefit known as “DROP,” which lets active veteran firefighters collect salaries while also accruing guaranteed interest on would-be retirement income....”

**[In other words something very similar to the TRS funding reform enacted a couple of sessions back.]**

Falkenberg suggests that the current Houston pensions system is “a complex house of cards built on pie-in-the-sky generosity during the Mayor Lee Brown era, faulty, unchecked assumptions, and irresponsible funding policy... “The Pulitzer columnist's counsel: “Mayor, council members, committee appointees, pension boards, listen to this guy. You can't afford not to.”

## Five House Contests that Bear Watching for May Run-Off

**House District 5 (North of Tyler to Mt. Pleasant area)** . The two Republican candidates are **Cole Hefner and Jay Misenheimer**. There are no Democratic candidates..

**House District 18 (Dayton to Huntsville area)**  
The following Republican candidates will face each other in the May primary runoff election: Ernest Bailes and **Keith Strahan**. There are no Democratic candidates.

**House District 128 (La Porte, Baytown northward to hwy 1960)** incumbent **Representative Wayne Smith** faces challenger **Briscoe Cain** in the Republican primary run-off. There are no Democratic candidates. Rice political scientist Mark Jones commented that “Smith’s only hope is that between now and May, he can find some good opposition research on Cain that weakens him” [Texas Tribune, 3-3-16]

**House District 54 (Killeen to Lampasas area)**  
The following Republican candidates face each other in the primary run-off election: **Austin Ruiz and Scott Cosper**. **Sandra Blankenship** won the Democratic primary.

**House District 73 (New Braunfels to Fredericksburg area)** **Representative Doug Miller** faces challenger **Kyle Biedermann** in the Republican primary run-off. There are no Democratic candidates.

### Two Senate Races Set for May Run-off

based on Tim Lee’s *Inside Line* of 3-2-16

Director Lee highlighted two critical Senate contests for the May run-off:

**Senate District 1 (Tyler area including Henderson and Texarkana)** The two Republican are: **Bryan Hughes and David Simpson**. There are no Democratic candidates.

**Senate District 24 (west of Austin from Kerrville to Temple)** The two Republican candidates facing each other in the primary runoff are: **Dawn Buckingham and Susan King**. Democratic candidate **Virginia Leeder** won the Democratic primary.

In each of these Senate and House races urge friends or relatives in the area to ask three questions:

1. Do you support a defined benefit plan for all current and future TRS retirees?
2. Do you support providing reasonable, affordable healthcare for TRS retirees?
3. What will you do as my legislator to ensure that the TRS pension fund and TRS–Care health insurance program are preserved and improved?

## Speaker Straus, Reps. Flynn & Menendez Win

**House District 121 (north central San Antonio)**  
A positive force in facilitating retired teacher issues in the last session was **Speaker Joe Straus** who won against two challenging Republicans with over 60% of the vote. Since there were no Democratic candidates and almost all of his supporters prevailed, Straus will very likely be elected House Speaker next January.

**House District 2 (Hunt, Hopkins & Van Zandt counties)** **Pensions Chairman Dan Flynn** was a critical figure defending TRS-Care in the last session. Running for an eighth term **Representative Flynn** [Van] won with just 50.6% of the vote in the Republican primary. That’s a 369 vote difference out of 29,000. Since there were no Democratic candidates Flynn will likely be in the Pensions Chairmanship next session.

In San Antonio (**Senate District 26**) Democratic **Senator Jose Menendez** won by almost 60% of the total. He said upon taking office in March last year that one of his priorities was to get a COLA for retired teachers. There are no Republican candidates vying for this seat so he will likely be supportive of retired teachers in the next legislative session.

The Primary Runoff Election will be held on Tuesday, May 24, 2016. Early voting will begin on Monday, May 16, 2016 and continue through Friday, May 20.

While the turnout for Super Tuesday was better than anticipated, it is common for voters to skip the Primary Run-off Election. TRTA wants members to know that YOUR VOTE MATTERS and even more in the Primary Runoff! So, get early voting on your May schedule NOW!