



HB 3976 passed Texas House Now it's in the Senate.

Based on Tim Lee, *Inside Line*, 5-2/3-17

House Bill 3976 passed out of the Texas House in a 143-0 vote last week. The bill relates to making dramatic changes to TRS-Care, including providing \$633 million towards continuing the state-run retiree health insurance program. All of our local House members voted “yea” including Dennis Paul, Dr. Greg Bonnen, Wayne Faircloth, Ed Thompson and Briscoe Cain (Deer Park).

Without HB 3976's passage, TRS-Care would likely have gone into free-fall. The program was predicted to collapse within two years. However, the Texas House budget includes a one-time infusion of cash from the Rainy Day Fund, as well as an increase in the ongoing state appropriations for TRS-Care.

The next step for the bill is approval by the Senate. If HB 3976 passes in the Senate with no changes, it will need only the signature of Governor Abbott to become law. There are only three short weeks (May 29) left in the regular legislative session for Senate action. **As this bill moves ahead, it may be improved. A key issue is the bill's funding, which is linked to the budget. The budget, a separate bill from HB 3976, currently is in conference committee. If the \$633 can be enhanced retirees will face less out-of-pocket costs for health care.**

The Texas Retired Teachers Association (TRTA) will keep its members informed as the bill progresses through the Senate chamber. Sometime in the first weeks of June the governors will sign both the bill as well as the budget providing the funding.

Tim Lee explains need for TRS-Care Reform

Tim Lee, *Inside Line*, 5-2-17

Much progress has been made on improving the stability of the TRS-Care program, but many of the program changes require retirees to pay more out of their pockets. The trend of more costly healthcare is has been experienced by nearly all Americans over the last decade. TRTA certainly is not unaware of this reality; but we have argued that TRS retirees' income largely is fixed, and their actual buying power is eroded due to inflation and the lack of regular pension increases.

Few in the Legislature would disagree with this premise, and many have filed legislation to provide retirees with an increase in their benefits. However, those bills are not likely to pass this session because the TRS pension fund currently cannot sustain benefit increases (per state law, the pension fund must be able to amortize its unfunded liability within 31 years or less in order for such increases to be approved). The options available to deal with this health care funding challenge focus on more money for TRS-Care, as well as retirees paying more for their insurance.

The Texas House version of TRS-Care reform is based on a budget strategy that includes \$633 million more funding for retiree healthcare. While this eases the pain on retirees, the fact remains that program changes are still necessary for TRS-Care to exist. HB3976 is critical to the solvency of TRS-Care, as time in this session is running out to address the shortfall.

It is important that TRTA members understand that we are at a critical time in this process. **TRS-Care has never been in such a dire position as it is today, and action is needed to keep the TRS-Care plan sustainable.**

The importance of HB 3976 is that it changes the plan design to implement a single-option healthcare plan for retirees, with a specific option for pre-65 retirees (a High-Deductible plan), and a specific option for retirees over the age of 65 (Medicare Advantage).

The Teacher Retirement System of Texas (TRS) provided these options to the Legislature through a study group that met last year. These are the only plan design change options on the table for consideration.

In order for TRS-Care to survive and offer some form of benefit to retirees, the Legislature must agree to more funding for TRS-Care and pass a bill that instructs TRS on how to implement plan design modification. **The more money provided through the Legislature, the less money retirees will have to pay out of their pockets.**

TRTA urges the Legislature to adopt a final budget with the highest amount of funding possible for TRS-Care, and to support plan design changes as recommended by TRS.

TRTA supports HB 3976 and we ask the Legislature to continue to improve the TRS-Care plan design by providing as much revenue as possible to the ailing retiree healthcare program.

House & Senate plans Differ on TRS-Care Premium hikes

Tim Lee, Inside Line, 5-2-17

For the budget years 2018/19 the House budget provides funding for TRS-Care at \$633 million but the Senate provides only \$311 million. That difference will especially burden the under-65 retirees. The following chart shows the difference between House and Senate budgets.

<i>Year</i>	<i>House Premium Plan</i>	<i>Senate Premium Plan</i>
2018	\$200/month	\$250/month
2019	\$250/month	\$310/month
2020	\$310/month	\$370/month
2021	\$370/month	\$430/month

HB 3976 also provides a zero-cost premium for TRS-Care pre-65 members who retired with a disability annuity. Please note, the zero-cost option would only apply to the disabled retiree, not to the spouse, and the provision would end in FY 2021).

All Retirees age 65 and over will be transitioned to the TRS-Care Medicare Advantage plan. The projected premiums would be approximately \$146 per month.

Legislature Names Budget Conferees

Based on Tim Lee, Inside Line, 4-21-17

As the 85th Legislative Session continues, progress on TRS-Care and the Texas budget is speeding up! As you may know, both the Senate and the House create their own versions of the state budget... Those budgets often differ in how much funding is designated for programs. As a result, a **Conference Committee** consisting of Senators and Representatives is appointed, and this group of legislators negotiates the details of the budget that ultimately gets passed by the end of the session.

Representing the Senate are

Senators Jane Nelson (R-Flower Mound), **Juan Chuy Hinojosa** (D-McAllen), **Joan Huffman** (R-Houston), **Lois Kolkhorst** (R-Brenham), and **Charles Schwertner** (R-Georgetown).

Representing the House are Representatives:

John Zerwas (R-Richmond), **Oscar Longoria** (D-Mission), **Sarah Davis** (R-West University Place), **Trent Ashby** (R-Lufkin), and **Larry Gonzales** (R-Round Rock).

These Senators and Representatives will be responsible for determining how TRS-Care is funded for the next two years. TRTA will keep you informed about upcoming meetings of the committee, and how you can help as the Legislature continues to refine its proposals for the retiree health insurance program.

Texas House Select Committee on State and Federal Power and Responsibility Discuss Resolution to Repeal GPO, WEP

Tim Lee, Inside Line, 4-13-17

On April 13, the Texas House Select Committee on State and Federal Power and Responsibility met to discuss several bills, including HCR 101, a resolution that would urge Congress to repeal the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) of the Social Security Act.

Members of the Texas Retired Teachers Association (TRTA) know about these two unfair federal provisions, and that TRTA has been fighting for repeal or modification of them for more than three decades.

The resolution, filed by Representative Abel Herrero (D – Robstown), is one that has been filed during every Texas legislative session by Herrero over the past 12 years. If passed, it is sent to the President of the United States, the President of the Senate and the Speaker of the House of Representatives of the United States Congress, as well as to all the members of the Texas congressional delegation with the request that this resolution be officially entered in the congressional record.

TRTA Executive Director Tim Lee testified in favor of the resolution, reminding the members of the committee that these unfair provisions take away earned benefits, either spousal (GPO) or one's own earnings (WEP). Texas educators are often caught off guard by these federal provisions, which financially punish educators during retirement. GPO often eliminates a spousal or survivor benefit completely, while the WEP eliminates up to two-thirds of a retiree's Social Security earnings. While TRTA is supportive of HCR 101, we also know that Congress has shown little movement to repeal the GPO and the WEP over the past three decades. **TRTA is vigorously supportive of other measures to repeal the current WEP formula especially those proposed by Congressman Kevin Brady. As you may have read in a recent Inside**

Line update, Congressman Brady affirmed to TRTA that his top personal priority as a legislator is to pass WEP reform.

While Brady, who heads the Congressional House Ways and Means Committee, is focused on major policy issues such as tax reform and the Affordable Care Act (ACA) right now, we can expect to see a new bill addressing the WEP this congressional cycle. During the last congressional cycle, Brady filed H.R. 711, the Equal Treatment of Public Servants Act, which proposed to provide a rebate to retirees who fall under the WEP, as well as reforming the unfair formula for future retirees.

H.R. 711 received considerable support, including more than 100 Congressional cosponsors. However, stakeholder groups could not come to a final agreement on the bill's changes to the WEP. The bill was delayed in committee, with a promise from Brady to continue moving forward with even better resolutions. When Brady re-files this legislation later this year, the bill will have a new number.

Congressman Brady also vowed to continue working closely with all stakeholders, including TRTA, to make the legislation work for everyone. The Government Pension Offset (GPO) may also be a part of this conversation. According to the congressman, it is possible that the GPO could be addressed in any upcoming legislation reforming the WEP as well.

What You Can Do Now to Support Repeal of the WEP and GPO

While there is not yet a bill number for reforming or repealing the WEP and GPO, members can still call their congressmen today and express their support for Congressman Brady's efforts to change these unfair provisions. Let them know you want to see these unfair provisions reformed and you would like their support when Congressman Brady's bill is filed later this year.

Josh McGee Confirmed by Senate to Lead Pension Review Board

Tim Lee, *Inside Line*, 4-13-17

Governor Greg Abbott appointed **Josh McGee**, the **Vice-President of the Laura and John Arnold Foundation**, to be the Chairman of the Pension Review Board (PRB) in November 2015. When McGee was announced as Abbott's choice to chair the PRB, TRTA expressed its opposition. The Texas Senate must confirm all Gubernatorial appointees, regardless of when they are appointed, during each legislative session in order to continue serving. The Texas Senate Committee on Nominations reviews all nominations and recommends nominees to the full Senate. The committee, chaired by Senator Brian Birdwell (R-Granbury), met in March to review Mr. McGee's nomination. During the meeting, McGee testified to the Senate Nominations Committee, and his confirmation was voted forward. Senate confirmations require a two-thirds vote of Senators present at the time of the vote. This requires 21 votes when all 31 Senators are present, or 20 votes when only 30 Senators are present. Senate Democrats, who hold 11 seats, successfully have blocked McGee's nomination since March. However, on April 20 McGee's nomination was confirmed 20-10 when one Senator was absent. The nomination was confirmed on a party line vote, with Republicans in the majority.

While McGee testified in March that he does not hold any preferences on pension plan design and "any type of plan can be designed well or designed poorly," McGee has written many op-eds for the Manhattan Institute (a public policy think-tank). In his op-eds, McGee has shown a strong, consistent preference for defined contribution plans.

TRTA and our members must stay vigilant in protecting the TRS defined benefit plan. There is a well-funded national movement to replace all public employee defined benefit pension plans with defined contribution (401k-style) plans. Even this session, there has been an effort to replace the TRS defined

benefit plan. The Laura and John Arnold Foundation is a national leader in this movement. Since its creation, TRS has never once missed a payment to its annuitants, and we need to keep it that way! TRTA will continue to attend all meetings of the PRB and keep you informed about any concerns that arise.

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Texas' retired teachers face 'death spiral' in health insurance unless lawmakers help

Robert T. Garrett, *Dallas Morning News*, 5-3-17

AUSTIN — An insolvent health insurance program for retired Texas teachers on fixed incomes will force them to pay much, much more for coverage if lawmakers don't infuse the system with cash and let it dial back benefits, according to lawmakers and experts.

Painful changes are coming, no matter what, because over the next two years, the Teacher Retirement System of Texas' "TRS-Care" program is expected to have nearly \$1.1 billion less than it needs to pay the bills.

The 32-year-old program could buckle and begin to collapse in the 2018-2019 budget cycle unless lawmakers give it more money and flexibility to make plan changes before the session ends May 29, said key legislators and the head of a retiree group. "I come from a family of teachers," said Rep. Trent Ashby, R-Lufkin. "I wanted to make sure they are treated fairly.... I come from a family of teachers," said Rep. Trent Ashby, R-Lufkin. "I wanted to make sure they are treated fairly."

"If we don't do something, TRS is genuinely concerned that they could go into a death spiral," Houston GOP Sen. Joan Huffman, author of a stalled Senate overhaul bill, said of the health plans.

In that scenario, skyrocketing premiums in several current policies would stampede beneficiaries into a legally required "no cost" plan. Reeling from loss of income, the TRS "board would likely be obligated to close the TRS-Care plan and begin to phase out current participants," said a November report by a special House-Senate panel that studied the problem. An alternate rescue bill by Rep. Trent Ashby, which is favored by many retirees, is scheduled for debate on the House floor Wednesday. [See p.1 for the result.] Inaction is not an option, said Ashby, a Lufkin Republican. He referred to a projected shortfall in TRS-Care of about \$3 billion in 2020-2021. That's

down from an even higher deficit forecast just a few months ago - between \$4 billion and \$6 billion.

"You look at those out-year costs and we have to do something different," he said.

At risk is health insurance for about 207,000 retired educators and 54,000 of their dependents. In Texas, 95 percent of school district employees haven't paid into Social Security. For many, TRS' annuity checks are their only source of retirement income.

Since 2001, lawmakers have let the retirement fund grant only one cost-of-living increase in those checks. Many live on \$24,000 a year or less.

To offset some of the pain, as inflation ravaged retired teachers' monthly checks, the Legislature's budget writers often have included "intent" provisions that basically told the system not to increase premiums.

A 12-year freeze on premiums, relentless medical-care inflation and a surge in early retirees -- who are more costly because they don't qualify for the federal Medicare program -- have capsized the retiree health plan's finances. Last September, the pension system's board imposed \$40 million a year of increases in copays and other out-of-pocket costs for beneficiaries.

One early retiree, Helen Strohschein of Frisco, is very worried. At 63, unable to qualify for Medicare for another couple of years, Strohschein said she's grateful for coverage. She said she's willing to pay even more -- in the form of higher premiums and deductibles -- if that's what it takes to save the program. "It would be devastating if they did nothing and I had absolutely no access to health insurance," she said of lawmakers.

During her 36 years as a teacher, principal and director of instruction, Strohschein said she felt the state implicitly promised her adequate health coverage in retirement.

"I would just hope the state would step up and be willing to contribute more rather than passing all of the cost onto retirees," she said.

Under both the House and Senate plans, the state would increase its current contribution of \$321 million a year -- or 1 percent of active school

employees' payroll. It would go to 1.25 percent of payroll, or about \$405 million a year.

The Texas Retired Teachers Association, though, would like the state to bump that to 3 percent of payroll. Its executive director, Tim Lee, noted that retirees' health coverage currently costs between \$4.8 billion and \$4.9 billion a year.

The Senate has made it clear that they will not spend rainy day money for ongoing expenses," said Houston GOP Sen. Joan Huffman, who like Ashby is a budget negotiator. "It's going to be a matter of us sitting down and seeing what we all can agree to." "The Senate has made it clear that they will not spend rainy day money for ongoing expenses," said Houston GOP Sen. Joan Huffman, who like Ashby is a budget negotiator. "It's going to be a matter of us sitting down and seeing what we all can agree to." Huffman, who heads the Senate State Affairs Committee, took the lead in drafting a bill to overhaul TRS-Care. It would eliminate a decades-old catastrophic plan that's been offered at no cost and let the retirement fund trim benefits and charge higher premiums for the other three plans and a Medicare Advantage plan the program offers.

Last month, though, she pulled it down from further consideration. Retirees needed more time to "become educated" and absorb the gravity of the situation, Huffman said this week.

Ashby copied her proposals to repeal laws requiring a no-cost plan and tying the hands of TRS board members and administrators on plan design and cost sharing. Saying he very much wanted to have retirees "see a modest monthly increase in their health care premium," however, Ashby and House leaders fashioned a more generous bailout that relies on tapping some of the \$10 billion parked in the state's rainy day fund.

His bill would give an additional \$332.6 million toward the retiree health care shortfall, for a total of \$500 million in the next two-year cycle. The Senate only would provide an extra \$122.6 million, for a net two-year increase of \$290 million. Its leaders have opposed used rainy-day dollars.

For retirees under 65, Ashby's bill would impose monthly premiums of \$200, which would climb

gradually to \$370 in 2021, with an annual deductible of \$3,000. Huffman's proposed deductible is \$4,000 a year. Under her plan, the early retirees' monthly premiums would begin at \$250 and wind up at \$430 four years from now.

Also, Ashby's bill would force school districts to increase their contributions to TRS-Care by about \$134 million over two years. Huffman said she opposes the move as "a cut to public schools." But while his bill would eliminate a two-year deficit of \$1.06 billion, and put the fund \$203.7 million in the black, hers would leave it still facing a \$257.4 million shortfall, according to "fiscal notes" by the Legislative Budget Board.

Strohschein, the retired teacher, said she probably can absorb whatever financial pain is coming. She's fortunate to have saved and had some years of a higher salary, which boosted her pension, she explained. But Strohschein worries about retirees with far less, she said.

"I'm not one of those who would not be able to eat or have to decide whether to buy a prescription or pay the rent," she said. "There are people out there who would face that situation."

By the numbers

261,528: TRS-Care enrollees, as of Aug. 31

151,000*: Retirees 65 or older (Medicare eligible, generally)

56,000*: Retirees under 65

54,000*: Dependents (31,000 of them Medicare eligible)

50,000: Enrollees who live in Collin, Dallas, Denton, Ellis, Hunt, Hood, Johnson, Kaufman, Parker, Rockwall, Somervell, Tarrant, and Wise counties

\$13,640: Cost to TRS-Care of a non-Medicare-eligible enrollee in TRS-Care 3, its most generous plan, in fiscal 2015

\$2,855: Cost to TRS-Care of an enrollee in Medicare Advantage and Medicare Part D plans in fiscal 2015

*-Numbers don't add up because of rounding.

SOURCES: Teacher Retirement System of Texas; Joint Interim Committee to Study TRS Health Benefit Plans, November 2016 Report to the 85th Legislature.