



## The Milieu of the Lege has Changed.

According to the Austin Statesman the 83<sup>rd</sup> session has “a different frame of mind” from the lege that met in 2011. The change is apparent in a comment of Rep. Lance Gooden [ R-Terrell], a 30-year-old conservative second-term Republican:

“Budget cuts were made last session. A lot of us returned home and faced the voters and found perhaps we weren’t as popular as we thought. Public education was cut and I didn’t find many teachers or public education supporters back home who were pleased with those cuts. So this session I’d like to restore money to public education and that’s not something I said last session.” [statesman.com, 2-1-13]

Other legislators appear to feel that the 2012 election has sent a message with six added extra Democrats in the House demanding more and better state services. Even Gov. Perry in his State of the State message was remarkably less truculent than usual implying some appropriate expenditure of the \$12 billion “rainy day” fund and encouraging constructive uses for the \$8.8 billion surplus projected by the Comptroller.

The Texas Monthly’s Paul Burka commented that “for the first time in several sessions, the state has enough money to address long-neglected issues; ...there seems to be recognition that Texas for too long has ignored the state’s needs....” [Paul Burka, Burkablog, 1-15-13]

Much of the pink dome speechifying has centered on “infrastructure” mostly relating to water and transportation. However, retired teachers know the most important infrastructure in need of repair is the TRS fund which has not seen an adequate state contribution in over a decade. For its first sixty years the legislature responsibly serviced the TRS fund but in the last decade only minimal tokens materialized. A time-honored legislative goal has always been to keep the TRS fund “actuarially sound.” To do that The Texas Constitution requires a minimum 6% state contribution but often over the years it was above 7% and above 8% occasionally. The Constitutional limit is 10%. Many of us have protested with increasing alarm the minimalist near-6% contributions of the last 15 years.

## Committee Chairs Ready for Bills

House, Speaker Joe Straus has chosen 28 Republicans and 13 Democrats to chair committees that will process the hundreds of bills to be sifted and winnowed in the next 105 days. Several days before Lt. Gov. David Dewhurst announced the chairs of the Senate committees; 12 Republicans and 6 Democrats. Unlike highly partisan Washington the traditions of one-party Texas have been to offer some chairmanships to the minority faction.

In the Senate, Lt. Gov. Dewhurst, for practical reasons, must name some Democratic Chairs. Before legislation can be considered 2/3s of the Senate must agree to proceed. This traditional rule ensures that a minority could force a protracted debate to even consider a measure. Often a few very conservative GOP Senators acting together with a more united minority [i.e. Democrats] will rule the day.

**A little history:** Before 1990 Democrats dominated in Texas; today it’s the Republicans with a bi-partisan half-decade in the ‘90s. But for Texas politics it’s more about personal relationships than partisanship. Forty years ago the big political fights were between conservative Democrats and moderate to liberal Democrats; today it’s fiscally and socially Conservative Republicans vs. moderate to liberal Democrats. Of course, both then and now, the conservative side almost always wins. However, just as in the 70s, today’s conservatives range from ideologically doctrinaire to pragmatically flexible. Both Lt. Gov. Dewhurst and Speaker Straus are GOP centrists and regularly get flak from the most doctrinaire Republicans.

### Key Chairs in the Senate:

The budget starts in the **Finance Committee** with Sen. Tommy Williams of the Woodlands. On **State Affairs** (where our bills often end up) it’s Sen. Robert Duncan of Lubbock. On the **Education Committee** (and sometimes TRS issues pop in there) it’s Sen. Dan Patrick with our own Sen. Larry Taylor as Vice-Chair.

### Key Chairs in the House:

For **Appropriations** (which determines who gets what money) it’s Rep. Jim Pitts of Waxahachie with our own Rep. Greg Bonnen as a member. For the **Education Committee** it’s Rep. Jimmie Don Aycok of Killeen with our own Rep. Davis as a member. For **Pensions and Investments** it’s Rep. William “Bill” Callegari from the Katy area and a recognized supporter of policies benefiting Texas retired teachers. **At least two TRS bills have been assigned to the Pensions committee already.** **HB 99** by Rep. Charles Perry attempts to guarantee funding at least equal to Social

Security funding in years that the Legislature may attempt to decrease its contribution to the 6% minimum level and **HB 103** by Rep. Larry Gonzales which would allow TRS to provide a supplemental payment to TRS retirees after the fund meets certain conditions.

## Here's the Plan in 2-Steps: 6.9 in '14 and 7.4 in '15

Based on the *Inside Line* of 2-8-13

TRTA met with 65 House and Senate members to explain the need for higher contributions to the TRS pension fund and TRS-Care health insurance program. **TRTA is urging the Legislature to increase its contribution to the pension trust fund to no less than 6.9% in FY 2014 and 7.4% in FY 2015.** This increased contribution is a **must** to achieve TRS fund actuarial soundness. Getting the pension fund back to actuarial soundness ensures the long-term viability of the defined benefit plan, but it is also a requirement to pass a true cost-of-living increase for TRS retirees.

TRTA also wants the Legislature to increase its contribution to the TRS-Care health insurance program to help pre-fund the benefit plan, which could prevent massive premium increases for public education retirees who have not seen an increase in their base annuity for 12 years.

In the days prior to a Senate Finance Committee hearing on January 23<sup>rd</sup> over 3,000 TRTA members emailed their Senators to demonstrate support for our TRTA leaders as they testified at the enquiry. The following is the *Inside Line* account giving the TRTA perspective.

### TRTA testifies at Finance Hearing backed by thousands of E-mails from TRTA members

Tim Lee, *Inside Line*, 1-24-13

The Senate Finance Committee met to discuss the Teacher Retirement System of Texas (TRS) budget allocation in their version of the budget, or SB 1. **The meeting did not provide much new information, but it did provide TRTA a forum to push for increased appropriations to the pension trust fund and the TRS-Care health insurance program.** Perhaps most notably, though, was the sense of immediate crisis that surrounds the funding of the TRS-Care health insurance program and what may happen to retiree health care if new solutions are not developed.

Stating that the TRS-Care projected funding shortfalls represented an "immediate crisis," Mr. Brian Guthrie, TRS Executive Director, said there are no easy answers to solve this problem and that waiting to deal with it would cause more pain down the road. Prefacing these comments, TRS officials did say the vitally important

TRS-Care program could survive another session of no additional state funding, no retiree premium increases, and no additional revenue enhancements IF the retiree population stayed in the TRS-Care Medicare advantage program and the Medicare D prescription drug program at levels of 80 percent or more. Early estimates from TRS do not indicate participation in the TRS-Care Medicare advantage program at an 80% range, and may be more like 75% participation. When asked about this lower enrollment, TRS said that there are pockets of medical providers that are not accepting the Medicare Advantage plan and those retirees have less incentive to remain in the advantage plan.

The news for enrollment participation in the Medicare D option for Express Scripts is much higher. TRS reports an overall 95 percent participation rate in the Medicare D plan. TRS testified that the savings to the plan are realized without a disruption of service to the members. The Medicare D option is not contingent on medical professional participation, and is a transparent savings to the plan and to the member that occurs simply by the retiree's willingness to participate under the plan so that TRS can receive the cost savings yielded by the program.

....Senator Kevin Eltife (R-Tyler) spoke up for retirees and said that his constituents are very fearful of losing their health care benefits if the legislature does not offer better solutions this session. He said that retirees have not had an increase in their base retirement benefit in over a decade and they cannot afford exploding premiums, nor should they have to. Senator Royce West (D-Dallas) echoed this sentiment and said that retirees need to be treated with the same dignity and respect that they gave this state and their students when they were actively working in our state's public schools.

TRTA commends this strong show of support by two long-time champions for TRS retirees. Tim Lee, TRTA Executive Director, testified that a primary association goal this session is to assure all TRS-Care participants that their health care plan will remain intact, viable, beneficial, and affordable.

Tim Lee also testified that the state subsidy for a TRS-Care participant is about \$110 per month. "There is no private sector option that can provide the level of coverage, the equivalent prescription drug benefit, the low administrative cost, or the assurance of quality service like the TRS-Care plan," Lee said. TRS-Care participants are paying the highest portion of cost related to their health care through premiums, deductibles, copays, and other out of pocket costs. In addition to retiree costs, the active school employees and the school districts are also paying into the TRS-Care plan. Their portion is not paying to pre-fund

the benefit (like the TRS pension contribution is pre-funding their retirement benefit), but to help cover the current retiree population.

TRTA did express the association's appreciation for having a baseline budget proposal that is higher for TRS-Care this session than what we received last session.

That, though, will not be enough to avert a funding crisis for the TRS-Care program in the coming years. TRS reports that by 2015, the TRS-Care plan may have a \$1.2 billion shortfall. It seemed clear to everyone in the hearing today that pushing this issue down the road was not the best public policy decision. It certainly is not in the best interests of TRS-Care participants. As TRTA member Tom Rogers testified, "it's pay me now or pay me later..." but the cost to wait is exponentially higher than finding solutions today.

Health care was not the only issue discussed by the Senate Finance Committee. A considerable amount of time was dedicated to discussing funding or benefit change options that may reduce the pension fund's unfunded liability.

**TRS reported that a state contribution to the TRS pension trust fund of 8.62% is needed to make the pension trust fund actuarially sound today.** It is important to point out that the legislature has not made a contribution to the TRS pension trust fund in an amount higher than 7% for almost two decades. TRTA believes the savings the state has realized from this underfunding benefited other legislative priorities, but NOW is the time to focus on the TRS fund.

The Senate Finance Committee, however, focused more so on benefit changes for future retirees and marginal state increases to the pension fund. TRS was asked to report on various cost savings proposals by changing benefit levels for future retirees. Options such as raising the retirement age, changing the Rule of 80, modifying benefit calculations based on final average salary and others were all discussed, **BUT NO**

#### **RECOMMENDATIONS OR CONCLUSIONS**

**WERE MADE ABOUT ANY OF THESE POTENTIAL CHANGES.** TRS did not advocate one option over any other; they did, though, answer direct questions that were asked by Senate Finance Committee members. Nearly all of the discussed benefit changes were considered in a context of grandfathering existing employees who are close to retirement.

**TRTA testified that the state has saved billions of dollars on retirement security costs for public school employees, because 95% of those employees do not participate in Social Security.**

In addition, the state contribution for public school employees is less than the average private sector hourly

employee whose employer pays into Social Security and some form of defined contribution plan (a much less beneficial and far less secure retirement plan). TRTA testified that the national average for employer contributions on hourly workers to Social Security and private retirement plans is 9.5%, or 3-plus% higher than the state contribution for TRS active members. Since 1995, the state contribution to TRS has never exceeded 7%. It has rarely exceeded 6%. **If the legislature had maintained the 7.31 percent state contribution that was changed in 1995, TRS unfunded liability would be \$7 billion less than it is today.**

TRTA is very appreciative of the state's commitment to increase contributions in the base budget to an amount equal to what active members are contributing! This was a promise made to TRTA and all TRS retirees last session and is a promise kept by the Senate and the House in their base budget proposals.

That said, the 6.4% state contribution rate by itself is simply not enough to improve the actuarial condition of the fund in a way to ensure its long-term soundness or to provide existing retirees a much needed pension increase.

TRTA encouraged the Senate Finance Committee to continue their good work and to adopt a minimum level contribution for the TRS trust fund at 6.9 percent in FY 2014 and 7.4 percent in FY 2015. These amounts are based on the TRS actuary recommendations. Increasing the TRS contribution by .5 percent in each year of the biennium would move TRS in the right direction, but more must be done to help retirees who are in desperate need of a cost of living increase.

Considering that over 40% of all current TRS retirees do not earn more than \$1,500 per month in their retirement benefit, the state legislature **MUST** make pension funding and actuarial soundness a real priority now.

## **A Tim Lee Retrospective: 2008-2013**

*Tim Lee, Inside Line, 1-11-13*

It has been 5 years since the supplemental payment was provided to retirees in 2008 (passed in the 2007 Legislative Session). So, the obvious and painful answer for many TRS retirees is that we are not better off today than we were four years ago.

At the same time, think back to the start of session just four years ago. The national economy had taken a major blow, we were moving into a deep recession, jobs were being cut across the country and the markets had plunged. The TRS pension trust fund had decreased in value from \$113 billion in August of 2008 to \$67 billion by February 2009 (that was a \$50 billion drop in just 5 and a half months!). Indeed, both the 2009 and 2011 legislative sessions were

very difficult as the state budget and the political will to make improvements for pensioners seemed low.

TRTA members rallied in those sessions to reassure legislators that the pension fund, and pension fund policy, is a long-term venture and one that does not warrant kneejerk reactions to daily trends. TRS is in the forever business, and TRTA members worked hard during those sessions to protect the pension trust fund and our TRS-Care health insurance program.

While TRS retirees did not receive an increase in their pensions, TRTA did prevent drastic increases in TRS-Care health insurance premiums and worked with the Legislature to ensure the pension fund was managed appropriately (the Legislature did not dictate how the pension fund managed its assets, but allowed the pension trustees to make those decisions without undue political involvement).

Perhaps most compelling in the aftermath of the trust fund suffering such major losses, not a single retiree was told their annuity check would be skipped or would even be delayed. In addition, no active teacher was told they could not retire during those difficult economic times. If you ever needed even more evidence why our TRS defined benefit plan is worth protecting, those are a few very poignant facts! ....

Last session, though, the Legislature cut TRS funding to either constitutional or statutory minimums (in the case of TRS-Care, they cut the program to less than the statutory levels deemed necessary)....

**If our retirees are ever to receive a true cost-of-living increase, the state must increase its funding to the pension fund....**

## Contact Your Legislators

You can use a toll-free number to find out who your legislators are and to receive their contact information. Call 1.888.674.3788! Contact information for legislators can also be found on the Texas Tribune website at the following link:

[www.texastribune.org/directory](http://www.texastribune.org/directory).

Writing a letter to the editor of your local newspaper is a great way to inform the general public about the truth of TRS and its retirees. **Many people do not know, for example, that 95% of public school employees in Texas do not pay into Social Security.** Help us spread the message that TRS is not in crisis, our retirees have earned their financial security, and protecting TRS now protects current public educators too!

### Austin Office Phones:

Sen. Larry Taylor - 512-463-0111  
Rep. John Davis – 512-463-0734  
Rep. Greg Bonnen – 512-463-0729

## Senate Dist. 6 Race: Alvarado vs. Garcia

Sylvia Garcia, a former county commissioner, will face state Rep. Carol Alvarado in a March 2 runoff. With only 6% of the registered voters turning out Garcia garnered 45% and Alvarado 42% in the special election Jan. 26. Both campaigns blamed the low turnout on cold rainy weather. However, run-off elections usually see even smaller percentages of registered showing up at the polls, maybe lower than 5%. If all political factors are positive a District 6 Senator should reach the 83<sup>rd</sup> session before April Fool's Day.

## Washington Post Assesses Stockman

Dana Milbank, *Washington Post*, 1-16-13

When I covered Congress in the mid-1990s, one of my favorite characters was Steve Stockman, a former street vagrant who somehow got swept to power in the Republican Revolution of '94.

Voters in his Texas district, realizing their mistake, swept him out two years later — but not before he distinguished himself by demanding a federal investigation of the 1948 Kinsey Report on male sexuality and by claiming that the deadly 1993 assault on the Branch Davidians was a Clinton administration conspiracy to tighten gun control.

So it was with a mix of nostalgia and delight that I came across a headline on the news Web site Talking Points Memo this week proclaiming, “GOP Rep. Threatens Impeachment If Obama Uses Executive Order on Guns.” It turns out that congressman is ... Steve Stockman. Sixteen years and one failed run for railroad commissioner later, he's back in the halls of Congress....

In his first few days back, Stockman has picked up where he left off. In addition to his threat to seek impeachment of President.... he voted “present” rather than cast his ballot to elect John Boehner speaker, complaining that the Republican leader cooperated with “a liberal White House that has outmaneuvered him at every turn.” He also introduced legislation that would end gun-free zones around schools....

In his brief but glorious [first] term, Stockman established daily prayer meetings in his office and tangled with the Anti-Defamation League for speaking on a radio program of a group that the ADL called anti-Semitic. Midway through his term, he launched an effort to investigate the first Kinsey Report and to cut off federal funding for sex-education programs that might be based on the landmark study.

Now back in office, Stockman has hit the ground running. Again working with the Gun Owners of America, a group that makes the National Rifle Association seem moderate by comparison, he introduced the “Safe School Act” that would repeal federal laws banning guns from school zones. “The time has come to end the deadly experiment of disarming peaceable, law-abiding citizens near schools,” he said in a letter to colleagues....

Yes, that's the same Stockman I found so entertaining back in the '90s....

## TRTA Lobby Day: March 20

It's time to pay up if you are going to go with us on the bus to Austin on March 20. Make your check payable to CCART and give it to our treasurer. District IV is paying half the cost of the buses including bottled water and sandwiches from Jason's Deli.