

TRS fund to become Actuarially Sound

Based on Tim Lee's *Inside Line* of 5-1/6-13

SB1458 as of May 13 at high noon:

1. **Makes the TRS pension fund actuarially sound; so that more retirees can receive raises in the future;**
2. **Provides a 3% cost-of-living raise (capped at \$100 per month) for all retirees who were retired as of 1999 or earlier;**
3. Grandfathers ALL vested (those with 5 years of service or more) TRS active employees from having to retire under a Rule of 80 and a minimum age 62 requirement;
4. Gradually raises the active teacher contribution rate of 6.4% to 6.7% in 2015, 7.2% in 2016 to 7.7% by 2017. (The next session might change the numbers.)
5. Raises the school district contribution rate to 1.5% (for those school districts not already paying into Social Security program);
6. And raises the state contribution rate to 6.8% for 2014 as well as 2015 adding another \$100 million to the TRS fund;
7. TRS-Care will receive approximately \$80 million more in funding;
8. Requires a future retiree to meet the Rule of 80 with minimum age 62 in order to participate in TRS-Care II or III (Existing retirees participating in TRS-Care are not affected by this change.);
9. Grandfathers any current active member who meets the Rule of 70 (combination of years of service and age equal 70 or more) or the active member has at least 25 years of service as of September 1, 2014;

Story of HB1383 morphing into SB1458 a Harrowing Tale

A month ago over 100 members of the House had declared support for HB1383 as it was being deliberated in the House Pensions Committee under **Chairman Bill Callegari**. This bill would make the TRS fund actuarially sound and give teacher retirees a modified COLA. After hearings demonstrated enthusiastic support for an amended version of the bill it was favorably reported as HB1884.

All eyes then turned to the Senate where an almost identical bill, SB1458, had been crafted in the State Affairs Committee. In both House Pensions and Senate State Affairs lobbyists and representatives of TRTA and active teacher groups had worked cooperatively with committee members the common goal.

Under the leadership of **Chairman Robert Duncan** and the State Affairs Committee worked and re-worked SB58 until stakeholders were sure that the TRS fund would become actuarially sound and the most senior teacher retirees would get an immediate benefit.

The reformulated SB1458 became a vehicle much more acceptable to TRTA, TSTA, ATPE, TESA and other stakeholders. The result (see above article) will clearly revitalize the TRS fund and in a fiscally sound way. SB1458 unanimously passed in the Senate (30 – 0) on May 8 and was sent to the House where almost immediately Chairman Callegari and the Pensions Committee reported the bill favorably with no amendments. As of noon of May 13 all educational retirees are awaiting an imminent vote in in the full House. With only 13 days of the session remaining every day can be a nail-biter. If passed in the House with no amendment and signed by Gov. Perry, the TRS fund will become actuarially sound thereby providing a foundation to provide some cost-of-living relief to retired educators.

All of our local legislators have been very supportive and I'm sure each would appreciate a thank you email from constituents. Here's the list:

Senator Larry Taylor and Representatives John Davis [Dist. 129 - Webster/NASA/LaPorte], Greg Bonnen [Dist. 24 - League City/Dickinson/Friendswood/Santa Fe], Craig Eiland [Dist.23- Texas City, La Marque/Galveston], Ed Thompson [Dist. 29, Alvin/Pearland].

An Appreciative Word from TRTA State Legislative Chairman Bill Barnes

“Thousands of Emails and Phone calls from Retirees and hundreds of hours of legwork and testimony by TRTA Leadership have brought us this far but there’s only few days left . . .” BB email of 5-2-13

TSTA, ATPE and TASA Supports SB1458, TCA offers Tacit Support

Based on Tim Lee’s *Inside Line*, 5-3-13

TRTA has made it a priority to partner with our friends in active educator organizations and sought their counsel as we discussed potential changes to TRS. These other organizations have looked at the facts and focused on the big picture: protecting the TRS pension plan. Besides the TRTA, the earliest professional educator groups supporting HB1458 were the Texas Association of School Administrators (TASA) and the Association of Texas Professional Educators (ATPE). All of these groups including TSTA were working to improve the bill throughout the week of April 29th. By Friday (May 3) the bill emerged out of the Senate committee. Most were pleased with the compromises in the amended bill by Friday. However, the Texas State Teachers Association (TSTA) reacted with the greatest caution declaring on their website on Saturday May 4 that HB1458 was “too much” for “too little.” TSTA suggested that the 2-year transition to get to the 7.7% teacher contribution could be stretched to 3 years and include a 13th check and TSTA might agree. In reaction to the less than enthusiastic support of the active teacher groups almost all of the Democrats in the Senate withdrew their support over the weekend forcing a Monday morning additional compromise that further improved the bill. That enhancement set up the longer transition to 7.7% from 2 to 4 years. TSTA was pleased and HB1458 passed the Senate unanimously two days later.

The Texas Classroom Teachers Association website reflected a general approval of the bill warning that to oppose would constrain the TRS fund and encourage groups who advocate defined contributions for retirees.

The Final Bell: Sine Die on May 27

Sometime in the last couple of days of the session the ten members of the Conference Committee on the biennial budget will meet behind closed doors and separate winners from losers by allocating what monies go where. Here’s the great and powerful ten:

Rep. Myra Crownover, R-Denton
Rep. John Otto, R-Dayton
Rep. Jim Pitts, R-Waxahachie
Rep. Sylvester Turner, D-Houston
Rep. John Zerwas, R-Richmond
Sen. Robert Duncan, R-Lubbock
Sen. Juan “Chuy” Hinojosa, D-McAllen
Sen. Jane Nelson, R-Flower Mound
Sen. John Whitmire, D-Houston
Sen. Tommy Williams, R-Woodlands

On the 140 day (May 27) both the House and Senate will acquiesce with the Conference Committee report and adjourn *sine die*.

A Little Actuarial History:

How did we get to this bleak point?

(based partially on Tim Lee, *Inside Line*, 4-16-13)

In 1995 the state cut funding to the TRS pension plan from 7.31% to 6%, the constitutional minimum, and it has fluctuated little since then. For many decades the Texas legislature had been vigilant in adjusting the state contribution to ensure “actuarial soundness.” For example, during the recession of the early ‘80s the state contribution rose to 8.50% (1980-81) and then fell to 7.10% with some recovery by 1984. The Texas Constitution allows a state contribution rate as low as 6% (presumably a good economy) to a high of 10% (in a really poor economy). Back in the mid’90s the TRS fund’s multi-billion dollar market investments were doing very well and many believed we had reached permanent prosperity. However, the last ten years have proven otherwise and it appears those minimal contributions were seriously inadequate. Of these last 18 years in only five has the state contribution been higher than the absolute minimum of 6%. This shortsighted budget strategy has cost the pension fund over \$8 billion in

contributions and interest earnings. Some of us see that \$8 billion as a state tax on TRS investment funds. At the end of Summer, 2007, the TRS pension fund was actuarially sound. That funding condition, along with TRTA's work in the Legislature, allowed TRS to issue its first-ever 13th check to TRS retirees. At the time, it provided immediate relief for retirees that had not had an increase in many years. It was also considered a "first step" towards getting TRS back on track, and giving retirees a real cost-of-living increase.

By Fall 2008, the market declines were underway, and the country was entering a great recession. TRS investments were not immune. By February 2009, the system reported a funding level of only 67% and a total actuarial loss of over \$40 billion.

Since then, the fund has recovered, with a funding level of just over 81%! TRS has earned back billions in actuarial value, with total assets now exceeding \$113 billion.

Still, as of May 2013, the fund has not been able to amortize its unfunded liability within 31 years. This is the statutory hurdle that must be overcome in order to receive a pension increase. Perhaps worse, the pension fund has a "never" funding period. Put simply, the pension fund will run out of assets by 2072 if nothing is done to fix this issue.

The picture will be bleaker if action is not taken this session to address the funding period. A national regulatory group known as the Governmental Accounting Standards Board (GASB) has a new set of guidelines for pension fund accounting methodologies. These standards go into effect January 2014.

If the Texas Legislature fails to ensure the fund's long-term funding period (a date when it will be funded versus depleted), GASB will require the state to book its pension liabilities at a much higher rate. This means our problem will look worse than it is, and may carry with it unwelcome changes to our pension plan.

Action this session is imperative. TRS Texas is one of the healthiest plans in the country. Now is the time to preserve this plan for multiple generations to follow!

So what's to happened to a 13th Check and Social Security Parity

HB103 and SB643 setting up a 13th check are still in committee: House Pension and Senate State Affairs. The one-time 13th check concept is popular among legislators but at this stage (the 127th day of the session) the 13th check is only likely to revive through the amendment process as remaining bills move in the next few days.

The Social Security parity bill is in the same position. That bill would require the state to tie their base-level contributions to the TRS to no less than what the federal government requires in contributions for the Social Security program.

Some Random Comments from Tim Lee on HB1458

Tim Lee, Inside Line, 4-18-13 & 5-3/6-13

We are at a critical moment in the legislative process. Our actions now may mean the difference between actuarial soundness and financial relief for TRS retirees, or not making the progress we need to protect the future of TRS.... A comment that we hear in nearly every office we visit is "we want to help our retired TRS members, and we want to help them now. If [HB1458 does] not move, then we will miss this opportunity to make good things happen for all TRS retirees There has been tremendous support for maintaining the TRS defined benefit plan and this bill should help....

Your legislator needs to hear you say:

"Thank you for not giving up on TRS retirees."

Over 102,000 retirees will benefit this session; additional raises will be possible as the system's actuarial condition improves and can do so without relying solely on stock market gains. Under existing statutes, NO RETIREE WILL GET ANY COST-OF-LIVING INCREASE SO LONG AS THE SYSTEM IS NOT ABLE TO AMORTIZE ITS UNFUNDED LIABILITY WITHIN 31 YEARS. THIS IS THE ONLY LEGISLATION IN OVER 15 YEARS THAT HAS BROUGHT ALL THESE COMPONENTS TOGETHER IN SUCH A WAY TO MAKE THE FUND SOUND NOW.... Some groups oppose this bill for various reasons, but

everyone needs to know that this legislation grandfathers every vested employee from any pension cuts!

Tim Lee's Latest

Based on *Inside Line*, 5-9-13

We are grateful to Senator Robert Duncan, who worked tirelessly this session with TRTA and active educator groups to craft a bill that was acceptable by all groups.

Along with Senators Kirk Watson, Wendy Davis, and Royce West, Senator Duncan made important last-minute changes to improve the bill.

TRTA continues to find ways to improve the bill. We hope to find additional revenue to expand the cost-of-living increase to more retirees.

We know that many TRTA members are thrilled to see the first cost-of-living increase in 12 years, especially our most senior retirees. TRTA is also concerned, as our many of our members, that other retirees in need may not be included in this COLA. We are still working to adjust this benefit and include as many people as possible!

We appreciate the immense number of phone calls and emails our members have sent in the past two weeks to encourage movement on SB 1458, but our work is not yet done! We must continue to call and email, more than ever, if we expect TRS to become actuarially sound and retirees to receive a cost-of-living increase!

Actuarial soundness is a goal we have been fighting to attain for a decade! It is THE hurdle we must overcome so that retirees can receive increases in the future.

Considering the attacks that public pension plans have suffered over the last two years, TRTA members have done an AMAZING job to get us this close to soundness! It is time to get this bill passed and make TRS better for all retired and active public school employees.

Please help us reach this goal by calling and emailing your Representatives.

Let them know that the Texas Retired Teachers Association supports SB 1458 and it must be a TOP PRIORITY!

We must pass SB 1458 NOW! We are running out of time this session!

Our work to support the bill is essential. A similar bill that impacted the Employees Retirement System (ERS) was killed in the House just last week. We cannot let this happen to SB 1458!

SB 1458 is the ONLY bill that can make our pension fund solvent and pave the path for future benefit increases for our retirees this session.

The work we are doing today will have a tremendous long-term impact. If we do not put in the effort, the challenge will become exponentially greater as the new GASB accounting rules go into effect in 2014 (when our Legislature does not meet).

A Thank You Email from Austin RTA

Tom Rogers, 5-9-13

THANKS to the following staff for doing such a fine job of lobbying for and achieving a successful outcome of the TRTA Priorities. Our own brilliant HARD WORKING TRTA Executive Director Tim Lee, TRTA Retirement Consultant and past Executive Director of TRS, Ronnie Jung, Chief Lobbyist for TRTA and formerly Chairman of the House Pensions, Investments and Financial Services Committee, Vickie Truitt, Director of Communications Cindy Sharp and a volunteer who put tremendous amounts of time; TRTA Legislative Committee Chairman Bill Barnes.

Contact Your Legislators in Austin

Sen. Larry Taylor - 512-463-0111

Rep. John Davis - 512-463-0734

Rep. Greg Bonnen - 512-463-0729

Rep. Ed Thompson - 512-463-0707

Rep. Craig Eiland - 512-463-0502

A friendly legislative aide will answer the phone and deliver your message to your representative or senator.

You can also type "Texas Legislature Online" on your search engine and a host of information is available including things like the progress of bills, committee meetings and even the text of specific legislation. If you click on "members" a website for each legislator can show committee memberships and even a map of the representative or senator's district.