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**2018**  
**2019**

# **TRTA LEGISLATIVE RESOURCE GUIDE**



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## **TRS Fact Page**

Share this fact page with legislators, candidates and active teachers.



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## SECTION 1: Welcome to this Guide

*Detailed guide with definitions and references*

### *Why a Guide to Public Pension Information?*

The following guide may be used as a resource when discussing issues about the Teacher Retirement System of Texas (TRS) with legislators, candidates for political office, active school personnel, and members of the community.

### *Contact TRTA with Questions*

If at any time you have questions about the information found in this guide, please feel free to contact the Texas Retired Teachers Association (TRTA) at 1.800.880.1650 or the TRTA Legislative Team.

Texas Retired Teachers Association  
313 E. 12th Street, Suite 200  
Austin, TX 78701  
1.800.880.1650 | 512.476.1622 | Fax: 512.476.1003  
Email: [trta@trta.org](mailto:trta@trta.org)

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## SECTION 2: Texas Retired Teachers Association

### *What is TRTA?*

The Texas Retired Teachers Association (TRTA) is a grassroots, non-profit organization of retired teachers, principals, superintendents, school bus drivers, and administrative personnel working together to preserve the Teacher Retirement System (TRS) and protect our TRS–Care health insurance benefits. TRTA is the only organization in the state dedicated solely to the preservation of TRS.

### *Where TRTA is Located and How to Contact TRTA*

TRTA is located at 313 E. 12th Street, Suite 200, Austin, Texas 78701. Our building is approximately 200 feet from the east entrance of the Texas Capitol. A parking garage providing access to both TRTA and the Texas Capitol is located conveniently across the street from our building at 12th and Trinity streets.

### *TRTA on the Web*

TRTA has a strong web presence, including a web site ([www.trta.org](http://www.trta.org)) and a Facebook page (<https://www.facebook.com/TexasRetiredTeachers>). You may also follow us on Twitter ([www.twitter.com/TRTA](http://www.twitter.com/TRTA)), or subscribe to our You Tube page ([www.youtube.com/TheTRTATV](http://www.youtube.com/TheTRTATV)).



TRTA Facebook,  
Twitter, Youtube—  
regular updates!



## SECTION 3: Teacher Retirement System of Texas

### *Basic history*

TRS has been serving the needs of Texas public education employees for 81 years. The responsibility of the System is to provide retirement and related benefits for those employed by the public schools, colleges, and universities supported by the State of Texas. The System is responsible for investing funds under its stewardship and for delivering benefits to members as authorized by the Texas Legislature.



TRS is a defined benefit plan, with retirement benefits determined by a pre-established formula. The trust fund is sustained principally by three sources—contributions by members during their working careers, contributions by the state, and investment revenues.

TRS is the largest public retirement system in Texas in both membership and assets. The agency serves 1,545,057 participants – 1,137,289 are public and higher education members, and 407,768 are retirement recipients. As of August 31, 2017, System net assets totaled approximately \$147.4 (see page 4) billion.

*TRS contribution sources*

*Over 400,000 retirees*

### *Timeline*

November 1936: voters approved an amendment to the Constitution of Texas creating a statewide teacher retirement system. Article 16, Section 67, of the Texas Constitution charters the System.

1937: Enabling legislation passed to form TRS officially. More than 38,000 eligible teachers participated.

1949: Legislation expanded membership eligibility to all employees of public education institutions.

1985: TRS assigned responsibility for administering a health insurance program for public school retirees.

1995: TRS authorized to offer a health insurance program for active public school employees.

2001: TRS given the responsibility of administering a new statewide health care program for eligible public school employees and dependents called TRS–Active Care.

2013: The Legislature passed SB1458 to keep fund pension fund solvent, and provided 200,000 retirees with a 3% permanent cost-of-living increase effective October 2013.

2015: The Legislature passed the budget bill, HB1, which included \$768 million in supplemental funding to preserve the TRS-Care retiree health insurance program for the biennium, preventing massive premium increases.

2017: During the regular and special sessions, TRS–Care received supplemental funding of approximately \$700 million; however, the plan was altered drastically through HB 3976, which changed the tiered program to a high-deductible plan for retirees under age 65 and to Medicare Advantage only for retirees age 65 & older

### *Where TRS is Located and How to Contact TRS*

Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701  
1.800.223.8778 | 512.542.6400 | Fax: 512. 542.6597 | Email: trs@trs.state.tx.us

TRS–Care Hotline  
1.800.223.8778 ext. 6456

TRS – TTY Service (for the hearing impaired)  
1.800.841.4497 | 512.542.6444

**Today's TRS**

Current Members: 1,137,289  
 Retirement Recipients: 407,768  
 Average Monthly Life Annuity: \$2,060  
 Average Age of Current Retirees: 71.2  
 Average Years of Service: 24.3



*Average monthly annuity = \$2,060*

In 2017, benefit payments from TRS totaled approximately \$9.8 billion. Assets = \$147.4 billion (08/2017).

**TRS on the Web**

You may learn more about TRS at the agency's website (<http://www.trs.state.tx.us>). TRS also has a Facebook page (<https://www.facebook.com/TeacherRetirementSystemofTexas>) and a Twitter feed (<https://twitter.com/trsoftexas>). TRS has several helpful videos about retirement available on YouTube (<http://www.youtube.com/trsoftexas>).

**Constitutional Reference**

In 1936, Texans approved an amendment to the state's constitution creating a statewide Texas Teacher Retirement System. This system was created to provide retirement benefits for those working in our public schools and universities.

Some of the more important facts in this section of the Texas are: sound actuarial principles; assets are held in trust and may not be diverted.

Article 16 - GENERAL PROVISIONS

Section 67 - STATE AND LOCAL RETIREMENT SYSTEMS

[www.statutes.legis.state.tx.us/Docs/CN/htm/CN.16.htm](http://www.statutes.legis.state.tx.us/Docs/CN/htm/CN.16.htm)

*Official constitutional language establishing TRS*

Excerpts:

**(a) General Provisions.**

(1) The legislature may enact general laws establishing systems and programs of retirement and related disability and death benefits for public employees and officers. Financing of benefits must be based on sound actuarial principles. The assets of a system are held in trust for the benefit of members and may not be diverted.

(3) Each statewide benefit system must have a board of trustees to administer the system and to invest the funds of the system in such securities as the board may consider prudent investments. In making investments, a board shall exercise the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital. The legislature by law may further restrict the investment discretion of a board.

**(b) State Retirement Systems.**

(1) The legislature shall establish by law a Teacher Retirement System of Texas to provide benefits for persons employed in the public schools, colleges, and universities supported wholly or partly by the state. Other employees may be included under the system by law.

(3) The amount contributed by a person participating in the Employees Retirement System of Texas or the Teacher Retirement System of Texas shall be established by the legislature but may not be less than six percent of current compensation. The amount contributed by the state may not be less than six percent nor more than 10 percent of the aggregate compensation paid to individuals participating in the system. In an emergency, as determined by the governor, the legislature may appropriate such additional sums as are actuarially determined to be required to fund benefits authorized by law.

**Statutory Reference**

There are many references to TRS in State statutes. Here are some of the more important references.

*State laws governing TRS*

Section 821.006 is the reference in Texas statute that is used to determine whether retirement benefits can be increased. This section talks about some very complicated guidelines and references to when and how benefits can be increased. The bar is set very high for making benefit changes for TRS members. This helps keep the system health financially, but it also makes it more challenging for retirees and actives to get benefit increases.

General provisions, including pension increases (821.006):  
[www.statutes.legis.state.tx.us/Docs/GV/htm/GV.821.htm](http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.821.htm)



*Can't make changes that worsen the condition of the fund*

821.006:

(a) A rate of member or state contributions to or a rate of interest or the rate of a fee required for the establishment of credit in the retirement system may not be reduced or eliminated, a type of service may not be made creditable in the retirement system, a limit on the maximum permissible amount of a type of creditable service may not be removed or raised, a new monetary benefit payable by the retirement system may not be established, and the determination of the amount of a monetary benefit from the system may not be increased, if, as a result of the particular action, the time, as determined by an actuarial valuation, required to amortize the unfunded actuarial liabilities of the retirement system would be increased to a period that exceeds 30 years by one or more years.

(b) If the amortization period for the unfunded actuarial liabilities of the retirement system exceeds 30 years by one or more years at the time an action described by Subsection (a) is proposed, the proposal may not be adopted if, as a result of the adoption, the amortization period would be increased, as determined by an actuarial valuation.



*Can't provide a pension increase if it worsens condition of the fund*

Other important references for lawyers, legislators, and people who want to research benefit structure:  
Benefits:

[www.statutes.legis.state.tx.us/Docs/GV/htm/GV.824.htm](http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.824.htm)

Sec. 824.001. TYPES OF BENEFITS. The types of benefits payable by the retirement system are:

- (1) service retirement benefits;
- (2) disability retirement benefits; and
- (3) death benefits.

Sec. 824.002. EFFECTIVE DATE OF RETIREMENT. (a) The effective date of a member's service retirement is the last day of the later of the following months:

(1) any month in a three-month period in which the third month is the month in which the member applies for retirement as provided by Section 824.201;

(2) the month in which the member satisfies age and service requirements for service retirement as provided by Section 824.202; or

(3) the month in which the member's employment in a position included in the coverage of the retirement system ends.

*Want to retire?  
Talk to TRS about  
these options*

Sec. 824.101. DESIGNATION OF BENEFICIARY. (a) Except as provided by Subsection (c), any member or annuitant may, on a form prescribed by and filed with the retirement system, designate one or more beneficiaries to receive benefits payable by the retirement system on the death of the member or annuitant.

Sec. 824.2045. PARTIAL LUMP-SUM OPTION. (a) A member may select a standard service retirement annuity or an optional service retirement annuity described by Section 824.204, reduced for early age as applicable under Section 824.202, together with a partial lump-sum distribution, if:

- (1) the member is eligible for a service retirement annuity;
- (2) the sum of the member's age and amount of service credit in the retirement system equals the number 90; and [Note: This is a requirement for members who are not grandfathered. Grandfathered member can participate in the PLSO by meeting the rule of 80.]
- (3) the member is not participating in the deferred retirement option plan under Subchapter I. [Note: The DROP program has been eliminated and there are no more members participating in DROP.]

The TRS Board of Trustees works for YOU! They manage your pension fund and make may big investment and management decisions. They have to follow a lot of laws that were established to protect your pension plan. Here are just a few

Administration:

[www.statutes.legis.state.tx.us/Docs/GV/htm/GV.825.htm](http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.825.htm)

#### SUBCHAPTER A. BOARD OF TRUSTEES

*TRS Board composition*

Sec. 825.001. COMPOSITION OF BOARD OF TRUSTEES. The board of trustees is composed of nine members.

Sec. 825.002. TRUSTEES APPOINTED BY GOVERNOR. (a) The governor shall appoint, with the advice and consent of the senate and as provided by this section, seven members of the board of trustees.

(b) The governor shall appoint three members of the board to hold office for staggered terms, with the term of one trustee expiring on August 31 of each odd-numbered year. These members must be persons who have demonstrated financial expertise, who have worked in private business or industry, and who have broad investment experience, preferably in investment of pension funds. None of the members appointed under this subsection may be a member or annuitant of the retirement system.

(c) The governor shall appoint two members of the board from a slate of three members of the retirement system who are currently employed by a public school district and who have been nominated in accordance with Subsection (f) by the members of the retirement system whose most recent credited service was performed for a public school district. The two members hold office for staggered terms.

(d) The governor shall appoint one member of the board from a slate of three former members of the retirement system who have retired and are receiving benefits from the retirement system and who have been nominated in accordance with Subsections (f) and (g) by the persons who have retired and are receiving benefits from the retirement system.

*Retiree member*

(e) The governor shall appoint one member of the board from a slate of three persons who have been nominated in accordance with Subsection (f) by the following groups collectively:

(1) members of the retirement system whose most recent credited service was performed for an institution of higher education;

(2) members of the retirement system whose most recent credited service was performed for a public school district; and

(3) persons who have retired and are receiving benefits from the retirement system.

(e-1) A person may be nominated for appointment to the board under Subsection (e) if the person is:

(1) a member of the retirement system who is currently employed by an institution of higher education;

- (2) a member of the retirement system who is currently employed by a public school district; or
- (3) a former member of the retirement system who has retired and is receiving benefits from the system.
- (f) Persons considered for nomination under Subsection (c), (d), or (e) must have been nominated at an election conducted under rules adopted by the board of trustees.
- (g) To provide for the nomination of persons for appointment under Subsection (d), the board shall send to each retiree of the retirement system:
- (1) notice of the deadline for filing as a candidate for nomination;
  - (2) information on procedures to follow in filing as a candidate; and
  - (3) instructions on how to request a paper ballot or vote in another manner established by the board, including by telephone or other electronic means.
- (h) If only two persons are nominated under Subsection (c), (d), or (e), the governor shall appoint a member of the board to the applicable trustee position from the slate of two nominated persons. If only one person is nominated under Subsection (c), (d), or (e), the governor shall appoint that person to the applicable trustee position. If no member or retiree is nominated for a position under Subsection (c), (d), or (e), the governor shall appoint to the applicable trustee position a person who otherwise meets the qualifications required for the position.

#### SUBCHAPTER B. POWERS AND DUTIES OF BOARD OF TRUSTEES

Sec. 825.101. GENERAL ADMINISTRATION. The board of trustees is responsible for the general administration and operation of the retirement system. Notwithstanding any other law, the board of trustees has exclusive control over all assets held in trust by the retirement system and all operations funded by trust assets and shall administer the retirement system for the sole and exclusive benefit of the members and participants.

Sec. 825.201. PRESIDING OFFICER. The governor shall designate a member of the board as the presiding officer of the board to serve in that capacity at the pleasure of the governor.

#### Sec. 825.210. INTEREST IN INVESTMENT PROFITS PROHIBITED.

Except for an interest in the retirement assets as a member of the retirement system, a trustee or employee of the board of trustees may not have a direct or indirect interest in the gains from investments made with the system's assets and may not receive any compensation for service other than designated salary and authorized expenses.

TRRS trustees do not earn a salary; they are volunteers

Sec. 825.215. ADVOCACY PROHIBITED. (a) An employee of the retirement system may not advocate increased benefits or engage in activities to advocate or influence legislative action or inaction. Advocacy or activity of this nature is grounds for dismissal of an employee.

Join TRTA to become an advocate for TRRS issues!

Sec. 825.301. INVESTMENT OF ASSETS. (a) The board of trustees shall invest and reinvest assets of the retirement system without distinction as to their source in accordance with Section 67, Article XVI, Texas Constitution. For purposes of the investment authority of the board of trustees under Section 67, Article XVI, Texas Constitution, "securities" means any investment instrument within the meaning of the term as defined by Section 4, The Securities Act (Article 581-4, Vernon's Texas Civil Statutes), 15 U.S.C. Section 77b(a)(1), or 15 U.S.C. Section 78c(a)(10). An interest in a limited partnership or investment contract is considered a security without regard to the number of investors or the control, access to information, or rights granted to or retained by the retirement system. Any instrument or contract intended to manage transaction or currency exchange risk in purchasing, selling, or holding securities is considered to be a security. Investment decisions are subject to the standard provided in the Texas Trust Code by Section 117.004(b), Property Code.

## SECTION 4: Terms and Concepts

### *Teacher Retirement System of Texas*

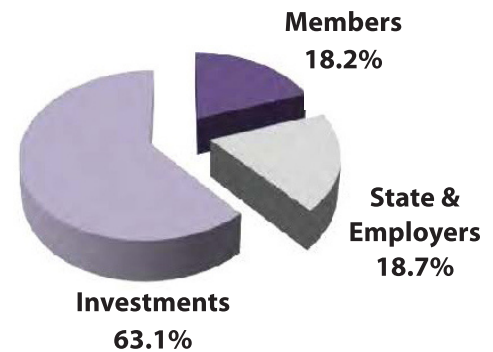
The state agency established in 1937 by the Texas Constitution to invest and manage trust assets and deliver benefits to retired school personnel in Texas.

### *TRS Pension Trust Fund*

#### *Funding Sources*

The Texas TRS pension fund has three sources of funding.

1. **Member Contributions:** Member contributions from active school personnel account for approximately 18% of the fund's value. The active member rate was consistent at 6.4% of salary from 1986 until 2014. The rate gradually rose to 7.7% by 2017.
2. **State Contribution:** An annual contribution from the state of Texas accounts for approximately 19% of the fund's value. The rate may be no lower than 6% of annual active teacher payroll and no higher than 10%. The state contribution has varied over the years.
3. **Investment Income:** Approximately 63% of the TRS pension fund consists of earnings made through investments by the TRS staff.



### *TRS Board Composition*

The Board of Trustees is responsible for the administration of the system under provisions of the state constitution and laws.

- The board is composed of nine trustees who are appointed to staggered terms of six years.
- Three trustees are direct appointments of the governor.
- Two trustees are appointed by the governor from a list prepared by the State Board of Education.
- Two trustees are appointed by the governor from the three public school district active member candidates who have been nominated for each position by employees of public school districts.
- One trustee is appointed by the governor from the three higher education active member candidates nominated by employees of institutions of higher education.
- One trustee is appointed by the governor from the three retired member candidates who are nominated by retired TRS members.

*Important change  
to TRS board  
"Open Seat"*

Note: The 82nd Texas Legislature passed new legislation in 2011 that will impact the composition of the TRS Board of Trustees beginning in 2017. The current higher education trustee position on the board will become an "open" seat at that time. Beginning with the 2017 board election, TRS retirees, members in public school districts, and members in higher education institutions may run for nomination to this trustee position. The top three vote recipients' names will then be submitted to the governor for appointment.

*What a TRS annuity is (DB)*

### *Defined Benefit Pension Plan*

A defined benefit pension plan is a major type of pension plan in which an employer promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending on investment returns. It is "defined" in the sense that the formula for computing the employer's contribution is known in advance. In the United States, 26

U.S.C. § 414(j) specifies a defined benefit plan to be any pension plan that is not a defined contribution plan where a defined contribution plan is any plan with individual accounts. A traditional pension plan that defines a benefit for an employee upon that employee's retirement is a defined benefit plan.

The most common type of formula used is based on the employee's terminal earnings (final salary). Under this formula, benefits are based on a percentage of average earnings during a specified number of years at the end of a worker's career.

*Cannot outlive a DB annuity*

### ***Alternative Plan Design (by Type)***

TRS annuitants receive their retirement benefits through a defined benefit pension plan design.

Retirement plan design options also include defined contribution plans, which consist of participant and sponsor funded individual plan accounts that provide benefits at retirement based on individual savings.

Some retirement plans are hybrid designs, which incorporate elements of both defined benefit and defined contribution plans. There are also cash balance plans. All three are defined below.

#### ***1. Defined Contribution:***

A defined contribution plan is a type of retirement plan in which the amount of the employer's annual contribution is specified. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employer contributions and, if applicable, employee contributions) plus any investment earnings on the money in the account. Only employer contributions to the account are guaranteed, not the future benefits. In defined contribution plans, future benefits fluctuate on the basis of investment earnings.

*X DC,  
Not guaranteed  
for life*

The contributions are invested, for example in the stock market, and the returns on the investment are credited to the individual's account. Defined contribution plans have become widespread all over the world in recent years, and are now the dominant form of plan in the private sector in many countries.

The portability of defined contribution pensions is legally no different from the portability of defined benefit plans. However, because of the cost of administration and ease of determining the plan sponsor's liability for defined contribution plans (you do not need to pay an actuary to calculate the lump sum equivalent that you do for defined benefit plans) in practice, defined contribution plans have become generally portable.

In a defined contribution plan, investment risk and investment rewards are assumed by each individual/employee/retiree and not by the sponsor/employer, and these risks may be substantial. In addition, participants do not necessarily purchase annuities with their savings upon retirement, and bear the risk of outliving their assets.

The "cost" of a defined contribution plan is readily calculated, but the benefit from a defined contribution plan depends upon the account balance at the time an employee is looking to use the assets. So, for this arrangement, the contribution is known but the benefit is unknown (until calculated).

#### ***2. Hybrid:***

Hybrid plan designs combine the features of defined benefit and defined contribution plan designs.

Hybrid plans include plans that give their employees an option of participating in a DB or DC plan as well as plans that have a portion of contributions going into a DB plan and a portion going into a DC plan i.e. two separate plans.

### 3. Cash Balance:

A cash balance plan is a defined benefit retirement plan that maintains hypothetical individual employee accounts like a defined contribution plan. The hypothetical nature of the individual accounts was crucial in the early adoption of such plans because it enabled conversion of traditional plans without declaring a plan termination. The employees' accounts earn a fixed rate of return that can change over a period of time from year to year. Although it works much like a defined contribution plan, it is actually a defined benefit plan for legal purposes. In 2003, over 20% of US workers with defined benefit plans were in cash balance plans, according to Bureau of Labor Statistics data. Most of these plans resulted from conversions from traditional defined benefit plans. The status of such plans was in legal limbo (see below), and the number of conversions slowed. However, legislation was recently passed that cleared the way for plan sponsors to adopt cash balance plans.

### Actuarial Soundness

A term that is applied to the TRS pension trust fund when it is able to amortize its long-term liabilities within a 31-year timeframe.



*Fund must be sound in order to receive a pension increase*

### Actuarially Unsound (also “not actuarially sound”)

A period of time to pay down the pension fund's outstanding funding debt that exceeds a 31-year period. Note: This definition is the one used in statute to determine whether or not benefit increased can be granted. Although there is no one recognized definition of actuarial soundness, it may be argued that the TRS fund is actuarially sound in that it has a funding ratio of over 80% and has cash flow to pay benefits for over 60 years with a ratio of actives to retirees greater than 2 to 1. Although the funding period is never, it is a long-term fund and has time to make adjustments.

### Amortization Period/Funding Period

A measure of time that is needed to gradually reduce the outstanding pension debt needed for the payment of future retirement benefits. How many years will it take given current assumptions and current contributions rates for the unfunded liability to be zero and to be fully funded at 100%. This is similar to how long it would take to pay off a house mortgage with current interest rates and current monthly payments.

### Annually Required Contribution (ARC)

The amount of state contribution required to maintain the actuarial soundness of the TRS pension trust fund as determined by the TRS Board of Trustees and the TRS actuaries. The contribution rate (combined and employee) as a % of payroll that is needed to amortize the unfunded liability over 30 years. This term may no longer be applicable after 2012 based on recent recommendations made by the Governmental Accounting Standards Board (GASB).

### Smoothing

Smoothing means you use the average investment return over the last “X” years rather than the current year's returns in calculating the actuarial value of assets. The method significantly reduces the changes in the required annual contribution because it is used to offset gains and losses over time. If the stock market is going up, it delays recognizing all of the gains immediately; when the stock market drops, it recognizes the losses over a period of time.

For lawyers, actuaries and legislators:

This practice varies widely among retirement systems. The most common is a five year smoothing period without a corridor. Many systems use smoothing periods between four and eight years with corridors ranging from 10% to 30%. TRS uses a five year smoothing period with a 20% corridor.



**Retiree Benefit Increases (Defined by Type)**

**1. Cost-of-Living Adjustment (COLA):**

An ongoing, permanent increase in a pensioner’s annuity. This increase is generally further broken into two categories:

**Compound:** An increase that builds from year to year on the increased pensioner’s annuity. The compound COLA is viewed as the most favorable approach to increasing a pensioner’s annuity.

**Simple:** An increase that is based on the pensioner’s original annuity and adds that same amount year after year. For example:

	Compound	Simple
At Retirement	\$1,000	\$1,000
Year One 3%	\$1,030	\$1,030
Year Two 3%	\$1,061	\$1,060
Year Thirty 3% every year	\$2,476	\$1,900

TRS retirees who retired prior to 09/01/2009 received a 3% increase in 2013!!

**2. Supplemental Payment:**

Often referred to as a “13th check.” The distribution of an additional annuity payment to pensioners. Often, 13th checks are NOT guaranteed from year-to-year, but are rather approved by the Legislature when additional and permanent annuity increases are deemed too expensive.

TRS retirees received some relief in 2007

**3. How benefit increases are funded and when they can be made:**

Under current laws the Texas Legislature is the only entity that can authorize benefit changes.

Once legislation is passed the TRS Board of Trustees is responsible for making those changes. The Texas Legislature has established criteria for when it can grant benefit increases in statute. As previously noted, Sec. 821.006 states that no benefit increases can be granted if that increase causes the funding period to go beyond 31 years. This section also states that if the funding period is beyond 31 years no changes can be made to further increase the funding period.

← Important!

See statutory reference on page 5

Can TRS retirees receive a 13th check?  
YES!!

Attorney General Opinion 2009:

During the 2009 Legislative session, Texas lawmakers attempted to pass a bill that would have provided a one-time supplemental payment (or 13th check) to TRS retirees of no more than \$500 per retiree. The money was to be appropriated out of the state’s general revenue funds. Bearing in mind that in 2007 TRS retirees received a supplemental payment that was paid out of the TRS pension trust fund, the Texas Senate conferees and leadership

contended during the final budget negotiations that the payment may be unconstitutional and/or not permissible under state law. The Legislature adopted a budget authorizing the payment, but stipulated it was contingent on a ruling by the Attorney General (AG).

The AG stated that the general answer to whether or not the Legislature is authorized to make a one-time payment to certain retirees is “yes.” However, the AG stated that the Legislature “established an unusual and virtually insurmountable legal standard for making the proposed payment.” He stated that when the Legislature developed the method to fund the proposed supplemental payments, that process removed any involvement by the retirement systems. The legislation essentially deposited the money in an account with the State Comptroller and not with TRS. Since the funds were not directly involved in making the

payment, the AG stated that Article XVI Section 67 is not applicable to the final decision on whether the payment is Constitutional or statutorily permissible. The AG went so far as to say that the Legislature “circumvented this constitutional framework,” by enacting the appropriations clause that would have authorized the payment. The most telling AG statement on the Legislature’s failure to provide for retirees to receive the supplemental payment was the following statement: “the Legislature is aware of legal means by which to provide additional benefits to retirees. It conspicuously failed to utilize such approaches during the Eighty–first legislative session.”

The AG final conclusion on this matter was that the “authority for the one-time payment did not exist during the time those persons were employed or prior to the time they retired.” This conclusion led the AG to state that the supplemental payment as it was proposed and passed by the Texas Legislature could be viewed as “extra payment” under sections 44 and 53 in the Texas Constitution. The AG decided that the legislatively appropriated funds should be used to increase the contributions to the state pension fund.

### ***Senate Bill 1458***

As the 83rd Legislative Session progressed, Senator Robert Duncan and Representative Bill Callegari drafted Senate Bill 1458, and through several drafts and meetings with both retired and active teacher groups, the bill passed unanimously in May 2013. SB 1458 provides a 3% cost–of–living increase (not to exceed \$100 per month) to about 200,000 TRS retirees (those who retired as of August 31, 2004 or before). The state contribution to the TRS pension fund was increased to 6.8% for 2014 and 2015; the active employee contribution will increase gradually from 6.4% in 2014 to 6.7% in 2015, 7.2% in 2016 and cap at 7.7% in 2017; and a new school district contribution of 1.5% goes into effect in 2015. All of these contributions combined vastly improve the revenue stream for TRS, making the fund actuarially sound for the first time in many years. A new minimum retirement age of 62 was introduced, but will only include TRS members who were not vested as of September 1, 2014 (to be vested, one must pay into TRS for 5 years or more).

Changes were also made to the TRS–Care retiree health insurance program through SB 1458:

- 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 grandfatheres 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.

### ***Loss of Buying Power***

The devaluation of a pensioner’s annuity that builds from year to year when cost–of–living increases are not provided to offset the impact of inflation, making it much more difficult for retirees to purchase goods and services.

### ***What is an OPEB (Other Post Employment Benefit)?***

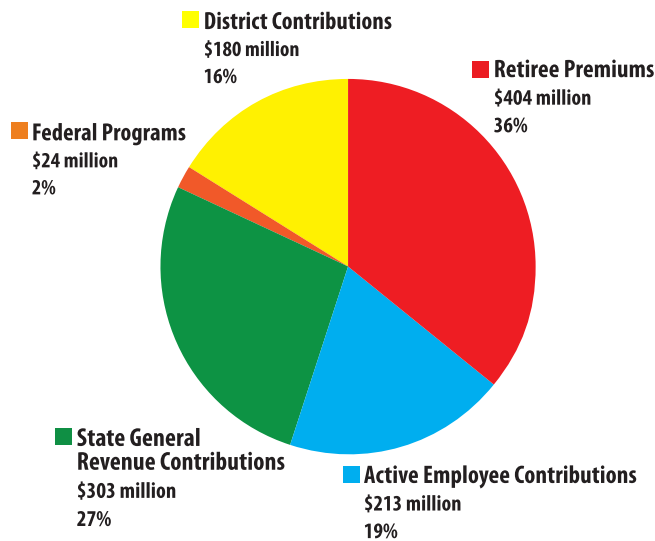
Post-employment benefits that an employee will begin to receive at the start of retirement. This does not include pension benefits paid to the retired employee. Other post–employment benefits that a retiree can be compensated for are life insurance premiums, health care premiums and deferred–compensation arrangements. Under Texas TRS, the only other post-employment benefit provided is retiree health care (TRS–Care).

Goods and Services	2001 Price	2010 Price	% Increase
<b>Food</b>			
Ground Beef per lb.	\$1.61	\$3.37	109%
Half Gallon Milk	\$1.73	\$2.38	37%
Dozen Eggs	\$1.15	\$1.58	37%
Loaf of Bread	\$.93	\$1.59	71%
<b>Place of Residence &amp; Up keep</b>			
Home price, 2,400 sq.ft.	\$194,006	\$256,000	31%
Energy use for home per month	\$117.92	\$205	75%
<b>Health Care</b>			
Doctor’s visit	\$57.90	\$95	64%
Dental visit	\$70.60	\$98	38%

**TRS–Care**

TRS–Care is the group retiree health benefits program administered by TRS. TRS retirees who are not eligible for ERS, UT, or Texas A&M system health benefit coverage may be eligible for TRS–Care. 230,000 retirees and their dependents participate in this plan. TRS–Care is currently funded on a pay–as–you–go basis and is subject to change based on available funding. Funding sources include retiree premiums, state funding, and school district and active personnel contributions. In 2017, the Legislature provided \$700 million in supplemental funding and drastically altered the benefit structure to keep the program solvent for the biennium; however, the program still faces a shortfall for the next biennium.

**TRS–Care Funding Sources**



**TRS–Active Care**

On September 1, 2002, TRS introduced TRS–ActiveCare, a statewide health coverage program for public education employees established by the 77th Texas Legislature. Today, participation in that program has grown to over 445,969 employees and dependents. Of the 1,246 districts/entities eligible to participate in TRS–ActiveCare, over 88.9 percent (1,108) now do so.

**Medicare**

In 1965, Congress created Medicare under Title XVIII of the Social Security Act to provide health insurance to people age 65 and older,

regardless of income or medical history. In general, all persons 65 years of age or older who have been legal residents of the United States for at least 5 years are eligible for Medicare. People with disabilities under 65 may also be eligible if they receive Social Security Disability Insurance (SSDI) benefits. Part A covers hospital and other inpatient services; Part B covers outpatient care, physician visits, and other “medically necessary services;” Part C (also known as Medicare Advantage) allows enrollees to receive their Medicare benefits through a private plan; and Part D covers prescription drug plans.

**Medicare Advantage**

A Humana Medicare Advantage plan is offered through TRS. The Humana MA plan covers everything that Original Medicare covers along with many extras. Through TRS, retirees age 65 and older have a single health plan designed to provide richer benefits at a lower cost than the previous combination of Original Medicare and now discontinued standard TRS–Care 2 or 3 plans. Requirement for enrollment in the Medicare Advantage plan:

- You must be enrolled in Medicare Part A and Part B and continue to pay your Part B premium and Part A premium, if applicable.
- You must be enrolled in TRS–Care if under age 65; you will be automatically transitioned to TRS Humana Medicare Advantage upon turning age 65.

*TRS switched to Medicare Advantage only for retirees 65 & older in January 2018*

**Medicaid**

Medicaid is the U.S. health program for certain people and families with low incomes and resources. It is a means-tested program that is jointly funded by the state and federal governments, and is managed by the states. People served by Medicaid are U.S. citizens or legal permanent residents, including low-income adults, their children, and people with certain disabilities. Poverty alone does not necessarily qualify someone for Medicaid. Medicaid is the largest source of funding for medical and health-related services for people with limited income in the United States.

***Social Security Issues******Mandatory Social Security:***

When the Social Security system was created in 1935, government employees were expressly excluded. Because of this long exclusion from the Social Security system, local governments created pension systems to address retirement needs of public workers without Social Security. Throughout the 1980s and 90s, Congress considered various proposals to bring all public sector workers into the Social Security system, but decided each time to maintain the current practice of allowing public employees collectively at each public employer the option to join Social Security. If government employees are not covered by Social Security, the employer must provide a retirement program with combined contributions of at least 7% each year or retain their separate pension systems.

95% of public education employees in Texas do not pay into Social Security

Recently, the issue has been resurrected as a way to generate additional revenue for the Social Security Trust Fund. In 2010, two separate national

commissions on reducing the deficit included identical proposals in their recommendations to bring all newly hired public employees into Social Security beginning in the year 2020. While the need for additional revenue is the primary reason for bringing all public employees into Social Security, proponents make two additional arguments. First, they contend that most non-covered public employees qualify for Social Security benefits, either from a second job or a spouse. They argue that workers who receive Social Security benefits should be required to pay into the system throughout their career. A second, more recent argument contends that public pension plans are unstable, and Social Security coverage would provide public employees with retirement income if their pension plan went bankrupt.

Opponents of mandatory coverage believe that forcing all public employees into Social Security—even if it is only new hires—would undermine existing pension systems that provide superior benefits and reflect the unique circumstances of public safety work. They argue further that the overwhelming majority of public pensions are on sound financial footing, and rumors about plans going bankrupt are not supported by the facts. Opponents also note that any influx of funding to the Social Security Trust Fund would have a negligible and temporary impact on the fund's long-term solvency. Moreover, Congress already fully addressed concerns about people receiving benefits without paying in their fair share. The Social Security benefits of people who also receive a pension from non-Social Security covered employment are significantly reduced by the GPO and WEP.

***Government Pension Offset:***

The Government Pension Offset (GPO) reduces public employees' Social Security spousal or survivor benefits by an amount equal to two-thirds of their public pension. Spousal and survivor benefits are normally available to any person whose retired or deceased spouse worked at a job in which he or she earned Social Security benefits. The GPO reduces or eliminates these benefits.

Many TRS retirees are impacted by GPO and WEP

***Windfall Elimination Provision:***

The WEP reduces the Social Security benefit for retired and disabled workers receiving government pensions, i.e., a pension from non-SS-covered employment. How do I know whether the WEP affects me? There are three general criteria. First, you work or worked for a SLG in non-SS-covered employment. Second, you are entitled to a government pension from that employment. The Social Security Administration (SSA) deems you to be "entitled to a pension" when you file an application for the pension and a benefit is payable. Third, you are entitled to a Social Security retirement or disability benefit.

TRTA has a brochure on these issues!

***What is GASB/FASB?******Governmental Accounting Standards Board:***

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments. Established in 1984 by agreement of the Financial Accounting Foundation (FAF) and 10 national associations of state and local government officials, the GASB is recognized by governments, the accounting industry, and the capital markets as the official source of generally accepted accounting principles (GAAP) for state and local governments. The GASB is not a government entity; instead, it is an operating component of the FAF, which is a private sector not-for-profit entity. Funding for the GASB comes in part from sales of its own publications and in part from state and local governments and the municipal bond community. Its standards are not federal laws or regulations and the organization does not have enforcement authority. Compliance with GASB's standards, however, is enforced through the laws of some individual states and through the audit process, when auditors render opinions on the fairness of financial statement presentations in conformity with GAAP.

Recent GASB studies may affect the ARC (see page 10)

***Financial Accounting Standards Board:***

Since 1973, the Financial Accounting Standards Board (FASB) has been the designated organization in the private sector for establishing standards of financial accounting that govern the preparation of financial reports by nongovernmental entities. Those standards are officially recognized as authoritative by the Securities and Exchange Commission (SEC) (Financial Reporting Release No. 1, Section 101, and reaffirmed in its April 2003 Policy Statement) and the American Institute of Certified Public Accountants (Rule 203, Rules of Professional Conduct, as amended May 1973 and May 1979). Such standards are important to the efficient functioning of the economy because decisions about the allocation of resources rely heavily on credible, concise, and understandable financial information. The SEC has statutory authority to establish financial accounting and reporting standards for publicly held companies under the Securities Exchange Act of 1934. Throughout its history, however, the Commission's policy has been to rely on the private sector for this function to the extent that the private sector demonstrates ability to fulfill the responsibility in the public interest.

***What is ERISA (Employee Retirement Income Security Act)?***

The Employee Retirement Income Security Act of 1974 (ERISA) (Pub. L. 93-406 codified as 29 USCS § 1002) was enacted on September 2, 1974. ERISA is a federal law that establishes minimum standards for pension plans in private industry and provides for extensive rules on the federal income tax effects of transactions associated with employee benefit plans. ERISA was enacted to protect the interests of employee benefit plan participants and their beneficiaries by:

Requiring the disclosure of financial and other information concerning the plan to beneficiaries;  
Establishing standards of conduct for plan fiduciaries; Providing for appropriate remedies and access to the federal courts. ERISA is sometimes used to refer to the full body of laws regulating employee benefit plans, which are found mainly in the Internal Revenue Code and ERISA itself. Responsibility for the interpretation and enforcement of ERISA is divided among the Department of Labor, the Department of the Treasury (particularly the Internal Revenue Service), and the Pension Benefit Guaranty Corporation.

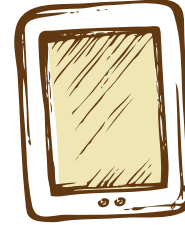
Note: Although TRS is not covered by ERISA, TRS complies with many of the provisions of the act. The primary difference is that private businesses can file bankruptcy and their employees' pension benefits become liabilities of the Pension Benefit Guaranty Corporation.

## SECTION 5: TRS Reports and Resources

### *CAFR (Comprehensive Annual Financial Report)*

A report produced annually by the TRS pension trust fund that discusses the fund's investment performance, as well as other aspects and trends experienced throughout the previous fiscal year. View the TRS CAFR here: [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2017.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf).

A Comprehensive Annual Financial Report (CAFR) is a set of U.S. government financial statements comprising the financial report of a state, municipal or other governmental entity that complies with the accounting requirements—generally accepted accounting principles (GAAP)—promulgated by the Governmental Accounting Standards Board (GASB). The U.S. Federal Government adheres to standards determined by the Federal Accounting Standards Advisory Board (FASAB).



View the TRS CAFR online

A CAFR is "compiled" by a state, municipal or other governmental accounting staff and "audited" by an external American Institute of Certified Public Accountants (AICPA) certified accounting firm utilizing GASB requirements. It is composed of three sections: Introductory, Financial and Statistical. It combines the financial information of fund accounting and Enterprise Authorities accounting.



### *Annual Valuation*

A report provided annually (generally in October) by the TRS actuary that discloses the pension trust fund's actuarial condition.

\$147.4 billion in August 2017

### *February Valuation*

During every odd-numbered year (legislative regular session), TRS prepares actuarial valuations of the system as of February 28. This information is the basis for any fiscal notes for bills considered by the Legislature during that session.

Great to give to your legislator!

### *Value Brochure*

The TRS booklet "A Great Value for All Texans" is an excellent resource to read and give to your legislator. The booklet includes information about how funds generate tax revenue for the state as well as how much money is paid in millions to TRS annuitants in each county of Texas. View the brochure here: [https://www.trs.texas.gov/TRS%20Documents/trs\\_value\\_brochure.pdf](https://www.trs.texas.gov/TRS%20Documents/trs_value_brochure.pdf).

### *TRS on the Web*

You may learn more about TRS at the agency's website (<http://www.trs.state.tx.us>). TRS also has a Facebook page (<https://www.facebook.com/TeacherRetirementSystemofTexas>) and a Twitter feed (<https://twitter.com/trsoftexas>). TRS has several helpful videos about retirement available on YouTube (<http://www.youtube.com/trsoftexas>).

## SECTION 6: Legislative Terms and Important Information

### *Texas Senate (Senator)*

The Texas Senate is the upper house of the Texas Legislature. There are 31 members of the Senate, representing 31 single-member districts across the state with populations of approximately 672,000 per constituency. Texas Senate elections are held every four years on the first Tuesday after the first Monday in November on the same date as gubernatorial elections and do not coincide with the presidential elections. There are no term limits, and each term is four years long. The Senate meets at the Texas State Capitol in Austin. The leader of the Senate is the Lieutenant Governor, who is elected by all citizens of Texas.

*Texas Legislature  
(Austin)*

Current members list: <https://senate.texas.gov/directory.php>

### *Texas House of Representatives (Representative)*

The Texas House of Representatives is the lower house of the Texas Legislature. The House is composed of 150 members elected from single-member districts across the state. The average district has about 150,000 people. Texas House elections are held every two years on the first Tuesday after the first Monday in November. Representatives are elected to two-year terms with no term limits. The House meets at the Texas Capitol in Austin. Members of the House of Representative elect their Speaker of the House each session from existing members.

Current members list: [www.house.state.tx.us/members](http://www.house.state.tx.us/members)

### *Texas “Congressional Delegation”*

The United States Congress is the bicameral legislature of the federal government of the United States, consisting of the Senate, its upper house, and the House of Representatives, its lower house. Congress meets in the Capitol in Washington, D.C.

*U.S. Congress (D.C.)*

Both Senators and Representatives are chosen through direct election. There are 535 voting Members of Congress; the House of Representatives has a membership of 435 and the Senate has a membership 100. Members of the House of Representatives serve two-year terms. Congressional districts are apportioned to states by population using the U.S. Census results, each state in the union having at least one representative in the Congress. Regardless of population, each of the 50 states has two senators; the 100 senators each serve a six-year term. The terms are staggered so every two years approximately one-third of the Senate is up for election.

The Texas “Congressional Delegation” consists of those U.S. Senators and Representatives serving the state of Texas.

Current Texas Senators: [www.senate.gov/general/contact\\_information/senators\\_cfm.cfm?State=TX](http://www.senate.gov/general/contact_information/senators_cfm.cfm?State=TX)

Current Texas Representatives: <https://www.govtrack.us/congress/members/TX#representatives>

### *Biennial Session*

The Texas Legislature meets in a regular 140-day session every two years, convening on the second Tuesday in January of every odd-numbered year. The governor can also call additional special sessions as necessary, which cannot exceed 30 days. The next regular legislative session begins January 9, 2019.

***Special Session***

Only the Governor may call the Legislature into special sessions, unlike other states where the Legislature may call itself into session. The Governor may call as many sessions as he wishes. For example, Governor Rick Perry called three consecutive sessions to address the 2003 Texas congressional redistricting. In the summer of 2017, a special session was called by Governor Abbott, who added TRS–Care to the call after plan participants communicated with their State Senators and Representatives about the drastic changes made to the health care plan during the 85th regular session. The Texas Constitution limits the duration of each special session to 30 days; lawmakers may consider only those issues designated by the Governor in his "call," or proclamation convening the special session (though other issues may be added by the Governor during a session).

***Bills Passed by the Texas Legislature***

When bills  
take effect →

Any bill passed by the Legislature takes effect 90 days after its passage unless two-thirds of each house votes to give the bill either immediate effect or earlier effect. The Legislature, of course, may provide for an effective date that is after the 90th day. Under current legislative practice, most bills are given an effective date of September 1 in odd-numbered years (September 1 is the start of the state's fiscal year).



## SECTION 7: Reference List

This guide is intended to use only as a reference and not for mass publication. The following is a list of online resources utilized to compile the information in this guide.

[https://www.trs.texas.gov/Pages/about\\_trs.aspx](https://www.trs.texas.gov/Pages/about_trs.aspx)

[law.justia.com/constitution/texas/sections/cn001600-006700.html](http://law.justia.com/constitution/texas/sections/cn001600-006700.html)

[www.statutes.legis.state.tx.us/Docs/GV/htm/GV.821.htm](http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.821.htm)

[www.statutes.legis.state.tx.us/Docs/GV/htm/GV.824.htm](http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.824.htm)

[www.statutes.legis.state.tx.us/Docs/GV/htm/GV.825.htm](http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.825.htm)

[https://www.trs.texas.gov/Pages/media\\_center.aspx](https://www.trs.texas.gov/Pages/media_center.aspx)

[https://www.trs.texas.gov/Pages/about\\_publications.aspx](https://www.trs.texas.gov/Pages/about_publications.aspx)

<https://www.trs.texas.gov/Pages/board.aspx>

[www.ssa.gov/pubs/10007.pdf](http://www.ssa.gov/pubs/10007.pdf)

[www.socialsecurity.gov/pubs/10045.pdf](http://www.socialsecurity.gov/pubs/10045.pdf)

[www.gasb.org/cs/BlobServer?blobcol=urldata&blobtable=MungoBlobs&blobkey=id&blobwhere=1175824006278&blobheader=application%2Fpdf](http://www.gasb.org/cs/BlobServer?blobcol=urldata&blobtable=MungoBlobs&blobkey=id&blobwhere=1175824006278&blobheader=application%2Fpdf)

[www.fasb.org/facts/](http://www.fasb.org/facts/)

[en.wikipedia.org/wiki/Employee\\_Retirement\\_Income\\_Security\\_Act](http://en.wikipedia.org/wiki/Employee_Retirement_Income_Security_Act)

[https://www.trs.texas.gov/TRS%20Documents/cafr\\_2017.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf)

[en.wikipedia.org/wiki/Comprehensive\\_annual\\_financial\\_report](http://en.wikipedia.org/wiki/Comprehensive_annual_financial_report)

[https://www.trs.texas.gov/TRS%20Documents/trs\\_value\\_brochure.pdf](https://www.trs.texas.gov/TRS%20Documents/trs_value_brochure.pdf)

[en.wikipedia.org/wiki/Texas\\_Senate](http://en.wikipedia.org/wiki/Texas_Senate)

<https://senate.texas.gov/directory.php>

[en.wikipedia.org/wiki/Texas\\_House\\_of\\_Representatives](http://en.wikipedia.org/wiki/Texas_House_of_Representatives)

[www.house.state.tx.us/members](http://www.house.state.tx.us/members)

[en.wikipedia.org/wiki/United\\_States\\_Congress](http://en.wikipedia.org/wiki/United_States_Congress)

[https://www.senate.gov/general/contact\\_information/senators\\_cfm.cfm?State=TX](https://www.senate.gov/general/contact_information/senators_cfm.cfm?State=TX)


<https://www.govtrack.us/congress/members/TX#representatives>

[en.wikipedia.org/wiki/Texas\\_Legislature](http://en.wikipedia.org/wiki/Texas_Legislature)

[www.txddc.state.tx.us/public\\_policy/txlegis.asp](http://www.txddc.state.tx.us/public_policy/txlegis.asp)

## SECTION 8: Quick TRS Facts

TRS has grown since its inception in 1937 from 38,000 members to today's 1.5 million participants.

 Over 400,000 current TRS retirees with a market value of over \$147 billion as of August 2017, TRS manages the sixth largest US public pension fund.

1 out of every 20 Texans is a member of TRS.

In 2017, TRS paid almost \$9.8 billion in retirement benefits. Nearly 95% of these benefit payments, over \$9.3 billion, went directly to retirees who live in and spend these dollars in Texas.

These benefit payments serve as a significant source of economic stimulus for Texas, providing for 131,422 permanent jobs statewide.

Retirement benefits generated an estimated \$975 million in state revenues and \$368 million in local government revenues in 2016.

Most TRS members, approximately 80%, do not contribute to Social Security. If they did participate in Social Security, an estimated additional \$3 billion of combined employer and employee contributions would be required.

A significant amount of funding, 63%, comes from investment income.

72% of TRS annuitants are female.

*TRS = state agency*

Nearly 393 TRS annuitants are age 100 or older.

*Big numbers, Big Benefits*

*⇒ 400K retirees*

*⇒ \$9.8 billion in benefits paid 2017*

*⇒ Helps create and sustain 131,422+ jobs*

*⇒ \$975 million state tax revenues*

*⇒ \$368 million local govt revenues*

## SECTION 9: Quick TRTA Facts

In 2017, members of TRTA contributed over 6.2 million volunteer hours with an estimated value of \$156 million to Texas communities.

TRTA has more than 88,000 members with 252 local units statewide. It is the largest organization of retired school personnel in the state of Texas and in the nation.

In 2017, TRTA members donated 135,659 books to Texas school children.

Since the inception of TRTA's Children's Book Project in 1998, more than 1,000,000 books have been given to children in Texas.

TRTA has a long history of helping retired educators. Over the last 14 years, TRTA efforts have yielded \$6.2 billion in pension increases for Texas retired educators.

Founded in 1953, TRTA is dedicated to pension and health care issues that affect the livelihoods of Texas public education retirees. TRTA celebrates 65 years of grassroots efforts to support TRS retirees in 2018.

In 2005, TRTA prevented a 28.5% premium increase for TRS–Care health insurance.

In 2015, TRTA helped to secure \$768 million in supplemental funding for TRS–Care, preventing skyrocketing premiums and keeping the program solvent for the biennium.

In 2017, TRTA helped secure \$700 million in supplemental funding for TRS–Care and prevented the health care plan from being eliminated entirely.

TRTA has a state legislative committee with representatives from each of the association's 20 districts, as well as a legislative chair, for a total of 21 committee members. These volunteers serve as a leading source of grassroots lobbying for the organization during legislative sessions and in the interim.

### Who to contact at TRTA

During legislative session, TRTA's Legislative Team consists of Legislative Committee Chair Bill Barnes, TRTA Executive Director Tim Lee, TRTA President Patricia R. Macias, Associate Director Brock Gregg, and Associate Director Cindee Sharp. In addition, former Executive Director of TRS, Ronnie Jung, works as TRTA's Retirement Consultant. Former State Representative the Honorable Vicki Truitt also works as a lobbyist for TRTA. During her tenure with the Legislature, she chaired the State Pensions and Investments Committee.

TRTA=  
non-profit,  
education and  
advocacy group

## SECTION 10: Charts, Tables and Graphs

### TRS Funding History

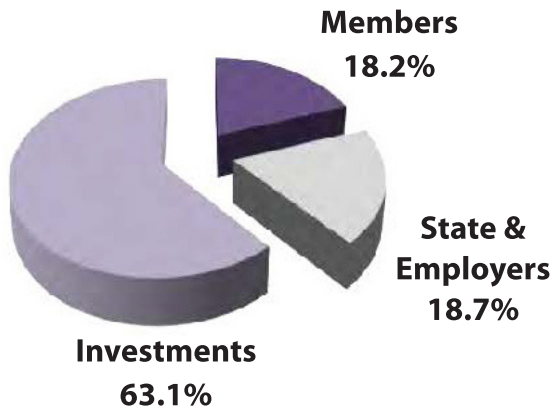
Contributions to TRS Pension Fund			
Fiscal Year	Contribution Rate		
	State	Member	Employer
1990 - 1991	7.65%	6.40%	–
1992 - 1995	7.31%	6.40%	–
1996 - 2007	6.00%	6.40%	–
2008 - 2009	6.58%	6.40%	–
2010 - 2011	6.64%	6.40%	–
2012	6.00%	6.40%	–
2013	6.40%	6.40%	–
2014	6.80%	6.40%	–
2015	6.80%	6.70%	1.50%
2016	6.80%	7.20%	1.50%
2017	6.80%	7.7%	1.50%
2018	6.80%	7.7%	1.50%
2019	6.80%	7.7%	1.50%

### Percentage of Government Spending on Pension Fund Contributions

Table 1: State and local government contributions to pensions as a percentage of all state and local government direct general spending, by state, 2013

Alabama	2.86	Louisiana	7.79	Oklahoma	4.29
Alaska	4.18	Maine	2.65	Oregon <sup>2</sup>	3.08
Arizona	3.90	Maryland	4.77	Pennsylvania	3.10
Arkansas	3.80	Massachusetts	4.31	Rhode Island	5.26
California	5.21	Michigan	4.03	South Carolina	3.40
Colorado	2.97	Minnesota	2.06	South Dakota	1.82
Connecticut	6.16	Mississippi	3.81	Tennessee	2.96
Delaware	3.19	Missouri	4.03	Texas	2.84
District of Columbia	1.88	Montana	2.79	Utah	3.88
Florida	2.25	Nebraska	2.54	Vermont	1.76
Georgia	2.92	Nevada <sup>1</sup>	7.23	Virginia	3.80
Hawaii	4.72	New Hampshire	2.64	Washington	2.16
Idaho	2.77	New Jersey	3.51	West Virginia	5.22
Illinois	7.61	New Mexico	3.25	Wisconsin	1.94
Indiana	4.23	New York	6.82	Wyoming	2.00
Iowa	2.47	North Carolina	2.13	U. S. weighted avg.	4.13
Kansas	2.79	North Dakota	1.63	Compiled by NASRA based on U.S. Census Bureau data	
Kentucky	4.24	Ohio	3.51		

**Sources of Pension Fund Revenue**



**TRS Annuity Distribution (2017)**

Monthly Benefit	Number of Retired Members	Percent of Retired Members
\$1 - \$1,000	125,321	32%
\$1,001 - \$2,000	90,401	23%
\$2,001 - \$3,000	93,358	24%
\$3,001 - \$4,000	54,735	14%
\$4,001 - \$5,000	19,606	5%
>\$5,000	10,493	3%
<b>TOTAL</b>	<b>393,914</b>	<b>100.0%</b>

**More Benefits for Contributions from TRS vs. Defined Contribution Plans**

Annual Economic Impact Monetary Values in Billions		
	Defined Benefit	Defined Contribution
Total Expenditures	\$20.6	\$14.0
Gross Product	\$9.9	\$6.7
Personal Income	\$6.1	\$4.2
Retail Sales	\$5.6	\$3.8
Employment (Permanent Jobs)	131,422	89,282

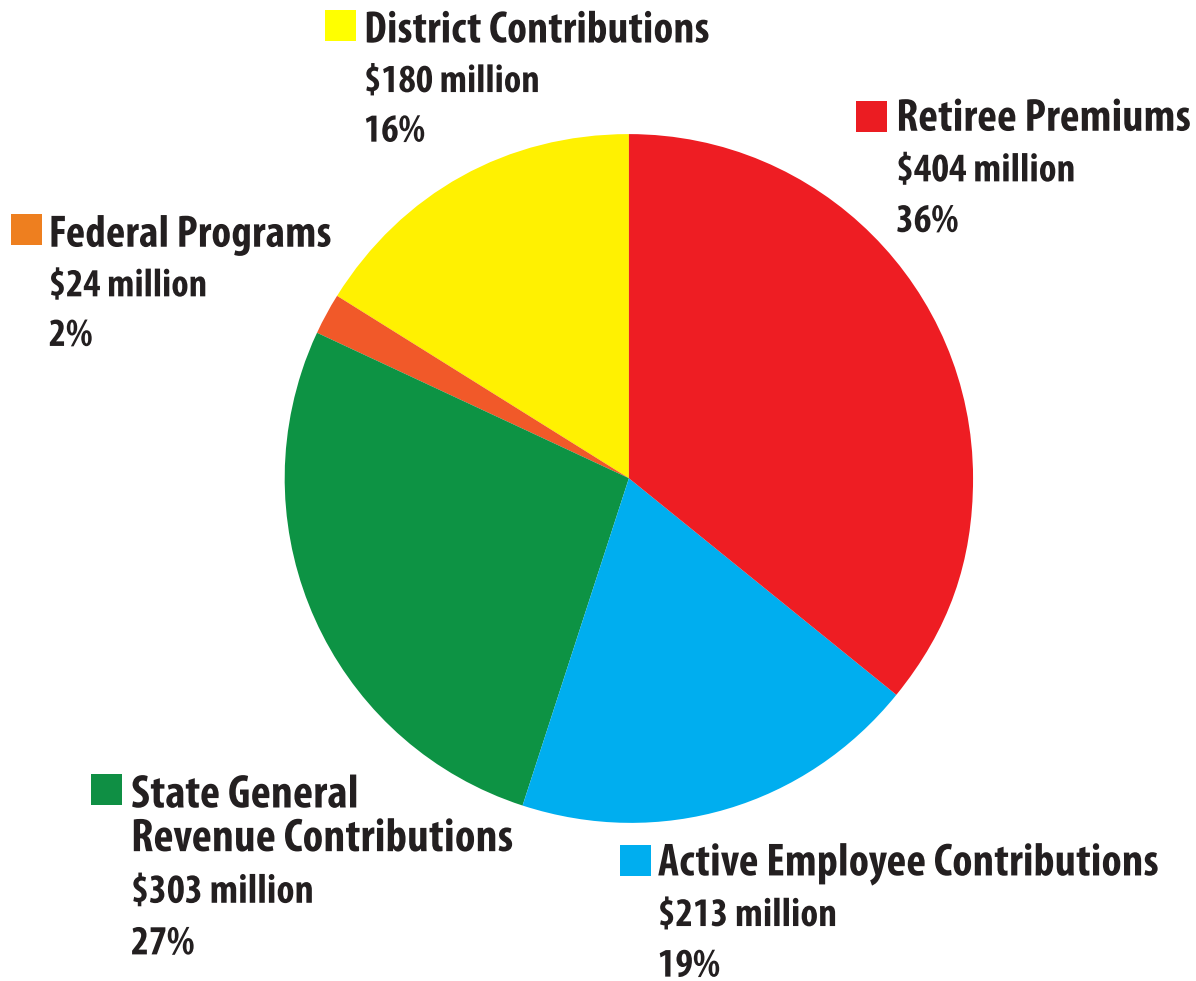
Source: "The Impact of Annuity Payments by the Teacher Retirement System on Texas and Local Areas Within the State" (The Peryman Group, January 2017)

**Impact on Texas Business Activity per State Dollar Contributed 2017**

Impact per State Dollar Contributed in Billions	
Total Expenditures	\$20.6
Personal Income	\$6.1
Permanent Jobs	131,422

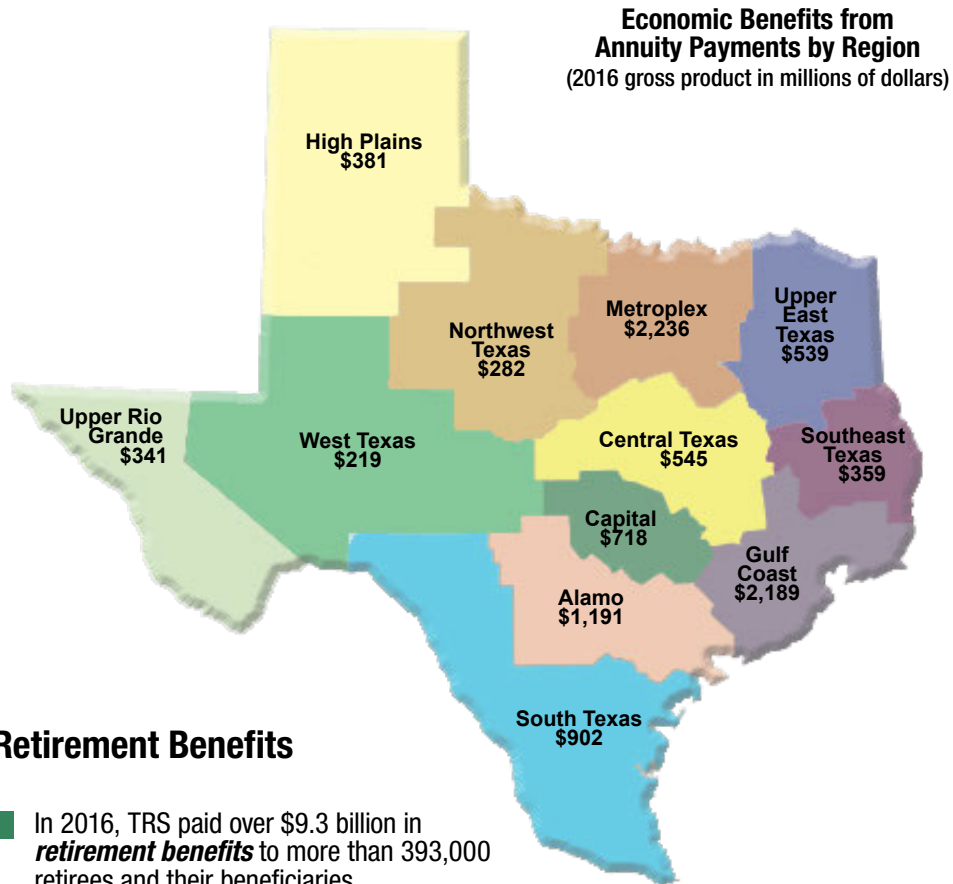
Source: “The Impact of Annuity Payments by TRS on the State and Local Areas Within the State” (The Perryman Group, January 2017), updated for 2016 benefit payments.

**TRS–Care Funding Sources 2017**



Benefit Payments 2016 (in millions)

**Benefits Stay in Texas and Stimulate the Economy**



**Retirement Benefits**

- In 2016, TRS paid over \$9.3 billion in **retirement benefits** to more than 393,000 retirees and their beneficiaries.
- Over \$8.9 billion of these retirement benefits were for service retirements, with the balance for disability and death and survivor benefits.
- Over 94 percent of these benefit payments, or approximately \$8.8 billion, went directly to retirees and their beneficiaries who live and spend these dollars in Texas.

**Source:** "The Impact of Annuity Payments by the Teacher Retirement System on Texas and Local Areas Within the State" (The Perryman Group, January 2017)

# Public Education Retirees and Pre-Retirees Deserve a Quality Health Care Benefit As Part of Their Retirement Security!

## TRS-Care is in Crisis!

Although the TRS pension fund is considered healthy by national standards with a funded ratio of 80.5%, the TRS-Care retiree health insurance program continues to face a funding shortfalls year after year. This places the affordability and accessibility of this very necessary program in jeopardy. Texas public education retirees need your help! If the Legislature fails to act, retirees may no longer be able to afford their health care coverage!

## Background

TRS-Care began in 1986 and has approximately 230,000 participants today. It is funded on a pay-as-you-go basis and is subject to change based on available funding. Funding sources include retiree premiums, state funding, and school district and active personnel contributions. While the plan used to offer tiers of coverage and varying premiums depending upon which tier was chosen by the participant, this changed in 2017 with the passage of HB 3976. Retirees under the age of 65 now have only a high-deductible health care plan available through TRS, and retirees age 65 and older now have only a Medicare Advantage plan through TRS. Since this change was instituted, approximately 35,000 participants have left the plan due to increased premiums, deductibles, and prescription costs. The no-cost catastrophic plan, TRS-Care 1, was also eliminated by HB 3976. Premiums for most participants have more than doubled since the new plans went into effect in January 2018.

## TRS-Care Funding Sources

Retiree premiums range from \$200 (for retiree only) to \$999 (for retiree and family) for the under age 65 group. For retirees age 65 and older in the Medicare Advantage plan, premiums range from \$135 (for retiree only) to \$1,020 (for retiree and family). In 2017, before the new plans were instituted, retiree premiums were \$404 million (accounting for 36% of the total funding of TRS-Care). Numbers from the new plans for the 2018 plan year are not yet available.

The State contributes about \$100 per month per TRS-Care participant. Funding for TRS-Care and the cost of running the program are not aligned. Contributions are based on payroll, which is not correlated to increases in program participation or increasing medical costs.

## Work with TRTA to be a Part of the Solution!

TRS-Care needs more money. TRTA is calling on the Legislature to increase its appropriation to the retiree health insurance program. Retirees, active school employees, the state and school districts must all be engaged early in the 86th Legislative Session to develop a funding plan for TRS-Care.

A funding plan that focuses on the long-term sustainability of TRS-Care must be developed so that retirees and future retirees are not faced with a funding crisis every session.

TRS-Care needs a solution that does not drastically cut health care benefits, but instead provides quality health care options at reasonable costs similar to what was offered to participants prior to 2018.

It is unreasonable to pass all of the costs onto the backs of retirees. The average monthly annuity of a TRS retiree is only \$2000.

Retirees need legislative champions who will carry these issues in 2019!

