



## LEGISLATIVE BUDGET BOARD

# Public and Higher Education Employee Benefits

**PRESENTED TO HOUSE COMMITTEE ON APPROPRIATIONS**

**LEGISLATIVE BUDGET BOARD STAFF**

**JANUARY 2019**

# Teacher Retirement System Overview

**TRS administers three discrete benefit plans, each of which uses its own fund, receives revenue from its own sources, and employs different funding mechanisms. The three trust funds are legally separate and not comingled.**

1. The **Pension Trust Fund** provides defined contribution retirement benefits to employees of K-12 and institutions of higher education. It is funded by payroll contributions from the state, employers, and members, combined with investment income of the Fund.
2. The **TRS-Care Trust Fund** provides health care benefits to retired employees of K-12 education. The TRS-Care Fund receives payroll contributions from the state, active members, and school districts, combined with investment income earned by the Fund and retiree premiums paid by participating retirees.
3. The **TRS-ActiveCare Trust Fund** provides health care benefits to active public education employees in participating districts statewide. ActiveCare is funded by contributions from the state of \$75 per member per month, distributed as part of the Foundation School Program; and a minimum contribution of \$150 per member per month from school districts. The remainder of plan costs are covered by member premiums or additional employer contributions.

# Optional Retirement Program Overview

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**The Optional Retirement Program (ORP) is an alternative, defined contribution retirement program administered by the Higher Education Coordinating Board. ORP is available to certain higher education employees requiring interstate mobility during their careers.**

- State, employer, and member contributions to ORP are deposited into individual retirement accounts with an investment management company authorized by the employer and selected by the participant.

# House Bill 1 as Introduced: TRS

<b>Method of Finance</b>	<b>2018-19 Base</b>	<b>2020-21</b>
General Revenue	\$5,077,961,727	\$4,937,134,870
GR-Dedicated	\$85,551,314	\$48,757,629
Other Funds	\$239,857,788	\$482,834,409
<b>Total</b>	<b>\$5,403,370,829</b>	<b>\$5,468,726,908</b>
<b>Appropriation by Strategy</b>		
Public Education Retirement	\$3,544,224,289	\$3,747,127,583
Higher Education Retirement	\$417,952,238	\$368,477,887
Pension Administration	\$231,596,666	\$243,004,890
TRS-Care Statutory Contribution	\$814,997,636	\$879,359,577
TRS-Care Additional Funding	\$394,600,000	\$230,756,971
<b>Total</b>	<b>\$5,403,370,829</b>	<b>\$5,468,726,908</b>

# House Bill 1 as Introduced: ORP

<b>Method of Finance</b>	<b>2018-19 Base</b>	<b>2020-21</b>
General Revenue	\$246,530,981	\$243,228,738
GR-Dedicated	\$51,094,536	\$53,576,505
<b>Total</b>	<b>\$297,625,517</b>	<b>\$296,805,243</b>

# Payroll Assumptions

Recommendations assume the following annual payroll changes:

- TRS Public Education: 3.9% growth (average across Retirement and TRS-Care)
- TRS Higher Education: 5.6% growth
- ORP Higher Education: 0.1% decrease

These assumptions result in the following biennial changes:

- \$152.6 million All Funds increase for TRS Retirement
- \$64.4 million General Revenue increase for TRS-Care
- \$0.8 million All Funds biennial decrease for ORP Retirement

# TRS and ORP Contribution Rates

	State	Employer	Active Employees
TRS Retirement	6.8%	1.5%*	7.7%
ORP Retirement	6.6%	Optional up to 1.9%	6.65%
TRS-Care	1.25%	0.75%	0.65%

\*TRS Retirement employer contribution is paid only by public education employers who do not contribute to Social Security.

# TRS-Care Structure

Following the enactment of House Bill 3976, Eighty-fifth Legislature, Regular Session, 2017, TRS-Care offers two statewide plan options:

- The Standard Plan, a high-deductible health plan for non-Medicare eligible members
- The Medicare Advantage Plan for Medicare-eligible members.

House Bill 3976 eliminated the basic plan with no retiree premium and increased statutory state and employer contribution rates. Additionally, the Eighty-fifth Legislature provided a total of \$394.6 million in onetime additional General Revenue for TRS-Care. Premiums for most members also increased in plan year 2018.

**Recommendations include \$230.8 million in Economic Stabilization Funds (Other Funds) to maintain plan year 2019 premiums and benefit levels in the 2020-21 biennium.**