



# Texas Retired Teachers Association

313 E. 12th Street, Suite 200 | Austin, TX 78701-1957

800.880.1650 | 512.476.1622 | fax 512.476.1003

*The Voice For All Public Education Retirees*

*www.trta.org*

## **Texas Retired Teachers Association Testimony to Texas Sunset Commission ▪ Teacher Retirement System of Texas December 7, 2020**

The Texas Retired Teachers Association (TRTA) appreciates the opportunity to provide input to the Sunset Commission regarding the Teacher Retirement System of Texas (TRS) and the Sunset staff recommendations. We look forward to working with Commission members, TRS, and the Legislature to improve agency operations during the 87<sup>th</sup> Legislative Session. We hope to be the voice of Texas education retirees during the sunset process and help facilitate decisions that build trust between retirees and their pension system.

TRTA is pleased that the Sunset staff recommendations express the need for TRS to refocus its efforts on TRS member service, while simultaneously working to attain actuarial soundness of the trust fund by achieving the best investment performance possible. TRTA has consistently supported TRS requests for additional investment staff and resources for administration and operations since the last sunset review.

We appreciate the superb investment history and recognition TRS receives as a top pension fund and understand that the recognition comes with a cost. However, we hope the commission recommendations and ensuing legislation will bring more balance to agency decisions, policies, and future expenditures by realigning and prioritizing resources and personnel toward greater member service and support.

Almost a decade has passed since TRS members received a permanent cost-of-living-adjustment (COLA), and it was limited to \$100 per month for only those educators who retired prior to 2004. Some retirees have never had an annuity increase, while at the same time their expenses—such as health insurance premiums and out-of-pocket medical costs—have risen.

It is important to note that all TRS administrative costs are funded directly from the pension trust fund and not from legislative appropriations. Retirees are concerned that ever-increasing agency operating expenses are out of alignment with the lack of permanent increases for members, and even reduce the chance for future COLAs. This sentiment seems more pervasive in the current environment, especially when rising expenditures are directed at operations that do not directly affect retirees—such as capital expenditures on office space—while more and more retirees struggle with the realities of the rising costs of living.

TRTA hopes the Commission and Legislature will listen closely to retirees' perceptions and concerns and understand the effect their realities have on their trust and support of TRS. TRTA

believes that member confidence in TRS is essential to keeping the agency strong and well-respected in the future.

## **TRTA INPUT and RECOMMENDATIONS – Sunset Staff Report**

TRTA agrees with all Sunset staff recommendations, but believes some recommendations require greater scrutiny before implementation in deference to the fact that operations are funded from the pension fund. We recommend that the cost/benefit analysis used by the Legislature to weigh these decisions ensures that changes in agency operations will yield a net savings for the fund, rather than utilizing precious dollars for items that are not useful for members' immediate needs and impedes their chance of a benefit increase. If additional expenditures are required, we request that priority be given to changes that directly enhance member customer support and service over technical changes or reporting requirements.

TRTA makes the following comments and recommendations in addition to those provided in the staff report. These recommendations attempt to address recurrent problems and frustrations expressed repeatedly by TRTA members and volunteer leaders. If adopted, we believe they will lead to greater transparency, more useful and understandable data, and policy changes that retirees will be able to relate to and that affect their daily lives. These recommendations will increase retirees' ability to provide more meaningful input as stakeholders and help repair the relationship between TRS and its members.

### **Issue 1: TRS should repair its relationship with members by focusing on their needs.**

Comments on Sunset staff key recommendations:

TRTA agrees with each of the key staff recommendations under this issue but is concerned about how the pension system might be affected negatively by the loss of funds. We agree that a reasonable effort should be made to find inactive members; but if significant resources are required to track them down, it will be a burden on TRS members' fund.

#### **TRTA recommendations:**

- Require an ombudsman position at the agency to monitor agency response to member issues who reports directly to the TRS Board of Trustees. An existing FTE could be designated for this purpose to prevent excessive expenditures or increasing the size of the agency. We believe if TRS members know they have an advocate within the agency, it will go a long way toward restoring TRS members' confidence in the system.
- Require TRS to simplify and clearly define reasonable rules for employment after retirement/return-to-work. Retirees may only work full-time for a TRS employer if they first cease work with any TRS employer for an entire calendar year after their retirement date. They may work half-time but lose an entire pension check if they work any amount

over the designated hours per month. Yet work hours are inconsistent and change from month-to-month, making it difficult for retirees and employers to know what guidelines to follow. The agency reports they lack the authority to distinguish between cases where infractions are minor or beyond the control of the offending member due to the lack of discretion allowed in statute. Appeals are rarely, if ever, successful.

- Require an appeals process for member TRS-Care healthcare claims at the agency level. TRS should provide retirees with an avenue for understanding and addressing claims and procedures denied by contracted insurance providers.
- Improve the appeals process for cases involving the pension trust fund. TRS should make the complete appeals process more member-friendly and understandable.
- Require TRS to effectively utilize the Retirees Advisory Committee (RAC) as required by law or eliminate it. By statute, the RAC is to recommend to the TRS Board of Trustees standards and features of the health insurance plan before changes are made, as well as to recommend rules and legislation affecting the group health program. The current model uses the RAC as post-decision informational group with very little advisory input.

## **Issue 2: TRS needs more effective contract management and oversight.**

Comments on Sunset staff key recommendations:

A cost-benefit analysis should be performed regarding these recommendations to ensure any additional expenditures from the trust fund result in net savings to the system. Use caution so that more oversight does not result in more operating expenses coming directly from the fund.

## **Issue 3: TRS needs additional oversight and greater transparency of its investment practices.**

Comments on Sunset staff key recommendations:

TRTA generally agrees with the accounting recommendations except in cases where they may increase operating costs. Alternative investments are complex and not easily explained. TRTA believes the recommendation to provide easily understandable information about alternative investments in its Comprehensive Annual Financial Report (CAFR) is important but improving customer service and building better agency relationships with members is equally important.

## **Issue 4: TRS' statutes must reflect some standard elements of Sunset reviews.**

### **TRTA Recommendations:**

Issue 4 addresses several TRS reporting requirements that need to be eliminated, modified, or consolidated. TRTA supports these key recommendations but would like to add the following to provide greater transparency on issues that directly relate to transparency, relevant data, and repairing TRS member relations.

- Require TRS to prepare and make public quarterly reports on the financial condition (transactions and balances) of TRS-Care, including forward projections for at least three years. TRTA believes that TRS should fully disclose to members of the Legislature and TRS members the anticipated financial outcomes of TRS-Care. At the end of the 86<sup>th</sup> Legislative Session, for example, a shortfall of four to six hundred million dollars was predicted for the TRS-Care fund. Now, however, TRS-Care has a surplus of billions of dollars. Quarterly public reports may help alleviate such discrepancies.
- Require TRS to prepare and make public an annual report of complete healthcare costs for TRS retirees. This should include all TRS-Care transactions, as well as out-of-pocket costs incurred by retirees for co-pays, deductibles, and non-covered procedures, and payments made by Medicare for TRS retirees. This information currently is not reported in this way. Neither legislators nor other interested parties receive the whole picture.
- Require TRS to disclose bonus payments to investment staff in its CAFR. Currently this information is not discernable. Ensure that bonus payments are based on achievement coinciding with fair, industry-standard benchmarks and not on agency discretion. TRTA supports financial incentives related to investment returns, but members often read media reports about bonuses without explanation of how TRS investment professionals benefit the system or improve investment returns. Reporting bonuses annually will allow the agency to put them into context and improve transparency with members.

TRTA looks forward to working with TRS and the Sunset staff and Commission members during this process. Thank you for the opportunity to provide input as you prepare the Commission's report and TRS sunset legislation.

Sincerely,



Tim Lee  
Executive Director  
Texas Retired Teachers Association