



Texas Retired Teachers Association

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The Voice For All Public Education Retirees

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Texas Retired Teachers Association (TRTA) Testimony House Committee on Pensions, Investments, and Financial Services (PIFS) June 6, 2022

Interim Charge:

- *Review and evaluate the actuarial soundness of the Teacher Retirement System (TRS) pension fund. Study benefit enhancements, including a cost-of-living adjustment (COLA), for Teacher Retirement System (TRS) retirees.*

Key Components of Testimony:

- **Retirees are hurting financially, and help must come now**—It is imperative that a cost-of-living adjustment (COLA) is authorized for TRS retirees during the 88th Legislative Session.
- **A meaningful COLA**—Inflation is still on the rise. Half of all current TRS retirees have never received an increase in their base annuity. If a TRS participant retired on September 1, 2004 or after, their base annuity has never risen. A meaningful COLA would be the maximum increase possible for TRS retirees. Retirees have been hit with inflation for years. The impact has been building over time and has been compounded significantly due to the recent inflation pressure, COVID-19 pandemic, and nationwide supply shortages. With 95 percent of all school districts not participating in Social Security and TRS retirees receiving unfair reductions due to the federal Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) for any Social Security benefits they may earn outside of their TRS employment, the last few years have hit retiree pocketbooks hard.
- **A COLA cap, if used, must be significantly higher**—A cap, if used, should be no less than \$250 per month. In previous years, COLAs used a cap to ensure that lower income retirees received full value for the percentage increase, and that higher income retirees received a needed increase, but kept the overall cost of the COLA in line with budgetary or funding expectations. A COLA cap of \$250 per month seems reasonable given the years of service our career education employees have served Texas children, as well as the alarming increase in inflation and the lack of a COLA for any retirements on or after September 1, 2004.
- **All TRS retirees are hit by inflation, but longer-term retirees are hit hardest because their retirement income is based on lower salaries and inflationary pressure has compounded during their retirement years.** A COLA should cover a broad segment of the retiree population.
- **The funding methodology must ensure that a COLA is delivered and keeps the pension fund actuarially sound**—The method of payment for the COLA should be any combination necessary to ensure its passage, enactment, and implementation.

- TRTA supports either full funding of the increase through General Appropriations, utilization or recognition of deferred gains, tolerable increases in the unfunded liability (UAAL), or any combination of methodologies so long as it does not imperil the actuarial soundness of the retirement system. TRTA is also opposed to a COLA being funded through increased contributions from active school employees.
- **TRTA members encourage a strong participatory process that includes TRS and the stakeholders together at the table when discussions take place in the coming session.** TRTA has enjoyed a strong partnership with the Legislature, TRS, and all stakeholder groups over the past several decades. As legislation may be developed in the coming months, TRTA hopes to continue to have a seat as discussions move forward. Thanks to the leadership of PIFS Committee Chairman Anchia and the committee members, TRTA has no doubt that this will occur.
- **The Legislature should be updated on the loss of buying power retirees suffer due to inflation**—TRTA recommends adding a requirement to review and report on this subject matter as part of the TRS Experience Study that is performed every four years.

TRTA Background and Subject Matter Overview

The members of the Texas Retired Teachers Association (TRTA) appreciate the opportunity to provide information and insight about the Teacher Retirement System of Texas (TRS) pension fund. TRTA is eager to resume our work with the Pensions, Investments, and Financial Services (PIFS) Committee to provide a meaningful cost-of-living adjustment (COLA) to TRS retirees during the 88th session of the Texas Legislature that begins in 2023.

TRTA members know, as do members of the PIFS Committee, that the path to a meaningful COLA for retirees began many years ago. It has been a hard-fought journey for retirees and legislators to get us where we are today. It has also been rewarding, methodical, and purposeful.

This journey began in 2013 when the Legislature passed Senate Bill 1458. This bill set the stage for improving funding methodologies for the system and allowed half of TRS retirees to receive a 3 percent COLA. The COLA was provided to those TRS members who retired on or before August 31, 2004, while those who retired on or after September 1, 2004 did not receive it. The COLA that was provided was designed to benefit the most people possible without taking the TRS amortization schedule beyond 31 years.

The population of retirees who did not receive the COLA were promised at the time, however, that when conditions aligned, they too would receive an increase. That promised COLA has still not occurred.

In 2015, the Legislature focused on saving the TRS-Care retiree health insurance program to protect retirees from staggering premium increases. TRS-Care continued to suffer from increased medical costs and the program was completely revamped in 2017, creating an entirely new structure to make it more sustainable.

In 2019, Senate Bill 12 made major reforms to the pension fund, creating a stairstep approach to gradually increase contributions over time and make the system actuarially sound. A supplemental check was passed for TRS retirees in both 2019 and 2021, providing much needed, but temporary, financial relief. General revenue was used to provide these payments to protect the soundness of the system. TRTA members are forever grateful for both the immediacy of the supplemental checks, as well as the Legislature's funding from General Revenue to protect the TRS actuarial condition.

Previous Work on TRS has had the intended effect, now is the time to act!

TRS retirees are very grateful for the work that has been done to protect the pension fund and improve the health care program over the past decade. The one-time supplemental payments and passage of substantial Sunset Commission reforms to TRS policy provided much-needed financial relief directly to retirees as well as better customer service to meet their needs.

Those accomplishments have helped set the stage for today's discussion. Additionally, an outstanding 25 percent investment return in 2021 has helped put TRS in the strongest financial position it has been in since 2000. It is TRTA's belief that now is the time for retirees to reap the financial benefit from these successes.

The work that has been done since 2013 was meant to pave a path to a meaningful COLA for TRS retirees. What we face today, however, is different than expected. We have all suffered through a devastating pandemic and staggering inflation, the highest it has been in forty years!

The effects of inflation on retirees' pocketbooks and the lack of permanent benefit increases over the past 20 years to offset these costs have created a need that is substantially higher than what we thought it would be. There is a great urgency to helping retirees as soon as possible.

Today, you will hear about retirees' financial struggles in their own words as they try to survive on stagnant incomes. TRTA has received more than 1,000 personal stories from members collected via social media over the last month. You may view them all on TRTA's Facebook page. In an enclosed attachment, you may read a small sampling of their statements.

TRTA is compelled, as we hope you are, to do whatever we can, as soon as we can, to help our retired Texas educators who gave so much of their lives to care for and teach Texas children. We hope you will glean from today's information that the perfect opportunity to provide a substantial, meaningful COLA to TRS retirees is during the coming legislative session.

Relevant Facts

(Compiled from the 2021 TRS financial report, TRS a great value 2020 and various other sources)

TRS

- The TRS pension fund is actuarially sound, with a funding period of 23 years, well below the statutory definition of 31 years used as the standard for benefit enhancements.

- Market value reached over \$200 billion in 2021 following a 25 percent return on investments.
- The TRS Board of Trustees is considering a proposal from their actuary (Gabriel, Roeder, and Smith) to use some of the deferred gains from 2021 to reduce their investment return assumption from 7.25 percent to 7 percent.
 - Even if choosing that option, the funding period will remain at 26 or less years, meaning the system could still afford a meaningful COLA.
- There are more than 458,000 TRS annuitants.
- The average monthly annuity is \$2,145.
- More than half of TRS annuitants (226,068) receive \$2,000 or less per month.
- More than one quarter of TRS annuitants (121,725) receive \$1,000 or less per month.
- Ninety-four percent of the \$11 billion per year in annuities and \$4 billion in health claims paid by TRS stays in Texas, generating over \$40 billion in economic impact in 2020.

Social Security

- Ninety-five percent of Texas educators are not covered by Social Security (SS).
- A small fraction of retirees qualify for a drastically reduced SS benefit for work in the private sector or through a deceased spouse, making their TRS annuity the primary or only income for most TRS retirees.
- Social Security paid a 5.9 percent COLA for inflation in 2022.
- The Senior Citizens League estimates that the SS COLA for 2023 could be up to 8.6%.

TRS Benefit History (see chart)

- From 1980 to 1999, retirees received a percentage-based COLA of some type.
- From 1993 to 1999, the Legislature implemented an 8-year plan to catch all retirees up to the CPI and gave inflation-adjusted COLAs based on the year an educator retired.
- In 2001, retirees received a 10.77 percent increase, placing the average retiree 15 percent ahead of inflation.
- In 2007, 2019, and 2021, retirees received a one-time supplemental payment.
- In 2013, educators who retired after August 31, 2004 were the last group of retirees to receive a permanent COLA (3 percent capped at \$100 per month).

Inflation

- From 2004 to 2022, the cumulative CPI has increased 53 percent, meaning a dollar today is worth only 65 percent of its value in 2004.
- TRS retirees feel as if they have been left behind and are struggling financially as prices continue to rise. They are making difficult choices about food and medicine that prevent them from enjoying their well-deserved retirement years.

TRTA believes strongly that based on the facts presented today, the history of TRS benefit enhancements, and the hardships borne by retirees due to the pandemic and inflation that **now is the time for a substantial, meaningful cost-of living increase for all TRS retirees.**

HISTORY OF BENEFIT CHANGES SUMMARY CHART

YEAR OF RETIREMENT	CUMULATIVE CPI	SOCIAL SECURITY COLAS	TRS COLAS
1980	238.4	14.3	6-13%
1981	203.7	11.2	
1982	188.9	7.4	2-21%
1983	179.9	3.5	
1984	168.3	3.5	3-9.5%
1985	159.1	3.1	
1986	154.4	1.3	
1987	145.4	4.2	5-20%
1988	135.7	4	
1989	124.8	4.7	4-16% capped at \$100
1990	113.3	5.4	
1991	104.7	3.7	1% per year of retirement
1992	98.7	3	
1993	92.9	2.6	"catch-up" CPI 25%: 5-15%
1994	88.1	2.8	
1995	82.9	2.6	2nd "catch-up" 2-17%
1996	77.7	2.9	
1997	73.7	2.1	3rd "catch-up" 2-14%
1998	71	1.3	
1999	67.3	2.5	4th "catch-up" 2-7% + 10% (2.2 multiplier)
2000	61.9	3.5	
2001	57.5	2.6	10.77% (6% CPI + 4.5% multiplier 2.3)
2002	55	1.4	
2003	51.5	2.1	
2004	47.6	2.7	
2005	42.8	4.1	
2006	38.3	3.3	
2007	34.5	2.3	"13th check"
2008	29.5	5.8	
2009	30	0	
2010	27.9	0	
2011	23.9	3.6	
2012	21.4	1.7	
2013	19.7	1.5	3% capped \$100 retired prior 9/1/2004
2014	19.7	1.7	
2015	17.6	0	
2016	16.2	0.3	
2017	13.7	2	
2018	11	2.8	
2019	9.1	1.6	"13th check" capped \$2000
2020	7.7	1.3	
2021		5.9	"13th check" capped \$2400

Texas Retired Teachers Association (TRTA) Testimony • Attachment 2

PIFS Committee • June 6, 2022

Sampling of member stories collected from TRTA members via social media and email.

TRTA called out its membership last week to send in stories of how inflation is affecting them and their families. Since then, we've received more than 1,000 comments and emails on this issue. The following is just a small sample of those stories. Many more can be found on TRTA's Facebook page. We encourage you to reach out to retired educators in your district. TRTA local chapters are ready and willing to help you get a sense of the immediate needs in the retired educator community.

Phyllis McBride:

My husband and I are retired educators. Inflation is hitting everyone hard, but living on a fixed annuity, one that never increases has become very difficult, if not almost impossible. Of course, gasoline prices are causing a terrible impact on our household budget. We don't really go anywhere except necessary places; grocery store, doctor appointments. I have to travel to another city for regular cancer follow up visits, so it does get a bit costly. Our cable/ internet service just went up. When I called to inquire, I was told inflation, especially increase in gasoline prices. Our auto insurance just went up. Food prices are so expensive too. My and my husband's Medicare payment each increased by \$70 per month. In December of last year, we started planning a road trip vacation for the fall, first one in over three years due to COVID and my health issues. Now this trip will cost us so much more because of increased gasoline and food prices. We do as much of our own home maintenance as we possibly can, but recently had to replace the roof and siding. That was a huge cost for us and probably will cause our home insurance to go up because the value of our house was increased by the county tax assessor. The rise in cost of building materials and labor added to our bill. We just can't win! We cannot keep up. Inflation is killing us! We worked hard, saved and managed our money and now we are retired and worry every day about expenses going up. We cannot keep up if we don't get some relief.

Ed Coet:

I am first and foremost writing to express what is now a desperate need for a retiree COLA for retired Texas teachers. The purchasing power of our retirement annuity, having never received a COLA, has always been embarrassingly abysmal but with current hyperinflation it has made our situation absolutely dire. The truth is, without supplemental help from elsewhere (i.e., charity) we simply can't afford to live on our meager annuity. We are NOT charity cases - or at least we're not supposed to be. We are retired teaching professionals who dedicated decades of our professional lives to teaching the future of Texas - our youth. Those who now legislate and lead our great state were taught by us. We didn't just educate them, we nurtured and cared for them a significant portion of their lives. Now we are old, spent, and can't even live our golden years in nominal comfort. Instead, we struggle to make ends meet day in and day out. Remember, many of us get no social security and those who do only receive a substantially diminished amount because of the ridiculous and entirely unfair social security offset.

I doubt there is any teacher retirement fund that is less generous to its retired teachers than the TRS. It's highly doubtful that any state or federal or public retirement fund of any kind in the country is less generous than the TRS is. No state values it's retired teachers less than does the state of Texas. It's a source of statewide shame and embarrassment to so greatly under compensate retired teachers. No retired teachers anywhere in the country have to struggle to make ends meet as much as retired Texas teachers do.

I'm upset and angry that retired Texas teachers have been turned into little more than paupers. They are the poorest retired professionals in the land. There is always some excuse for not providing a direly needed COLA to retired Texas teachers. We are so sick of state legislature and other elected officials quoting the law as a reason to NOT help retired teachers while knowing full well that the law that has prevented teacher COLA's in the past was passed by the exact same legislature that quotes the law that they passed to deny us deserved and much need COLA's. We're poor to be sure but we are smart and well educated albeit poor professional educators. We know exactly what is going on and we know if a law prevents our having a COLA that the Texas legislature has the power to change that very law that unfairly denies us. Not only should they do that immediately in a "special emergency legislative session" they need to ensure new "emergency COLA legislation" includes a "catch up" COLA for every Texas teacher who is retired more than five years in addition to an across-the-board COLA of at least 10%. No more excuses. This is now an emergency. The COLA legislation must include provisions for "annual COLA's" indexed at the same rate as Social Security COLA's. It's only fair.

Please stop making retired Texas teachers literally beg for a meager subsistence living. We are not welfare recipients. We worked hard for decades to EARN our retirement annuities. We need and deserve annual COLA's just like every other public retirement system in the country. We don't just need a COLA. We deserve a COLA and it needs to be a very substantial one to compensate for decades long COLA neglect. Thank you for your consideration.

Peggy Simmons McPeak:

Those of us who are retired are struggling with and juggling bills. I am a widow with a single, limited TRS income and tiny bit of Social Security. I cannot buy anything extra. I have not purchased clothes in about 20 months. I eat small amounts. I cannot afford to water my grass. I keep my thermostat higher or lower than is comfortable due to cost. One tank of gas for a medium size 16-year-old sedan is \$65.00 which is over twice what it should be. Property taxes and insurance are sky high and seriously eating my income.

Cut - slash property taxes for public servants like Texas teachers. I have paid property taxes for 48 years - shouldn't that count for something? I've paid for my property - again or more. Is there no end? Shouldn't there be a cap somewhere? We need tax reductions on all property - I have a rent house but that income has been largely taken by property taxes and insurance. Give us tax breaks similar to veterans. Give us reductions on property and car insurance premiums.

We served our communities, spent our careers educating Texas children. We spent weekends doing lesson plans, often neglecting our own families. I spent 7 years in college, have 2 degrees and 3 certifications, often worked in my room after school and on weekends - in addition to a 2nd and 3rd job. We need financial help.

Increase our retirement checks to equal buying power from when we retired - in my case 2009. My dollars are worth about 35% less than when I retired. I did not factor that in - I had some idea we would get annual cost of living increases like we did on active duty. I have had no increase in 13 years. I did not realize the serious impact of WEP/GPO after paying into Social Security working 2 - 3 jobs at the same time. My 'substantial increase' in Social Security in January 2022 was \$1.00 - yes, \$1.00. I did not plan on this financial bind. We are hit from all sides. Hear us.

Dan McLendon:

I retired in 1994. Between 8.94 and 9.01 (the last COLA received), my net annuity (the amount I receive after taxes and insurance) increased 40.7 percent. Between 9.01 and 2.22, my net annuity increased 8.6 percent. Between 8.94 and 2.22, my net annuity increased 52.9 percent.

According to the most recent US government CPI data, for one to have to have maintained the 1994 buying power in 2022 would have required an increase in excess of 95 percent. Said another way, for each \$10.00 in 1994 buying power, \$19.51 would be needed in 2022. However, as indicated above, my 2022 net annuity provides only 53 percent of the amount required just to maintain the same buying power provided in 1994.

Frances Fowler Carter:

It is a NEVER-ending cycle! Trying to budget for the increases in household taxes, insurance, utilities, lawn care, wifi, phone service, security, vehicle fuel, inspections, licenses, maintenance, groceries, medications, food and these are just some of the basics! This is a MAJOR challenge. You end up watching- the weekly electricity summary, your washing schedule, your lawn burn up and plants die. You need to grow your own food and raise chickens, but you can't find the time because you are trying to manage all the other moving parts. So, what do you do? Eat less, skip meals which you can't do because your meds must be taken with food.

Receiving a COLA would be such a help which would allow me to get my eyeglass and sunglass prescriptions filled in order to protect my eyes from further deterioration after 30+ years of service. After the many years of service to educating our next generation(s) and sacrificing our family life and health, teachers should be afforded annual increases and businesses should be extending discounts, rewards and other assorted benefits to us.

I hope that teachers will be fairly compensated for the past COLA oversights.

Judith Wilson:

Please pass the COLA. My monthly salary is \$1,700. I taught for 30 years and cannot live on this amount. Can you?

Kathy Hartung:

Please have mercy on our teacher population - the ones driven by passion and calling to help develop our future leaders and citizens.

I am a retired teacher and widow of 15 years. I am the sole caregiver for my 92-year-old mother in my apartment. The pandemic and current soaring inflation have left us so vulnerable and beat down.

The two recent offers of an additional check, in lieu of a COLA, has caused my social security widow's benefit to be reduced. To the point that, if the single check is offered again, I will need to refuse it. I need a COLA.

Please figure out a solution to allow my TRS check to keep up with inflation. Currently we are looking for a cheaper apartment because we are no longer able to afford this one. Moving, at best, is a daunting task. Moving my 92-year-old mother feels insurmountable.

Please find a creative solution to ease the financial pain and stress of those who put educating our young people over more lucrative jobs that were available. Thank you so much!

Sally Perkins:

I cannot stress enough how much retired teachers are hurting after 20 years of no COLA and the unfair WEP, and now the decline in the stock market. I taught 43 years and also worked second jobs, finally retiring at 70! I am now faced with the possibility of having to return to work. I have eliminated all luxuries: hair, nails, Starbucks' coffees, travel, etc. I haggle over every bill and shop sales. No golden years here. I have done my best: I taught four decades, worked in a vet clinic where I could pay into Social Security, saved what I could a person living on a single income. Nothing about this is fair or right!

Barbara A. Masterson:

Wow! More than at any time in my retirement since 2007, we need a COST-OF-LIVING-ADJUSTMENT! Not only are utility costs higher, but prices are soaring for everything else in our lives. My AC needs repair and when I asked a repairman to check it out, he discovered a gas leak in my attic. My expectation began as a possible \$400 repair and has now ballooned to over \$2000 dollars and could go much higher. Yesterday, I was quoted a \$775 cost for the gas company to do a pressure test on the line in order to find the leak. I have been a "to the bone" saver for a long time, but I feel every penny I have saved is flying out the window. Every bill I pay has increased by at least 5%, and some have increased by 10%. My house insurance, for example, has increased by \$200 for the next year. Finally, property values and property tax increases may push me off the land that my family has owned since the late 1800's. In closing, I have actually been considering the possibility of "going back to work," though, at the age of seventy-one, I am not sure where I would find employment. Please, please consider an adequate COLA for all TEXAS TRS members!