



**Comments of the Texas Classroom Teachers Association
to the House Appropriations Committee
September 8, 2022
By Pamela McPeters**

TCTA appreciates the hearing on the Teacher Retirement System and the opportunity to provide comments on the TRS pension fund and TRS-ActiveCare. We want to share the testimony we provided to the Pensions, Investments, and Financial Services Committee in its June hearing.

RECOMMENDATIONS

Addressing the adverse impact of inflation on current and retired teachers and the teacher shortage in Texas necessitates making sure that compensation, including health insurance premiums for active teachers and retirement benefits, provides teachers with a net wage that reflects their contributions and overall effect on students, the community and economy.

- Retiree cost-of-living adjustment - TCTA requests the committee balance the responsibility to ensure the pension fund remains actuarially sound with the need to increase pension benefits due to the loss of purchasing power by retirees since 2004 and provide a meaningful COLA through the TRS pension fund and/or state funding of the benefit. The CPI catch-up increases could be provided over a period of time following precedent set by previous Texas legislatures. Also, the Legislature should begin setting aside money to pre-fund benefit increases.
- Health insurance funding - TCTA requests that the committee consider a more permanent solution to rising health care costs by considerably increasing the \$75 state contribution and indexing it to inflation in future years.
- Regional pricing data for health insurance - TCTA recommends that TRS collect certain data from districts based on the change to regional pricing to determine the impact on districts and school employees.

Most Texans truly want the state to maintain a high-quality public education system that relies on high-quality teachers, and we ask you to commit to working with us to achieve that objective.

COMMENTS

TCTA appreciates the opportunity to provide testimony on TRS-ActiveCare and the TRS pension benefit fund and enhancements.

The current national average in annual expenses per consumer unit when accounting for inflation is \$68,317 (U.S. Bureau of Labor Statistics). Drastic increases in cost-of-living expenses – housing, food, transportation, childcare, health care, and other necessities – are causing additional strain on Texas teachers striving to earn a living on an average base pay of \$58,887 or an average retirement annuity of \$25,416.

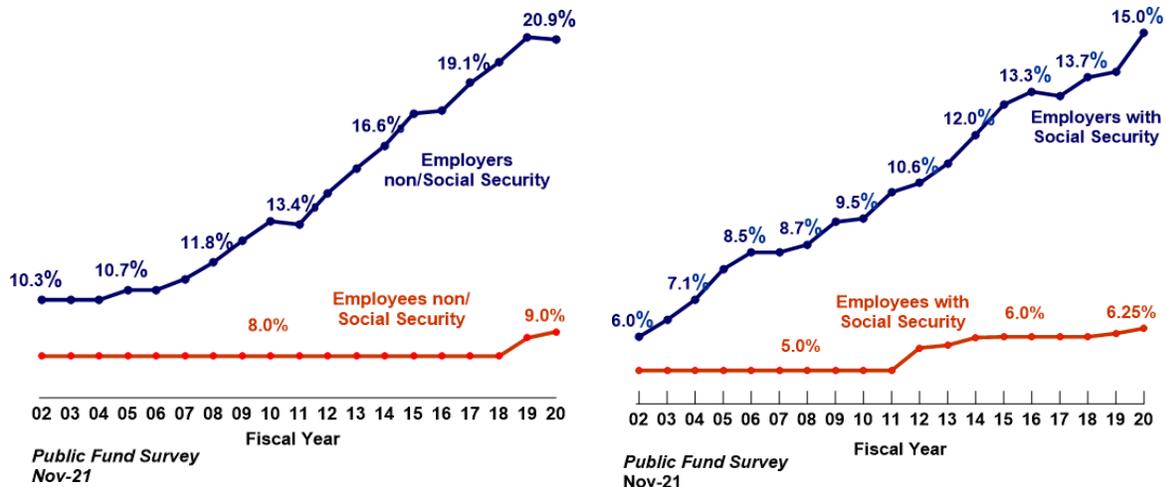
TRS pension fund

TCTA appreciates the state’s commitment in SB 12, the TRS pension reform bill from 2019, that provides for gradual contribution increases from the state and public education employers to better ensure the pension fund is actuarially sound. SB 12 also required steady increases in contributions from active employees that have correspondingly impacted take-home pay.

Retired educators’ pensions and benefits have not kept pace with inflation and the current cost of living. Many retirees’ pensions are below what is needed to provide an adequate standard of living. The TRS annuity is essential for retirees and is often the only source of retirement income, especially since the vast majority of school employees do not receive Social Security benefits. Texas is one of 18 states that do not require teachers to be enrolled in Social Security.

Texas still lags other states in contribution rates to the pension fund. Per the NASRA Public Funds Survey the median contribution rate for non-Social Security employers is around 21% while the median employer rate for Social Security employers is 16%.

National Association of State Retirement Administrators FY 2020



Texas teachers’ pensions average only \$2,118 per month even though the fund is healthy and could remain viable with increased benefits to annuitants. Retired teachers in Texas have not received a cost-of-living increase since 2013 (which only affected those retiring before August 31, 2004, and was capped at \$100) and some have never seen such an increase, while 60% of states have an automatic COLA. Additionally, the dollar had an average inflation rate of 2.43% per year between 2013 and today, producing a cumulative price increase of 24.10%. This means that today’s prices are 1.24 times higher than average prices since 2013, according to the Bureau of Labor Statistics consumer price index. In 2022 alone, the inflation rate has increased by 8.26%.

The legislature has successful precedent in providing cost of living increases over a period of several years to restore retirees to the purchasing power of their original pensions. In 1993, a four-phase Consumer Price Index catch-up plan was designed to increase annuities for TRS members whose incomes were 15% to 115% below the CPI. The 73rd Legislature passed legislation to implement the plan. The second, third and fourth phases were signed into law in 1995, 1997 and 1999 respectively.

History of TRS COLA	
1993	TRS Members who retired prior to 9/1/91 received an inflation adjustment ranging from 5%–15% depending on the member’s retirement date. This was the first in a series of “catchups,” for retirees whose annuity-purchasing power lagged behind the Consumer Price Index.
1995	TRS Members who retired before 9/1/93 were paid the greater of two options: <ul style="list-style-type: none"> • Current annuity with an inflation adjustment ranging from 2%–17% depending on the member’s retirement date; or • Re-computation of the annuity using the current minimum annual salary (\$18,500) for a classroom teacher or full-time librarian if the actual average salary was less than the current minimum.
1997	TRS Members who retired prior to 9/1/96 received an inflation adjustment ranging from 2%–14% based upon the member’s retirement date.
1999	TRS Members who retired between 9/1/98 and 8/31/99 received a 10% increase in their annuities, which was equivalent to the multiplier increase. Members who retired prior to 9/1/98 received an inflation adjustment between 2%–7% based upon the member’s retirement date and the 10% multiplier equivalent.
2001	TRS Members who retired between 9/1/00 and 8/31/01 received a 4.5% increase in their annuities, which was equivalent to the multiplier increase. Members who retired prior to 9/1/00 received a 6% inflation adjustment plus the 4.5% multiplier equivalent.
2013	Members who retired prior to 9/1/04 received a 3% COLA (capped at \$100 per month).

**Information provided by TRS*

The most effective way to focus benefit increases on the neediest retirees is to direct the greatest increases to those who retired earliest; but more recent retirees cannot be left out, given current inflationary pressures. Granting retirees a pension increase based on inflation would help all retirees regain purchasing power lost to inflation.

While the costs of providing benefit increases must be taken into consideration, the purpose of the retirement fund is not simply to grow, but to provide retirement security for Texas’ retired school employees. The state must prioritize spending to increase benefits, and we suggest setting aside funding each session to begin prefunding future enhancements, as TRS data clearly shows that this is a cost-effective way to fund benefit increases.

TCTA requests the committee balance the responsibility to ensure the pension fund remains actuarially sound with the need to increase pension benefits due to the loss of purchasing power by retirees since 2004 and provide a meaningful COLA through the TRS pension fund and/or state funding of the benefit. The catch-up increases could be provided over a period of time following

precedent set by previous Texas legislatures. Also, the Legislature should begin setting aside money to pre-fund benefit increases.

Active School Employee Health Insurance

TCTA is very grateful for the leadership's recent commitment to \$435 million in additional funding for TRS-ActiveCare, the state's school employee health insurance program, for the upcoming school year. Without this help, many educators would have faced significant increases in their insurance premiums, at a time when the financial and career pressures of teaching in Texas are already overwhelming. Not only are no premiums increasing in the next school year, a number of employees will actually benefit from lower premiums.

An ongoing, more permanent solution for unaffordable health insurance will be a crucial component of the solution to the teacher shortage. Teachers in Texas make an average of \$7,449 less than the national average teacher salary. Even when accounting for cost of living, teacher wages in Texas rank 29th out of the 50 states and Washington, D.C. (Every Texan Report 2022). In addition, premiums have continued to rise through TRS-ActiveCare over the years, yet the minimum contributions by the state of \$75 per member per month and districts of \$150 per member per month have remained stagnant and are not based on actual health care costs. (Most districts opt to contribute more, however, those optional contributions have not come near keeping pace with the increased costs.) In 2001, a \$225 contribution covered the cost of the premium for the member. Today, a \$225 contribution no longer covers the premium; the least expensive coverage for the current year (2021-22) is \$417. TRS-ActiveCare participants have paid an increasingly greater share of the total premium directly out of their salaries and the burden on school employees has become staggering.

Moreover, the health care benefits have steadily declined, accompanied by a migration of participants into the lowest levels of the plan for affordability reasons. An employee who needs family coverage will pay a median premium of \$1,180/month in regional-based premiums for the LOWEST level of coverage. And that premium cost per month includes a \$5,000 family deductible in addition to co-pays, with most benefits not kicking in until after the deductible is met. For those with greater medical needs who choose a higher level of coverage, which also includes co-pays and a \$3,600 deductible, the median premium for family coverage – after the state/district minimum contribution – is \$1,450 per month.

The unaffordability of health insurance for active employees has been a growing problem for years. This is in part because of the unusual nature of the program: TRS administers ActiveCare, which covers around half of Texas school employees, but some local districts provide their own insurance; and funding is provided for all employees (whether in ActiveCare or a local plan) but runs through the school finance formulas (under the auspices of the Texas Education Agency). Neither TRS nor TEA has requested additional funding during the budget process, and as a result the state's contribution has not changed since the program's inception even though medical costs have risen significantly over the same time.

Teacher health insurance benefits suffer by comparison to national averages for the public and private sectors, and to Texas state employees' benefits. Below is a chart that shows current

premiums, employee contributions and employer contributions for participants in TRS-ActiveCare, state employees, and the national averages for public and private sector employees per the 2021 Kaiser Foundation study.

Health Insurance Premium/Contribution Comparisons 2021					
	ActiveCare Primary	ActiveCare Primary+	ActiveCare HD (Compatible with HSA)	Texas State Employees	National PPO (Kaiser**)
Employee only premium	\$417	\$542	\$429	\$623	\$645
Employee pays	\$192 46%	\$317 58%	\$204 48%	\$0 0%	\$108 17%
Employer pays	\$225* 54%	\$225* 42%	\$225* 52%	\$623 100%	\$537 83%
Family premiums	\$1,405	\$1,675	\$1,445	\$1,817	\$1,852
Employee pays	\$1,180 84%	\$1,450 87%	\$1,220 84%	\$597 33%	\$497 27%
Employer pays	\$225* 16%	\$225* 13%	\$225* 16%	\$1,220 67%	\$1,354 73%

**These are average rates across the state. Actual rates will vary based on region. The \$225 employer contribution for ActiveCare represents the state’s \$75 contribution and the minimum \$150 per month required of school districts.*

***Kaiser Foundation 2021 Employer Health Benefits Survey at <https://files.kff.org/attachment/Report-Employer-Health-Benefits-2021-Annual-Survey.pdf>*

TCTA requests that the committee consider a more permanent solution to rising health care costs to teachers by considerably increasing the \$75 state contribution and indexing it to inflation in future years.

SB 1444 established regional ratings that adjust a district’s premium rate based on its regional cost of care, demographics, and other factors. While many districts will benefit in the upcoming plan year from lower premiums, others – without the \$435 million in newly appropriated funding – would have seen significantly higher rates. Without legislative action to approve ongoing higher state contributions, this structure will continue to create higher or lower premium costs based on regions, with higher costs most likely borne by school employees.

TCTA recommends that TRS collect certain data from districts based on the change to regional pricing to determine the impact on districts and school employees. Specifically, TRS should determine:

- for each district experiencing a decrease in premiums, whether the district lowers its contribution; and if so, whether the savings went back into employee compensation such as salaries; and
- in future years, for each district that experiences an increase, whether the district makes up the difference in additional costs or passes it through to the employee.