

**Comments to the Legislative Budget Board and  
Office of the Governor  
Regarding the Teacher Retirement System's  
2026-2027 Legislative Appropriations Request  
September 18, 2024**

Submission from:  
Pamela McPeters  
On behalf of the Texas Classroom Teachers Association  
[pmpeters@tcta.org](mailto:pmpeters@tcta.org)  
512-477-9415

The Texas Classroom Teachers Association appreciates this opportunity to provide input on the Teacher Retirement System's 2026-2027 Legislative Appropriation Request. TCTA is thankful for the efforts of the 88<sup>th</sup> Legislature to provide a cost-of-living increase approved by the voters and a one-time stipend to many public-school employee retirees. Additionally, TCTA appreciates the 88<sup>th</sup> Legislature for providing \$588.5 million for TRS-ActiveCare to help certain public education employees have more affordable health coverage. Below are our recommendations related to the upcoming TRS budget. We look forward to working with you on these shared goals in addition to other objectives.

**TCTA Recommendations:**

- **TCTA asks that the LBB include in its budget the TRS base request of \$450 million for ActiveCare to continue the four-year commitment of the legislature to limit premium increases to no more than ten percent. In addition, the legislature should provide a more permanent solution to rising health care costs by considerably increasing the \$75 per person state health insurance contribution.**
- **TCTA requests the state continue to balance its 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. The legislature should provide additional authority to the TRS Board of Trustees to periodically review and provide an increase to retirees' annuities to reduce the effects of inflation within a framework based on the fund's performance and that protects the long-term health of the fund. Also, the legislature should begin setting aside money to pre-fund benefit increases.**

While educators agree that the main benefit of being a teacher is the opportunity to instill children with a life-long love of learning, a respectable salary, affordable and comprehensive health coverage, and a strong pension plan are also important benefits that are vital to attract and retain the best and brightest teachers. Persistent increases in cost-of-living expenses are causing additional strain on Texas teachers striving to earn a living on an average base pay of \$60,716 or an average retirement annuity of \$26,388. 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.

### **Healthcare benefits**

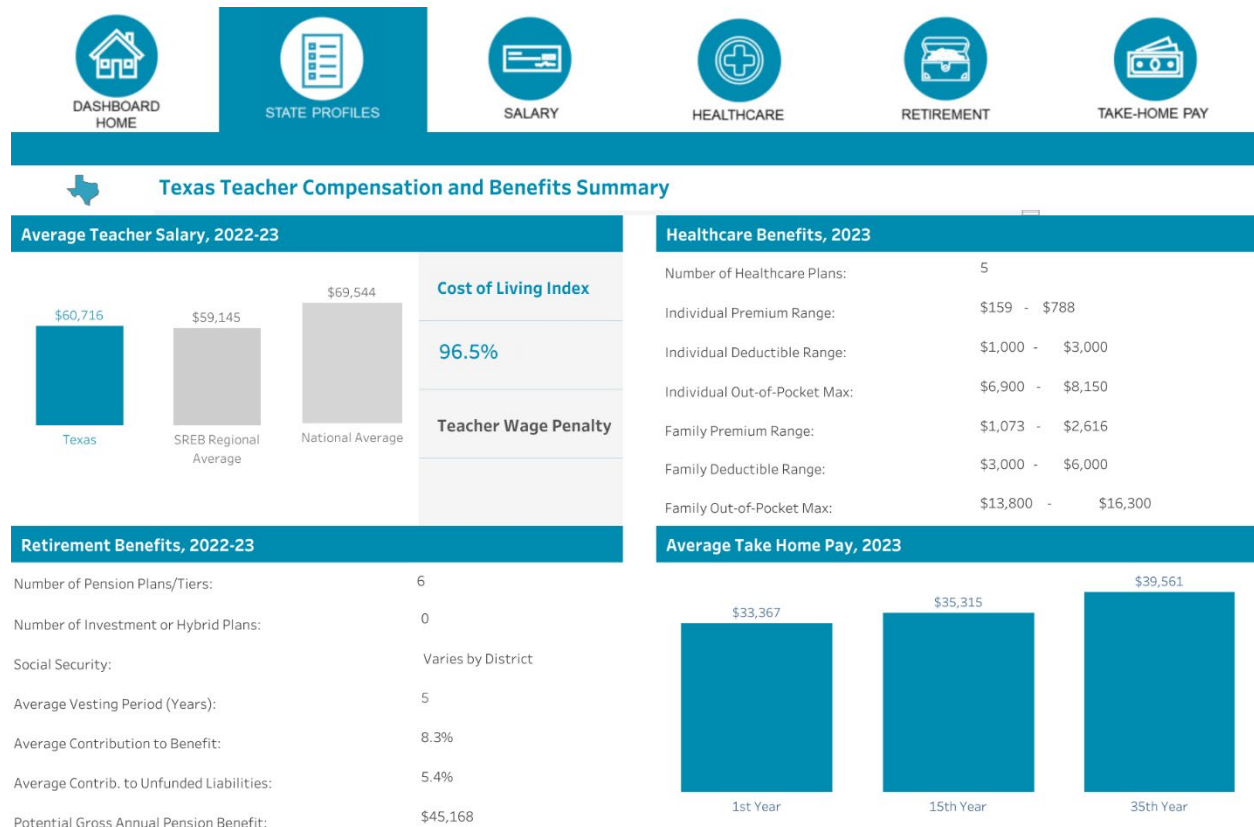
The 88th Legislature appropriated \$588.5 million for TRS-ActiveCare as the first part of a four-year phase-in plan to limit premium increases to an average of no more than 10% through FY 2027. TRS has included in its base request the final \$450 million for fiscal years 2026 and 2027 to fulfill the four-year commitment to ActiveCare participants. **TCTA respectfully requests that LBB include the \$450 million for ActiveCare premiums in the budget. Without additional funding by the legislature, premiums will increase significantly, becoming unsustainable for many educators and their families in ActiveCare.** This is of great concern to teachers across the state who are already overwhelmed with health care costs and their ability to keep pace with the cost of living.

The funding structure of health care for school employees may be a barrier to a longer-term solution. Although TRS administers the ActiveCare health plan for active employees, covering approximately half of school employees and their families across the state, several districts offer their own local plan. The state contribution to premiums for school employees is provided through the school finance formulas and is not specified or enumerated in any way. TEA – which has no authority over or affiliation with the health insurance program – has not addressed the issue in its budget, despite multiple requests from TCTA and likely others for the last several budget cycles.

Premiums have continued to rise 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 since inception more than two decades ago and are not based on actual health care costs. (Many districts opt to contribute more with the average employer/state contribution at \$330, 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. The contribution no longer covers the premium and teachers are bearing most of the burden of health care costs, significantly higher when compared to other employees across the state. For example, a teacher participating in the TRS-administered ActiveCare insurance plan who needs family coverage will pay a median premium of \$1,554/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.

Compensation is not limited to teacher pay. Teachers are facing a crisis of health insurance unaffordability that must be recognized as a factor in low morale. An ongoing, more permanent solution for unaffordable health insurance will be a crucial component of the solution to the teacher

shortage, especially the deficit of certified teachers. Teachers in Texas make an average of \$8,828 less than the national average teacher salary. The Southern Regional Education Board estimates take-home pay in 2023 for a typical first-year teacher in Texas at \$33,367; 15-year teacher at \$35,315; and 35-year teacher at \$39,561. It is clear from the following charts that health insurance premiums are a major part of the problem.



Source: Southern Regional Education Board (SREB). Data updated August 2024 from the 2022-23 school year. Texas: [Teacher Retirement System of Texas](#). The state has moved to a region-based health care plan benefit cost structure. The state was divided into 20 regions in 2023 and each region has an adjusted premium, deductible and out of pocket cost differentiation. SREB averaged the figures across the state to reach the sums provided in the health benefits section for 2023. You may find exact figures in each of the 20 regions here for the following school years [2022-2023](#) and [2024-2025](#). Typical Teacher Take Home Pay: What the average first-year teacher, mid-career or 15th year teacher, and 35th year teacher brings home in their paycheck after deducting their required retirement contribution, their health insurance premium costs and taxes, as calculated by SREB.

**TCTA asks the LBB to provide a more permanent solution to unaffordable healthcare for all educators across Texas by considerably increasing the \$75 state contribution, taking into consideration healthcare inflation.**

### Retirement benefits

Teacher retirees continue to struggle with sustaining everyday costs such as housing, groceries, gas, medications, and other daily expenses due to recent economic pressures and modest retirement

funds. Texas teachers also face structural challenges when it comes to their retirement. The TRS annuity is essential for retirees and is often the only source of retirement income, especially since most 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. Additionally, 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%. The state and district combined employer contribution in Texas for the 2024-25 school year is only 10.25%.

Prior to the 2023 legislative session, educators in Texas who retired during the previous two decades never received a cost-of-living adjustment to their monthly pension. Even those who retired before then only received a slight increase in their monthly annuities. Meanwhile, consumer prices over that same period increased by more than 60% in Texas, burdening retired teachers across the state. Consequently, the 88<sup>th</sup> Legislature passed SB 10 and HJR 2. TRS was able to issue nearly 286,000 stipends to some retirees and over 400,000 eligible retirees received a voter-approved cost-of-living adjustment – all of which did not impact the actuarial soundness of the pension fund due to full funding from the state. Unfortunately, because of the age of a retiree or the date of their retirement, some former school employees were left out from receiving a much-needed increase in their pensions. 205,000 individuals did not receive a one-time stipend, and 111,000 retirees did not receive a COLA. TCTA heard from retired teachers across the state who were disappointed they were overlooked by the legislature. These individuals expressed hardship in affording the basics. Per the Bureau of Labor Statistics, in 2023, the average consumer in the U.S. spent about \$9,343 on food, \$24,298 on housing and \$72,967 overall.

According to state law, increases to annuities for retirees under the Teacher Retirement System of Texas (TRS) require an action by the legislature. Unlike Texas, the vast majority of other teacher retirement systems and other public retirement systems across the U.S. have an automatic system for providing increases to annuitants as the prices of consumer goods increase. How public pension increases are calculated and approved varies considerably. Per the National Association of State Retirement Administrators (NASRA), approximately three-fourths of pension plans sponsored by states and local governments provide some form of an automatic increase, one that does not require specific approval of or action by the plan sponsor (the legislature or city council). Other types of increases among plans in the public sector are increases to annuitants' benefits resulting from specific action by a system, such as TRS; and investment-based increases, which increase annuitants' benefits when the pension fund's investment performance surpasses a designated benchmark. Only making available increases possible through legislative action has proven ineffective for retired Texas teachers.

TRS has proven to be a good steward of teachers' pensions, and the Board of Trustees is qualified to determine future increases to annuities when warranted and within parameters set by the legislature. TRS is currently the sixth largest public pension fund in the U.S. and is actively managed by a team of investment professionals whose long-term, risk-adjusted returns have exceeded the benchmark over the past 10 years and have generated an estimated \$31 billion more than a purely passive strategy. The investment management function has undergone more than 120 audits and independent reviews over the past 10 years with no major findings. As of June 2024, the fund completed a return in excess of 9.3% and a market value of \$203.7 billion, exceeding the 7% investment return assumption. The fund is projected to continue to be actuarially sound through the end of FY 2024. State law provides that the legislature may consider a benefit enhancement only

when the fund is actuarially sound, defined by state law as when the pension trust fund's funding period is less than 31 years.

TRS pensions are not only vital to annuitants, but payments are a significant source of economic stimulus across the state. An economic analysis conducted by The Perryman Group concluded that TRS annuity payments alone generated an additional \$2.4 billion in annual tax revenues for both the state and local governments and supported more than 160,000 permanent jobs in Texas. The legislature should consider a more workable solution to making available annuity increases to retired teachers not only to offset rising costs to retirees, but also to stimulate the economy. **More specifically, the legislature should provide additional authority to the TRS Board of Trustees to periodically review and provide an increase to retirees' annuities to reduce the effects of inflation within a framework based on the fund's performance and that protects the long-term health of the fund. Also, the legislature should begin setting aside money to pre-fund benefit increases.**