



Texas Classroom
Teachers Association

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Testimony of the Texas Classroom Teachers Association To the Senate State Affairs Committee

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TCTA appreciates the opportunity to provide testimony on the interim charges for this committee that relate to Texas public school employees. We hope you will take the time to review our written comments and the attached information.

TRS Pension Fund

The vast majority of school employees do not receive Social Security benefits. Whenever there is concern about the appropriateness of a defined benefit plan for school employees, or the accompanying costs to the state, it is important to remember that the TRS annuity is no luxury for educators, it is essential and is often the only source of retirement income. Private sector employees and many other government employees have access to an employer-provided defined benefit or defined contribution plan in addition to Social Security. Social Security ensures a base level of retirement income that will increase gradually to accommodate adjustments in the cost of living. Without that safety net, school employees rely on TRS – which to date has been a secure benefit, although without frequent cost of living increases.

Neither the state nor most school districts pay 6.2% of salary for Social Security plus contributions toward a separate retirement plan as most larger employers do. According to the NASRA Public Funds Survey, the median employer contribution rate for employers not participating in Social Security is 18%; currently, Texas contributes 6.8% and school districts not participating in Social Security contribute 1.5%.

Funding the plan at a level that will ensure the sustainability of the defined benefit structure and provide appropriate increases should be a basic commitment from the state. This will become more difficult, but no less important, if the TRS Board chooses to reduce its investment return assumption below 8%, as this will cause the funding period to grow and not allow retiree benefit increases for the foreseeable future.

TRS-Care

TCTA did not support the legislation that passed last session to address TRS-Care in part because we knew it did not represent a long-term solution. What did pass was preferable to having the system implode, as health insurance is absolutely crucial for school retirees. But it is discouraging that the state and retirees increased their costs,

and that retirees have faced dramatic changes in their benefits – and that TRS will come back to you in the very next legislative session to ask for more money. As long as funding continues to be based on teacher salaries, TRS-Care costs will continue to be a problem.

Retirees are afraid of the combination of their fixed incomes and their greatly increased costs of medical care. Some in this vulnerable population are forgoing treatment or prescription drugs because of the costs. TRS-Care needs increased funding to lower costs for retirees, and a revised funding structure to ensure ongoing sustainability.

Active employee health insurance

Though not directly included in the charges for this hearing, health insurance for active employees is a critical component of compensation for school employees along with retirement benefits and retiree health insurance, and we would be remiss if we did not take this opportunity to address it.

The unaffordability of health insurance for active employees has been a growing problem for years yet continues to be ignored. This is in part because of the unusual nature of the program: TRS administers health insurance that covers around half of Texas school employees, but some local districts provide their own insurance; 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 of \$75 per month has not changed since the program's inception in 2001.

Premiums are increasing rapidly and it is not reasonable to expect school districts alone to make up those increases at the same time that the state's share of overall education funding is decreasing. While many districts have increased their local contributions, most of the burden has fallen on employees. Attached is an updated chart that shows current premiums, employee contributions and employer contributions for TRS ActiveCare and state employees, and national averages for public and private sector employees per the 2017 Kaiser Foundation study. It is clear that Texas is an outlier with regard to health insurance for educators.

It is also very important to keep in mind not only the costs, but the benefits being provided under ActiveCare. Since 2001, the health care benefits have steadily declined, along with a migration of participants into the lowest level of the plan for affordability reasons. Teachers suffer from the comparison to national averages and to Texas state employees in terms of health care plan benefits as well. We support increased funding for active employee health insurance, but remind policymakers that an adequate level of benefits must also be ensured.

At some point, this legislature must realize that the responsibility of providing services and being an employer includes the costs of those services and the employees required to provide them. Cost-cutting has become an end goal, but we believe that what most Texas citizens truly want is the provision and maintenance of a high-quality public education system that relies on high-quality employees, and we ask you to commit to working with us to achieve that objective.

Premium Comparisons

	ActiveCare 1-HD	ActiveCare Select	ActiveCare 2	TX State Employees	National PPO (Kaiser**)
Employee only premium	\$351	\$514	\$714	\$622	\$580
Employee pays	\$126 36%	\$289 56%	\$489 68%	\$0 0%	\$109 18%
Employer pays	\$225* 64%	\$225* 44%	\$225* 32%	\$622 100%	\$471 82%
Family premiums	\$1,316	\$1,589	\$2,004	\$1,812	\$1,623
Employee pays	\$1,091 83%	\$1,364 86%	\$1,779 89%	\$595 33%	\$504 31%
Employer pays	\$225* 17%	\$225* 14%	\$225* 11%	\$1,217 67%	\$1,119 71%

**The \$225 employer contribution for ActiveCare represents the state's \$75 contribution and the minimum \$150 per month required of school districts; according to recent figures provided by TRS, 23.73% of districts contribute this minimum. 75% of employees are in a district that contributes an additional amount, up to a total of \$400 per month. This is still well under the contributions for state employees and the national average.*

***Kaiser Foundation 2017 Employer Health Benefits Survey at <https://www.kff.org/report-section/ehbs-2017-summary-of-findings/>*