



Texas Classroom
Teachers Association

PO Box 1489 | Austin, Texas 78767 | tcta.org
888-879-8282 | 512-477-9415 | Fax: 512-469-9527

Testimony of the Texas Classroom Teachers Association To the House Pensions Committee May 10, 2018

TCTA appreciates the opportunity to provide testimony on the interim charges for this committee that relate to programs under the Teacher Retirement System.

TRS-Care

Although the Legislature spent a great deal of time and effort last session on addressing TRS-Care issues, and the House in particular worked hard to minimize the impact on retirees, TRS-Care is still in crisis. TCTA did not support the initial 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 insolvency, 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 still have to 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 facing the combination of a fixed income and the greatly increased costs of medical care are afraid for their futures. 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 sustainability.

Active employee health insurance

Health insurance for active employees is also in crisis, and has been almost completely neglected by the Legislature. For the 300,000+ employees enrolled in ActiveCare, premium rates will increase by an average of about seven percent next year. That does not seem unreasonable on its own, but over time the burden on school employees has become staggering. An employee who needs family coverage will pay over \$1,100/month in premiums for the LOWEST level of coverage, unless their district contributes more than the required amount. And that \$1,100 per month gets the employee a \$5,500 family deductible 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 includes co-pays for many services and a \$1,000 or \$1,200 deductible, the premium for family coverage – after the state/district contribution – is either around \$1,400 or close to \$2,000 per month, depending on the plan selected.

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 ActiveCare, which 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. At the end of this testimony 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 2017 Kaiser Foundation study. It is clear that Texas is an outlier with regard to contributing toward 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, accompanied by a migration of participants into the lowest level of the plan for affordability reasons.

Teacher health insurance benefits suffer by comparison to national averages for the public and private sectors, and to Texas state employees' benefits. TCTA supports increased funding for active employee health insurance, and we remind policymakers that an adequate level of benefits must also be ensured.

TRS pension fund

With regard to the defined benefit pension fund, we appreciate that the committee's charge assumes the continuation of the defined benefit structure. The vast majority of school employees do not receive Social Security benefits, and it is important to remember that the TRS annuity is not a luxury for educators, it is essential and is often the only source of retirement income. Social Security ensures a base level of retirement income for most employees 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.

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 this summer 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.

At some point, the state must acknowledge that the responsibility of providing services and being an employer includes paying for the costs of those services and the employees required to provide them. Cost-cutting seems to have become an end goal for some policymakers, 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.

Health Insurance Premium/Contribution 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/>*