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TEXAS RETIRED TEACHERS ASSOCIATION

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Budget Proposal Slashes TRS Funding

TRS-Care Premium Increase Possible

The Texas House released its budget proposal for the coming biennium. This proposal cuts billions from areas such as health and human services, education, and other government services. The Teacher Retirement System of Texas (TRS) did not escape the early budget cutting. The House proposal reduced funding to the TRS pension fund from 6.644 percent to the Texas Constitutional minimum of 6 percent. **Compounding these cuts and potentially causing immediate financial harm to TRTA members, the TRS-Care health insurance program funding is being cut in half.**

Pension Fund Reductions

The TRS Board of Directors asked the Texas Legislature to fund the retirement system at the same level as the previous biennium. That contribution level is

6.644 percent. In addition, the TRS Board suggested a rate increase in each year of the coming biennium by 0.5 percent. The TRS Board of Trustees proposal, if adopted, increases funding for TRS to 7.2 percent in the first year of the biennium and to 7.7 percent in the second year.

The TRS funding proposal compliments the pension fund's overall recovery, and is necessary to ensure the long-term solvency of the pension trust fund. As many TRTA members know, the investments have helped bring the pension fund back from a major market decline, but higher contributions are necessary to help make the system actuarially sound.

Unfortunately, though, the first budget proposal that we have seen from the Texas House immediately reduces funding to the lowest level allowed by the Texas Constitution.

For retirees, this House budget proposal does nothing to address the decade-long period of no permanent pension increase. The legislature must find a way to move the system in the direction of actuarial soundness, but the early action proposed in this budget worsens the actuarial condition of the fund by hundreds of millions of dollars.

Active employees should also be concerned about the reduced funding. The reduced state contribution will cost the system hundreds of millions of dollars in future interest earnings. Since so much of a retiree's pension is based on the system's ability to earn interest on these investment funds, future retirees are being severely impacted before they ever retire.

TRTA understands the tremendous pressure being exerted on Texas legislators to do more with less. However, retired public education employees have been doing more with less for 10 long years. We need a plan that moves us forward. This budget proposal does the opposite.

TRS-Care

Over 200,000 TRS retirees and their dependents participate in the TRS-Care health insurance program. The expert management of this plan by TRS Trustees and staff has allowed the program to build up a surplus of about \$700 million. TRTA has worked hard to protect the TRS-Care funding, and many legislators have partnered with us to keep health insurance premiums from increasing for the past 6 years. Legislators around the state often cite the lack of premium increases as a way to offset the burden of not receiving a cost of living adjustment since 2001.

Funding the TRS-Care program is truly a partnership between many groups. Retirees pick up the biggest cost of the health care bill, paying a monthly premium as well as picking up significant costs for doctor's visits, hospital stays, additional out-of-pocket costs, co-pays, and deductibles.

Active employees and school districts also make significant contributions to the TRS-Care program. The program also leverages Medicare reimbursements and medical provider network discounts.

Texas statute requires the state budget to make a 1 percent state contribution to the TRS-Care health insurance program.

The current state budget proposal ignores the statutory requirement and simply cuts TRS-Care funding in half. This change will put immediate pressure on the other funding sources and will likely require a premium increase for all TRS-Care participants.

Restoring funding for TRS-Care to the statutorily required 1 percent will avoid a premium increase for TRS retirees. One legislator correctly pointed out that not keeping funding intact for TRS-Care is effectively a tax increase on public education retirees! After 10 years of no pension increases, now is not the time to pass a tax increase on public education retirees.

Concluding Comments

These proposed budget cuts are deep and painful. TRTA needs to work hard to restore funding for the TRS-Care program and for the TRS pension trust fund. We know you are contacting your legislators and we encourage you to keep up the good work. Please [click here](#) to send an email to your legislator(s) about how these proposed cuts will harm public education retirees. TRTA will continue to update you as the budget process moves forward.

As always, your support and membership in TRTA is appreciated more than we can say.

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