

My name is Ella Gauthier, and I am the President of the Texas Retired Teachers Association (TRTA). As you may know, TRTA is the voice for all public-school retirees in Texas who are annuitants of the Teacher Retirement System of Texas (TRS).

I have been a member of TRTA since the fall of 2003, immediately after retiring from Pasadena Independent School District. I am a member of District 4 of TRTA which encompasses Brazoria, Chambers, Fort Bend, Galveston, and Harris Counties.

As a TRTA member, I have served in many capacities including District President, State Secretary/Treasurer, State Second Vice-President, and State First-Vice President. As an active educator, I taught high school mathematics and served as Department Chair before leaving the classroom to become the Success Coordinator.

The members of TRTA are much like me! Even though we are retired, we are still actively involved within our communities. Our members volunteer at local food banks, help prepare meals for kids' meal programs, collect and distribute books to local schools and women's shelters, and act as a valuable resource to active educators.

TRTA has a rich history of collaborating with our legislators, advocating to protect and improve benefits for retired TRS annuitants. Our organization looks forward to being "the bridge" between our members and each of you.

We look forward to continuing to be a resource for you as you continue to make positive changes for public education retirees. Know that TRTA is available to answer any questions for legislators and their staff members. If we do not know the answer, we will always work to find the answer and respond in a timely manner.

I hope you find the enclosed information, featuring facts and figures about TRTA and TRS, a valuable guide as you continue your good work with the Legislature.

I look forward to working with each of you and being the "bridge" between retired TRS annuitants and Legislators.

Sincerely,



TRTA State President Ella Gauthier

TRTA Capitol Team



Tim Lee

TRTA Executive Director
tim@trta.org
512.626.3268



Ella Gauthier

TRTA President
ellagauthier@comcast.net
281.788.8692



Dr. Mary Widmier

TRTA Legislative Coordinator
mary.widmier@yahoo.com
281.797.2749



Ronnie Jung

TRTA Pensions Consultant
ronniejung@hotmail.com
512.217.5017



Vicki Truitt

TRTA Lobbyist
vicki@vtruittconsulting.com
817.366.1092



Andrew Weber

TRTA Counsel
andrew.weber@kellyhart.com
512.497.7902



Brock Gregg

TRTA Associate Director
Strategic Partnerships and
Member Outreach
brock@trta.org | 512.589.6064



Cindee Sharp

TRTA Associate Director
Communications and
Operations
cindee@trta.org | 512.909.5269



Roy Varney

TRTA Multimedia Manager
roy@trta.org
830.456.6083

2025 TRTA

PRIORITIES FOR 89TH SESSION

THE VOICE FOR ALL EDUCATION RETIREES

STATE ISSUES

Maintain a solvent TRS pension fund by fully funding statutory contribution rates and using excess state revenues to help reduce the unfunded liability

- The TRS defined benefit pension plan is vital to the retirement security of all public education employees and retirees.
- TRS provides cost-efficient retirement security for plan participants and taxpayers.
- Reducing the unfunded liability now saves Texas taxpayers significant money in the long term and protects the TRS pension fund.

Provide a benefit enhancement to help offset the negative impact of inflation

- TRTA recommends funding a cost-of-living adjustment (COLA) for TRS retirees when possible or providing a supplemental payment when a COLA is not possible.
- Retirees living on fixed incomes have been impacted drastically by record inflation over the last decade and managing its impact is an ongoing challenge.
- Last session, the Texas Legislature passed SB 10 and Texas voters approved Prop 9, providing much-needed help to most TRS retirees.
- The unfortunate reality is that cumulative inflation has eroded the modest pension benefits of all TRS retirees.

Maintain and protect TRS-Care by fully funding the current statutory contribution rates

- Continue to provide an affordable healthcare plan for all TRS retirees.

Pension Funding

80th Legislature Regular Session
83rd Legislature Regular Session
86th Legislature Regular Session
87th Legislature 2nd Called Session
88th Legislature Regular Session

Benefit Enhancements

80th Legislature Regular Session
83rd Legislature Regular Session
86th Legislature Regular Session
87th Legislature 2nd Called Session
88th Legislature Regular Session

TRS-Care

84th Legislature Regular Session
85th Legislature Regular Session
86th Legislature Regular Session

Support Efficient Implementation of the Repeal of WEP and GPO: Ensure the recently passed repeal of the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) affecting public servants who contributed to and qualify for Social Security benefits is implemented in a timely manner and that all eligible recipients have their benefits restored.

H.R. 82, the Social Security Fairness Act, and Its Impact on Texas Public Education Retirees

- The recent passage of H.R. 82, the Social Security Fairness Act, will impact hundreds of thousands of Texas public service retirees, including many who worked in our public schools.
- H.R. 82 repealed two arbitrary, unfair provisions that have been in place for more than forty years—the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).
- WEP and GPO reduced or eliminated earned Social Security benefits for 3 million Americans.
- In Texas, it is estimated that approximately 200,000 public service retirees have been impacted by WEP and 100,000 by GPO.
- H.R. 82 is a true bipartisan success, passing the U.S. House with a vote of 327 to 75 and the U.S. Senate with a vote of 76 to 20. It was signed into law by President Biden on January 5, 2025.
- The Social Security Administration (SSA) projects that the restoration of benefits to public servants who have been impacted by the WEP and GPO may take twelve to eighteen months.
- While the repeal of these provisions is a great victory for many Texas public-school retirees, not all will be eligible for these benefits depending upon their own or their spouse's work history.
- Social Security benefits earned by Texas public school retirees are largely based on secondary jobs they held before, during, or after their full education careers.
- The income that will be restored to them because of this repeal may help them pay for medications, groceries, or gas, but cannot replace their primary source of income: the modest monthly annuities they receive from the Teacher Retirement System of Texas (TRS).
- **TRS retirees still rely upon the support of the Texas Legislature to ensure their retirement is secure.**
- Inflation continues to erode the fixed incomes of TRS retirees and affects their ability to afford basic goods and services.
- While thousands of TRS retirees are grateful they received an increase in their pension benefits in 2024, not all received the cost-of-living adjustments or stipends approved by the Legislature.
- The passage of Proposition 9 during the November 2023 General Election demonstrated tremendous support by Texas voters, who recognize that our retired public education retirees are hurting financially and deserve to retire with dignity.
- TRS retirees appreciate the continued support of the Texas Legislature and their willingness to protect and improve retirement benefits through TRS, via benefit enhancements and affordable healthcare options.

The Teacher Retirement System (TRS) of Texas Facts and Figures



TRS—and its Members—Offer a Great Value to All Texans!

- One out every 20 Texans is a member of TRS.
- 76% of annuitants are female and more than 400 annuitants are age 100 or older.
- Spending from TRS pension benefits and the TRS-Care and ActiveCare healthcare funds provides notable economic stimulus throughout the state.
 - ◊ In fiscal year 2024, TRS annuitants received a total of \$13.45 billion* in their monthly checks (annuities) to expend – 93% of which were spent at Texas businesses by those living within the state.
 - ◊ The healthcare funds, TRS-Care and TRS-ActiveCare, paid \$4.9 billion in medical-related claims.
- Every \$1 in benefits paid by TRS generates \$2.35 in economic activity.
- Every \$1 in healthcare spending generates \$3.56 in economic activity.
- The total economic impact of \$46.8 billion is the sum of the direct, indirect and induced impacts from TRS pension checks and health care payments in 2024.
- 96% of TRS public school employees do not participate in Social Security.
 - ◊ Employees in these districts were not eligible for full Social Security benefits when they retired due to two federal provisions known as the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO). These two provisions were repealed by H.R. 82, the Social Security Fairness Act, which was signed into law on January 5, 2025. The Social Security Administration is in the process of implementing the repeals. Benefits may be restored to eligible retirees sometime in 2025.
- In 2023, TRTA members contributed 5,233,757 hours of community service, valued at \$133,303,791.

Cumulative Information for the 86-Year History of TRS as of August 31, 2024

- More than 62.5% of the value of the TRS pension trust fund is derived from investment returns.
- Texas taxpayers are providing less than 20% of the funding for the pension system.
- 96% of public school employees are not covered by Social Security.
- In 2024, it is estimated that Texas taxpayers saved \$2.7 billion by contributing to TRS and not contributing to Social Security. Active school employees also saved the same amount!
- Approximately 93% of all benefit payments paid out by TRS stay in Texas.

Contributions from the State, Employees, & Investments	Billions	% of Income
Member Contributions	\$80.7	17.8%
State/District (Employer) Contributions	\$89.3	19.7%
Investment Income	\$282.03	62.5%
Total Income	\$452.3	100%
Benefit Payments	-\$228.6	
Member Refunds	-\$12.2	
Administrative Costs	-\$0.1	
Balance as of 8/31/2024	\$211.5	

Pension Fund Actuarial Changes During the Fiscal Year Ended August 31, 2024

- The unfunded liability increased by \$2.7 billion to \$60.6 billion.
- The funded ratio increased from 77.5% to 77.8%.
- The funding period decreased from 29 years to 28 years.
- The system has unrecognized losses from 2022 and 2023 that will be partially offset by gains in 2024.
- Higher than expected salary increases caused the unfunded liability to increase.
- The normal cost to fund the liability for new members is 12.1% and the current contribution rate is 17.68%, leaving the difference of 5.58% to amortize the unfunded liability.

The Current Unfunded Actuarial Accrued Liability (UAAL)

As of August 31, 2024, the UAAL was \$60.6 billion.

The following factors contributed to this amount:

- The TRS Board of Trustees over time reduced the investment return assumption from 8% to 7%. This increased the UAAL by **\$30.3 billion** (computed from info on page 90 of the TRS 2024 CAFR).
- In the 1990s and 2001, the Legislature increased the multiplier from 2.0 to 2.3, a 15% increase, and adopted the rule of 80. During this same period, the Legislature also provided retirees with significant cost-of-living increases. These benefit enhancements were funded from the Pension Trust Fund thereby increasing the UAAL.
- The state reduced their contribution rate to the minimum of 6% from 7.31% in 1996. The state contribution rate was not increased to 7.31% until 2020. If the state had maintained the 7.31% rate during those 24 years, the current Pension Fund would have another **\$23 billion** in assets. [\$6.5 billion in contributions and \$16.5 billion in investment income based on actual earnings during this period].
- Later legislation increased the final average salary period for new hires from 3 years to 5 years and reduced the benefits for everyone retiring before age 62 by various percentages for each year below age 62. These changes partially offset the impact of the rule of 80, but because of grandfathering, they will not impact new retirees for a number of years.
- Benefit enhancements granted by the Legislature since 2019 have been fully paid for and did not impact the unfunded liability of the system.

2024 TRS Financial Highlights

(Taken from the TRS Comprehensive Annual Financial Report (CAFR))

- Covered active employee payroll totaled \$59.7 billion.
- Total pension contributions for 2024 totaled **\$10.6 billion**, plus an additional \$5 billion to pay for benefit increases.
- Effective Contribution Rates

a. Employees	8.25%
b. Employers	
1. Employers (1.9%)	1.10%
2. State's Portion (8.25%)	<u>4.02%</u>
• Total	<u>5.12%</u>
c. State (8.25%)	4.23%
d. Other	0.08%
Grand Total	17.68%
- Net investment income totaled **\$23.8 billion** for a **12.83%** rate of return.
- TRS paid out **\$15.1 billion** to **508,701** annuitants.
- TRS paid out **\$734 million** in refunds, with **54,743 members** leaving the system. The past average has been closer to 40,000 members leaving each year.
- Net assets for the fund increased by \$23.3 billion to \$210.5 billion.
- The number of active members increased to 1.55 million and the number of annuitants increased to 508,701.
- Average life annuities were \$2,294 per month.
- The average age for all retirees was 72.7 years.
- The ratio of members to retirees was 3 to 1, but the ratio of contributing members to retirees dropped to slightly less than 2 to 1.

Key Observations:

- The amount districts are paying has increased due to federal and private dollars and salaries above the statutory minimum. COVID federal dollars may account for part of this increase.
- The number of refunds (i.e. active members leaving the system) dropped 12,000 but is still well above the long-term average of 40,000.

Pension Contribution History Since 1986

TRS Pension Trust Fund Contribution Rates

<u>Fiscal Year</u>	<u>Active Employees</u>	<u>State</u>	<u>Districts*</u>
1986	6.40%	8.00%	
1987	6.40%	8.00%	
1988	6.40%	7.20%	
1989	6.40%	7.20%	
1990/91	6.40%	7.65%	
1992/1995	6.40%	7.31%	
1996/2007	6.40%	6.00%	
2008/09	6.40%	6.58%	
2010/11	6.40%	6.64%	
2012	6.40%	6.00%	
2013	6.40%	6.40%	
2014	6.40%	6.80%	
2015	6.70%	6.80%	1.50%
2016	7.20%	6.80%	1.50%
2017	7.70%	6.80%	1.50%
2018	7.70%	6.80%	1.50%
2019	7.70%	6.80%	1.50%
2020	7.70%	7.50%	1.50%
2021	7.70%	7.50%	1.60%
2022	8.00%	7.75%	1.70%
2023	8.00%	8.00%	1.80%
2024	8.25%	8.25%	1.90%
2025	8.25%	8.25%	2.00%

*ISDs pay only up to statutory minimum - Higher Ed pays nothing

Actual Pension Contribution Percentages by Payor

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employee Contribution	8.25%	8.00%	8.00%	7.70%	7.70%	7.70%	7.70%
Employer Share	1.10%	1.09%	1.06%	1.01%	0.95%	0.90%	0.91%
Employer Contribution (state)*	4.02%	3.93%	3.64%	3.20%	3.15%	2.95%	2.86%
Total Employer	5.12%	5.02%	4.70%	4.21%	4.10%	3.85%	3.77%
State Contribution*	4.23%	4.07%	4.11%	4.30%	4.35%	3.85%	3.94%
Other	.08%	0.23%	0.20%	0.26%	0.21%	0.20%	0.21%
TOTAL (Excluding Supplemental)	17.68%	17.32%	17.01%	16.47%	16.36%	15.60%	15.62%
State Contribution Rate*	8.25%	8.00%	7.75%	7.50%	7.50%	6.80%	6.80%
	<u>2024</u>		<u>2022</u>		<u>2019</u>		
Supplemental Dollar Amount	\$5,000,000,000		\$701,100,535		\$588,827,787		

Key Observations:

- From the table above, you will note that in 2024 the state rate was 8.25% but the state only paid 4.23% and the district paid the remaining 4.02%.
- Districts are required to pay the full state rate on salaries above the statutory minimum and for salaries paid from private and federal funds.
- The trend as noted in the above chart shows that the percentage of payroll being paid by the districts has increased each year.

Benefit Enhancements for TRS Retirees Since 2001

Senate Bill 1846 – 80th Legislature Regular Session (2007)

1. Provided a one-time supplemental payment capped at \$2,400 for all of those retired as of August 31, 2007.
2. The bill also increased member and state contributions to 6.58% and increased the unfunded liability by \$359 million.

Senate Bill 1458 – 83rd Legislature Regular Session (2013)

1. Provided a 3% cost-of-living adjustment (COLA) capped at \$100/month for those who retired on or before August 31, 2004.
2. The COLA was funded from the pension trust fund; although, active member contributions were increased to partially offset the cost.

Senate Bill 12 – 86th Legislature Regular Session (2019)

1. One-time supplemental payment capped at \$2,000 for those who retired on or before December 31, 2018.
2. The state provided \$589 million to pay for this benefit for 405,538 members.

Senate Bill 7 – 87th Legislature 2nd Called Session (2021)

1. One-time supplemental payment for those who retired on or before December 31, 2020, capped at \$2,400.
2. The state provided \$701 million from general revenue to fund this supplemental payment.

Senate Bill 10 – 88th Legislature Regular Session (2023)

1. Lump Sum Supplemental Payment

- a. 177,000 received \$7,500 Age 75 and older
- b. 108,000 received \$2,400 Age 70-74
 - i. Cost = \$1.636 billion

2. Cost-of-Living Adjustment (COLA)

- a. 2014-2020 2% 145,333 \$46 average monthly increase
- b. 2002-2013 4% 187,026 \$85 average monthly increase
- c. 2001-1960 6% 67,708 \$116 average monthly increase
 - i. Cost = \$3.354 billion

3. The Texas Legislature fully prefunded these benefit enhancements, with the COLA being funded via constitutional amendment Proposition 9 on the November 2023 General Election ballot.

Key Observations:

- From 1993 to 2001, the Legislature provided biennial COLAs as part of the CPI Catch-Up Plan. The Legislature also increased the formula for future retirees from 2.0 to 2.3 (a 15% increase) and adopted the Rule of 80. By 2001, on average all retirees' annuities had caught up with inflation and were actually 15% higher than inflation-adjusted annuities.
- The benefit enhancements from 1993 to 2001 were fully funded from the pension trust fund. During this same period, the Legislature reduced the state contribution rate to the constitutional minimum of 6% in 1995. The state's contribution remained at the minimum of 6% for more than 10 years.
- The supplemental payment in 2007 and the COLA in 2013 were partially funded from the pension trust fund.
- Benefit enhancements in 2019, 2021, and 2023 were fully paid for by the Legislature in addition to their regular contribution amounts to the pension trust fund.

TRS-Care Financial Condition as of August 31, 2024

- The Fund Balance increased by \$927 million to \$4.8 billion.
- The State (1.25%), Districts (0.75%), and Active Members (0.65%) contributed \$1.2 billion.
- Investment income of \$202 million plus federal revenues and rebates and discounts added another \$882 million.
- Retirees paid premiums of \$584 million.
- Health care claims and administrative costs totaled \$1.93 billion.
- TRS-Care membership decreased by almost 1,264 to 214,566.
- The Net Other Post Employment Benefit (OPEB) Liability increased by \$8.2 billion from \$23.9 billion as of 8/31/2023 to \$30.4 billion as of 8/31/2024.

Key Observations:

- The net OPEB liability is similar to the pension fund's unfunded liability.
- In addition to the contribution rates noted in the following table, the Legislature provided over \$1.1 billion for supplemental funding between 2015 and 2018.
- TRS-Care was established in 1986. In 2017, the Legislature significantly overhauled the TRS-Care plans and reduced the number of options available to retirees for healthcare.
- TRS is allowing a one-time open enrollment for the Medicare Advantage program that begins October 1, 2024, and continues through March 31, 2026.
- For fiscal year 2025, TRS lowered the health care premiums for retirees who are age 65 and older participating in the state-run health care program, TRS-Care Medicare Advantage. This action accounted for the large increase in the OPEB liability.

TRS-Care Contribution Rate History

TRS-Care Contribution History			
<u>Fiscal Year</u>	<u>Active Employees</u>	<u>State</u>	<u>Districts</u>
1986	0.25%	0.00%	
1987	0.25%	0.35%	
1988	0.25%	0.40%	
1989	0.25%	0.45%	
1990/2003	0.25%	0.50%	
2004/05	0.50%	1.00%	0.40%
2006/2012	0.65%	1.00%	0.55%
2013	0.65%	0.50%	0.55%
2014/2017	0.65%	1.00%	0.55%
2018/2025	0.65%	1.25%	0.75%