

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 3, 2015

TO: Honorable Joan Huffman, Chair, Senate Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1940 by Huffman (Relating to contributions to, benefits from, and the administration of systems and programs administered by Teacher Retirement System of Texas.), **As Introduced**

The bill would result in an indeterminate fiscal impact to the state. The projected savings to TRS-Care, the health plan which covers retired public education employees, is estimated to be \$95.0 million in the state fiscal biennium ending August 31, 2017, and is expected to increase significantly in subsequent biennia. However, because of the funding structure for TRS-Care, the impact to the state cannot be determined.

The bill would require those retiring on or after September 1, 2015, and their dependents, to enroll in the TRS-Care basic plan unless they have purchased Medicare Part B when first eligible. The bill would require the TRS Board of Trustees to establish a retiree health care plan with consumer driven elements and preferred networks for non-Medicare enrollees. The bill would amend the definition of "retiree" for TRS-ActiveCare, a health benefit plan available to employees of public school districts and charter schools, to include return-to-work retirees that have had their TRS-Care coverage suspended due to becoming actively employed again with a TRS-covered entity. The bill would also include participation by such retirees in TRS-ActiveCare. Entities participating in TRS-ActiveCare (i.e., local school districts) would be required to annually report to TRS the amount the employer contributes for TRS-ActiveCare coverage of its employees. The bill would also change accounting requirements with regard to deposits, transfers, and rollovers made by the Teacher Retirement System of Texas (TRS). The bill would take effect on September 1, 2015.

According to TRS, the provision requiring a retiree to purchase Medicare Part B when first eligible would not have a significant fiscal impact on TRS-Care in the 2016-17 biennium. Future savings are anticipated, however, as more retirees become eligible for the Medicare Advantage and Medicare Part D plans.

TRS estimates the following savings associated with the provision requiring trustees to establish a plan that includes consumer driven elements and preferred networks for non-Medicare enrollees: \$95.0 million in fiscal year 2017, increasing annually to \$98.6 million in fiscal year 2018, \$100.6 million in fiscal year 2019, and \$102.9 in fiscal year 2020. The estimate assumes the provision would be implemented by the trustees on September 1, 2016.

According to TRS, the estimated 2016-17 TRS-Care fund shortfall is \$768.1 million, which would be reduced by \$95.0 million due to savings in fiscal year 2017 related to the provision that requires the TRS Board of Trustees to establish a plan that includes elements of consumerism and

preferred networks for non-Medicare enrollees.

State law establishes contributions to TRS-Care based on active employee payroll as follows: 1.0 percent state contribution; 0.65 percent active employee contribution; and 0.55 percent school district contribution. In addition, the Legislature may and has appropriated supplemental amounts at various times. The bill would not change contribution amounts set in statute, therefore the impact to the state cannot be determined.

Local Government Impact

TRS estimates the bill would have no significant fiscal impact to the TRS-ActiveCare plan.

Source Agencies: 323 Teacher Retirement System

LBB Staff: UP, AG, AM, PFe