

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 2, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB788 by Huffman (Relating to the administration of and benefits payable under the Texas Public School Retired Employees Group Benefits Act.), **As Introduced**

No significant fiscal implication to the State is anticipated. However, the provisions of the bill, which allow TRS to increase premiums and implement plan design changes, are anticipated to significantly reduce the shortfall to the TRS-Care fund balance.

The bill would amend the Insurance Code relating to the administration of and benefits payable under the Texas Public School Retired Employees Group Benefits Act (TRS-Care). The bill would eliminate the requirement for TRS to provide a no-cost plan to retirees and instead require eligible retirees, surviving spouses, and dependents participating in the plan to pay a monthly contribution (premium) to TRS-Care as determined by the TRS board of trustees.

The bill requires TRS to establish three plans to be offered to retirees, their surviving spouses, and their dependents, according to their eligibility. TRS shall establish a Medicare Advantage plan and a Medicare prescription drug plan for retirees, surviving spouses, and dependents who are eligible to enroll in Medicare. Retirees, surviving spouses, and dependents who are not eligible to enroll in Medicare are eligible to enroll in a high deductible (HD) plan offered under the Retiree Health group benefits plan. If TRS makes another health benefit plan available, any individual otherwise eligible to enroll in Medicare Advantage may enroll in this plan.

The bill as introduced makes no changes to the statutory contribution rates of the state, school districts, or active employees in public education. To address the projected 2018-19 TRS-Care shortfall of \$1.06 billion, the bill allows the trustee, as needed, to set premium contribution rates of participants and to modify benefit plan design to maintain the solvency of the fund. Based on illustrative premium rates and plan design changes, TRS anticipates that the bill would reduce the shortfall of the TRS-Care fund from \$1.06 billion to \$263.4 million. Both increased revenue from participant premiums and decreased benefit payments due to anticipated plan design changes would contribute to the reduction of the shortfall.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System

LBB Staff: UP, AG, AM, TSI