August 28, 2020

Rep. Jim Murphy, chairman
c/o Jason Briggs
Texas House Pensions, Investments & Financial Services Committee

Comments to interim charges from the Texas Association of School Administrators

Dear Chairman Murphy and Members of the Committee:

On behalf of the Texas Association of School Administrators (TASA), thank you for this opportunity to address your interim charges on the record. Texas public education administrators are keenly aware of the difficulty of balancing the normal needs of communities while responding to the current public health crisis. We appreciate the effort you are making to accept stakeholder input during the unprecedented challenges created by the COVID-19 virus.

TASA has a long history of participation in issues related to the Teacher Retirement System of Texas (TRS). For decades, TASA has joined many other co-equal stakeholders and policymakers in pursuing effective oversight and bi-partisan support for crucial legislation related to quality healthcare and retirement for our school employees. We view the frank discussion, fact-based analysis, and collaborative approach to this work as a model for reasonable policy formulation. It is in this spirit that we offer the following comments.

Interim Charge 2: Monitor the TRS actions in implementing high deductible regional plans for certain school districts interested in providing alternatives to current TRS-ActiveCare options.

TASA supports the ongoing policy concept of offering ActiveCare options to currently enrolled school districts, so long as those options are well-vetted and do not threaten the existence and financial viability and usefulness of the program. Alternatives should be carefully crafted so as not to create either excessive expense for members or seriously reduced coverage relative to marketplace alternatives. We recognize that these principles, particularly in our state's and nation's uncertain healthcare environment, exist in tension with one another and may be difficult to achieve. However, we think the effort to find the balance points in that tension are precisely the work of TRS, stakeholders, and policymakers to ensure long-term, affordable healthcare options for public school employees.

Our communications with both our membership and TRS indicate that the agency has made a positive effort to address the desire for options, including high deductible options, with various school districts. This effort has included both discussions of potential alternatives and education related to marketplace alternatives, particularly with regard to some of the complex benefits options offered in the market. TASA views this work as ongoing, and will continue to facilitate communication between our members, TRS, and policymakers to, hopefully, help create the best possible environment for sound healthcare policy.

Interim Charge 4: Review and evaluate the actuarial soundness of the Employment Retirement System, and TRS pension funds. Examine the cost of and potential strategies for achieving and maintaining actuarial soundness of the funds. Examine the effect the unfunded liabilities could have on the state's credit. Examine the state's investment policies and practices, including investment objectives, targets, disclosure policies, and transparency.

First and foremost, TASA supports the continuation of the TRS defined benefits program. We view the current form of the retirement program as a crucial part of our efforts to attract and retain a qualified workforce for the critical work of public education in Texas.

TASA has participated for decades in the ongoing policy stakeholder process related to TRS, including both the major reforms of 2005, 2013, and 2019, as well as the general legislative work in every session and interim. In 2013, TASA and its membership agreed to the unprecedented step of creating a direct payment from school districts to the retirement fund. In 2019, TASA unsuccessfully argued against an increase in that payment, but did not allow our concern over the provision to change our ultimate overall support for the TRS funding reforms of SB 12, 86th Session.

As the House Committee on Pensions, Investments & Financial Services considers "potential strategies" for funding the TRS benefits program, TASA thinks it important to explicitly review the projections of direct payments from school districts in current law:

Projected School District Payments to the TRS Retirement Fund[1]

Fiscal Year	Supplemental Eligible Payroll	School District Contribution Rate %	**Projected Amount of School District Payment[2]**
2020	$29.549 billion	1.5%	**$443 million**
2021	$30.482 billion	1.6%	**$488 million**
2022	$31.397 billion	1.7%	**$534 million**
2023	$32.339 billion	1.8%	**$582 million**
2024	$33.309 billion	1.9%	**$633 million**
2025	$34.308 billion	2.0%	**$686 million**

Though this information is readily extractible from various reports, as far as we know, no other table provided to the committee breaks out the payments by districts from either the aggregated employee/district payments or aggregated state/district payments. As can be seen, the direct district payments are very substantial, in excess of $1 billion in the current biennium, and are projected to exceed $1 billion in the next biennium and going forward as both payroll

[1] Data for this table taken from "Teacher Retirement System of Texas Actuarial Valuation Report as of August 31, 2019," *GRS Retirement Consulting.*
[2] Amounts rounded to the nearest million.

and our percentage increase. This payment is not defrayed by a hold harmless[3] or other financial consideration- it comes directly from district operational funds.

TASA is opposed to further increases in the percentage of payroll amount of direct funding from school districts into the benefits system. Given the fact that we are faced with the ongoing general challenges of funding for our broad public education operations, and our specific challenges of paying for the ongoing increases in percentage passed in SB 12, we view the effort we are making now to fund the benefits program as more than adequate in meeting our duty as a responsible stakeholder. We fear that further increases would diminish our ability to meet other critical mandates and community responsibilities inherent in our broad, complex mission of providing quality public education for the people of Texas.

Thank you again for the opportunity to address the committee, particularly in these challenging times. If you have any questions, please do not hesitate to contact us.

Sincerely,

Beaman Floyd

On behalf of

Texas Association of School Administrators

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[3] The cost to districts of SB 1458, 83rd Session, passed in 2013 was initially defrayed by a hold harmless payment to districts. That hold harmless, however, expired after two years of payments, well before the amounts detailed in the chart above. No hold harmless was adopted for the increases in SB 12, 86th Session.