

# **OVERVIEW OF TRS-CARE RETIREE HEALTH BENEFITS**

Joint Meeting of the House Committee on Appropriations  
Subcommittee on Education  
and the House Pensions Committee

July 10, 2014

Prepared by the Legislative Budget Board

# TRS-Care Overview

- TRS-Care is a self-funded statewide health benefit program for public school retirees.
- In 1985, the Legislature enacted the Texas Public School Retired Employees Group Benefits Act.
  - TRS is the administering agency, but the TRS–Care trust fund is separate and distinct from the retiree pension trust fund.
- Third-party administration
  - Aetna Life Insurance Company currently administers the medical benefits program.
  - Express Scripts currently administers the prescription drug program.
- In Fiscal Year 2013, TRS-Care paid health benefits totaling approximately \$1.2 billion.

# TRS-Care Plan Design & Participation

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## Plan Design:

- TRS-Care 1
  - high deductible plan
  - no cost to participant for employee only coverage
  - deductibles vary based on Medicare status
- TRS-Care 2 and TRS-Care 3
  - comprehensive coverage
  - separate prescription drug benefit
  - participant premiums are based on numerous variables
- TRS-Care 2 and TRS-Care 3 Medicare Advantage and Medicare Part D plans
  - better benefits
  - lower premiums

## Participation:

- As of April 30, 2014 -- 243,100 participants
  - TRS-Care 1: 30,100 12%
  - TRS-Care 2: 55,000 23%
  - TRS-Care 3: 158,000 65%
- Distribution by Medicare status
  - Medicare A & B: 60%
  - Medicare B only: 8%
  - Non-Medicare: 32%

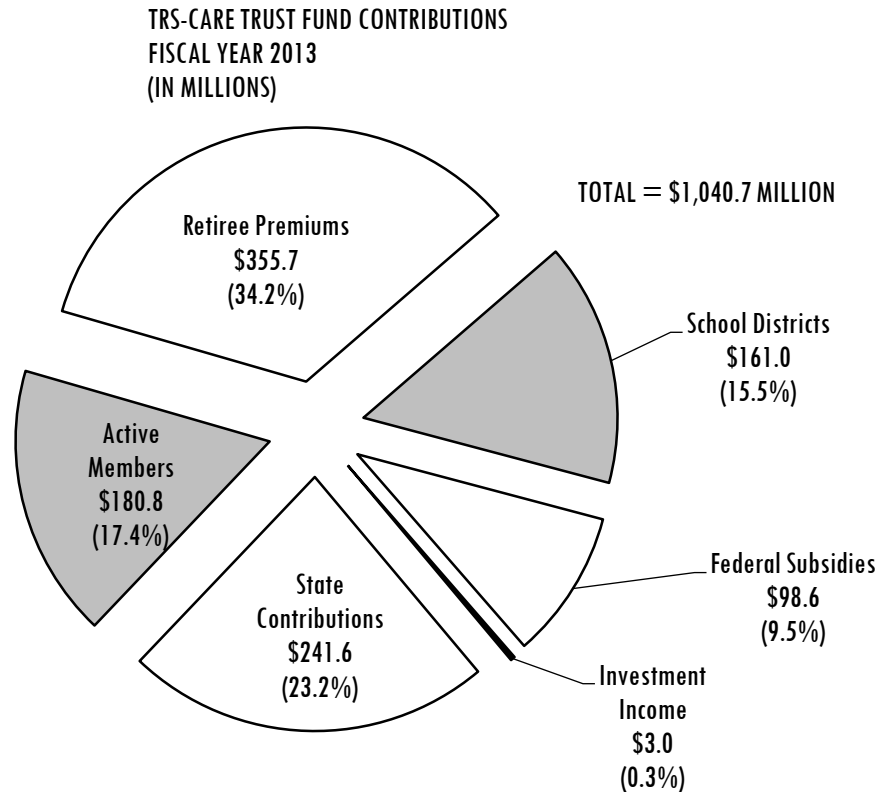
# TRS-Care Funding

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- TRS–Care is currently funded on a pay-as-you go basis.
- Funding sources and contribution rates are determined by the Texas Legislature. State contributions are all General Revenue Funds.
- The 2014-15 General Revenue appropriation was \$495.1 million
  - Funded at 1% of payroll in both fiscal years
  - In addition, TRS Rider 14 appropriates to TRS-Care in FY 2015 any settle-up dollars owed by TRS to the State from FY 2014.
- The 2012-13 General Revenue appropriation was \$401.1 million
  - Funded at 1% of payroll in FY 2012 and 0.5% of payroll in FY 2013
- The 2010-11 General Revenue appropriation was \$523.4 million
  - Funded at 1% of payroll in both fiscal years

# TRS-Care Funding Sources

- Funding sources are established by law and include:
  - Retiree premiums
    - Set by the Board of Trustees annually
  - State contribution, statutory 1% of active member payroll
    - All General Revenue
  - Active employees, statutory 0.65% of active member payroll
  - Local school districts, currently 0.55% active member payroll
    - Statutory range of 0.25% to 0.65%
  - Federal drug subsidy payments
  - Investment income



Source: Teacher Retirement System of Texas.

# Senate Bill 1458, 83<sup>rd</sup> Legislature

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- ❑ Changes to eligibility for either retirement or TRS-Care coverage have a correlating impact on each other.
- ❑ Retirement changes:
  - Increased normal age retirement eligibility from age 60 to age 62 with Rule of 80 for members not vested 8/31/14
    - Annuity reduction of 5% per year under age 62 (was previously 60)
- ❑ TRS-Care changes:
  - Minimum age 62 required at retirement for eligibility in TRS-Care 2 or TRS-Care 3
    - Effective 9/1/2014
    - Affected retirees are eligible only for TRS-Care 1 until age 62
    - Grandfathered members with Rule of 70 or 25 years service by 8/31/14