

Teacher Retirement System of Texas



House Appropriations Subcommittee on Article III TRS-Care Sustainability

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September 5, 2018





TRS-Care

Health Care Coverage for Retired Public Educators and their Families



History of TRS-Care

1981

- ☐ The Texas Public School Employees Group Benefits Program was passed by the legislature but vetoed due to lack of funding.

1983

- ☐ A survey of Texas school districts found that only 429 of the 1,100 school districts offered some sort of retiree health coverage.
- ☐ 14 of the 429 districts also provided contributions to the premium costs.

1985

- ☐ Every school district endorsed and lobbied the legislature for a group health insurance program.
- ☐ Districts agreed to payroll deduct a percentage of active teacher salaries to help fund the program.
- ☐ S.B.387 provided that 1985-86 school year was to be used by TRS to "design, build and implement" the new program to be effective September 1, 1986.



History of TRS-Care

1985 to 1986

- ☐ Created in 1985, the program is now in its 31st year. It was redesigned in 2004 to provide an additional decade of solvency.
- ☐ Catastrophic coverage was to be offered to all retirees at no cost, with the Board given the option of offering a more comprehensive plan that would be paid for by the retiree. Coverage for dependents was to be paid for by retirees.
- ☐ The State initially contributed 0.35% and active employees 0.25% of the active employee payroll to fund TRS-Care.

1986 to 2009

- ☐ Several increases were made over the years to State and active employee contributions.
- ☐ School districts began contributing 0.40% of active employee payroll in the 2003-04 school year.



History of TRS-Care

2010 - 2014

- ❑ The State contributes 1.00%, districts contribute 0.55% and active employees 0.65% of the active employee payroll to fund TRS-Care.
- ❑ Medical benefits are offered through three self-funded PPO plans and two fully insured Medicare Advantage plans, each of which are administered by Aetna.
- ❑ Pharmacy benefits are offered through self-funded plans administered by Express-Scripts, including a Medicare Part D plan.

2014 - 2016

- ❑ 83rd Legislative Session passed S.B. 1458, which changed eligibility rules effective September 1, 2014.
 - Individuals who retire before age 62 are eligible for TRS-Care 1 only.
 - At age 62, a retiree may upgrade from TRS-Care 1 to either TRS-Care 2 or TRS-Care 3.
 - Grandfathering provision if, on or before August 31, 2014, Age + Years of Service of the retiree is greater than or equal to 70 or the retiree has a minimum of 25 years of service.



History of TRS-Care

2017

- ❑ The 85th Legislative Session passed H.B. 3976, which increased funding to TRS-Care and restructured the benefit plans and retiree contributions.
 - State contribution rate increased from 1.00% to 1.25% of active employee payroll
 - District contribution rate increased from 0.55% to 0.75% of active employee payroll
 - Medical and prescription drug benefits for non-Medicare participants are offered through a high deductible health plan, which is administered by Aetna and CVS/Caremark on a self-funded basis.
 - Medical benefits for Medicare participants are offered through a single Medicare Advantage plan on a fully insured basis through Humana. Prescription drug benefits are offered through a single Medicare Part D plan, which is administered by CVS/Caremark on a self-funded basis.



History of TRS-Care

2018

- ❑ On average, the State and Districts are contributing 25% and 15.4% more as a percentage of payroll in FY2018 than in prior years.
- ❑ Average per retiree contribution rates to TRS-Care increased by 47% for 2018.¹
 - The amount of premium increase varied by retiree based on which plan the retiree was enrolled in prior to 2018. While the majority received an increase in premiums, some retirees experienced a decrease in monthly premium (e.g. Medicare Part B Only participants, non-Medicare retiree only, disabled participants).
- ❑ On average, plan benefits were reduced for the majority of plan participants with increased deductibles, copays and maximum out-of-pocket limits.
 - Participants who were enrolled in the TRS-Care 2 Medicare Advantage and Part D plans experienced no change in benefit; and
 - TRS-Care 1 enrollees transitioned to a plan with significantly lower deductible, copay and out-of-pocket maximum limits.
- ❑ The net result of premiums and benefits changes resulted in a 15% reduction in enrollment between September 2017 and August 2018.



Current Medical Plan Design

	TRS-Care Standard High Deductible Health Plan	Medicare Advantage
Eligibility	Non-Medicare eligible participants	Participants enrolled in Medicare Part A and/or B ²
Deductible In-Network Out-of-Network	\$1,500 Single / \$3,000 Family \$3,000 Single / \$6,000 Family	\$500
Maximum Out-of-Pocket ¹ In-Network Out-of-Network	\$5,650 Single / \$11,300 Family \$11,300 Single / \$22,600 Family	\$3,500
Coinsurance In-Network Out-of-Network	80%/20% 60%/40%	95%/5%
Inpatient Hospital Facility	80%/20%	\$500 copay per stay
Outpatient Hospital Facility	80%/20%	\$250 copay
Emergency Room	80%/20%	\$65 copay
Urgent Care	80%/20%	\$35 copay
Office Visits	80%/20%	\$5 Primary Care Physician \$10 Specialist

¹ Maximum Out-of-Pocket includes medical and pharmacy deductible, coinsurance and copayments for TRS-Care Standard HDHP plan.

² Medicare eligible participants not enrolled in Medicare Part B are enrolled in the Alternative Medical Plan.



Current Prescription Drug Plan Design

	TRS-Care Standard High Deductible Health Plan	Medicare Part D Plan
Eligibility	Non-Medicare eligible participants	Participants enrolled in Medicare Part A and/or B ¹
<u>Retail Copays</u>		
Generic	80%/20%	\$5
Preferred Brand	80%/20%	\$25
Non-Preferred Brand	80%/20%	\$50
Specialty	80%/20%	\$50
<u>Mail Order Copays</u>		
Generic	80%/20%	\$15
Preferred Brand	80%/20%	\$70
Non-Preferred Brand	80%/20%	\$125
Specialty	80%/20%	\$125

¹ Medicare eligible participants not enrolled in either Medicare Part A or B are enrolled in the Alternative Rx Plan.



Current Participation by Medicare Status

August 2018					
Medicare Status	Relationship to Insured	HDHP Plan	Medicare Advantage Plan	Alternative Medical	Total
Medicare A&B	Retirees	14	132,351	0	132,365
	Dependents	0	23,128	0	23,128
Medicare A Only	Retirees	4	0	1,755	1,759
	Dependents	0	0	129	129
Medicare B Only	Retirees	0	5,869	466	6,335
	Dependents	0	108	29	137
Non-Medicare	Retirees	49,837	0	761	50,598
	Dependents	18,068	0	76	18,144
Total		67,923	161,456	3,216	232,595

- In December 2017, there were 268,891 participants covered by the TRS-Care 1, TRS-Care 2 and TRS-Care 3 plans, which were discontinued for 2018.
- The increase in retiree contributions and plan benefit changes for January 1, 2018 resulted in a reduction of over 30,000 participants.



TRS-Care Funding

Financial History & Projection Through FY2023 with Data Through June 2018

Fiscal Year	Contributions							Expenditures				Ending Balance (Incurred Basis)
	Retiree Contributions	State Contributions	Supplemental Appropriations	Active Employee Contributions	District Contributions	Investment Income	CMS, Part D and ERRP Subsidies	Medical Incurred	Drug Incurred	Medicare Advantage Premiums	Administrative Costs	
FY 1986	\$0	\$0	\$250,000	\$17,625,194	\$0	\$572,153	\$0	\$0	\$0	\$0	\$362,371	\$18,084,976
FY 1987	\$22,617,624	\$25,931,680	\$0	\$18,522,629	\$0	\$2,568,998	\$0	\$50,988,845	\$7,044,825	\$0	\$3,941,936	\$25,750,301
FY 1988	\$23,948,600	\$31,357,632	\$0	\$19,598,520	\$0	\$5,703,832	\$0	\$16,157,649	\$12,441,672	\$0	\$4,614,755	\$73,144,809
FY 1989	\$25,428,632	\$37,420,711	\$0	\$20,789,215	\$0	\$8,802,914	\$0	\$32,926,324	\$15,458,710	\$0	\$5,212,073	\$111,989,174
FY 1990	\$37,556,561	\$44,369,915	\$0	\$22,184,958	\$0	\$13,098,835	\$0	\$50,171,919	\$19,835,965	\$0	\$7,186,851	\$152,004,708
FY 1991	\$46,563,787	\$47,277,743	\$0	\$23,638,871	\$0	\$15,801,047	\$0	\$82,697,189	\$28,683,081	\$0	\$8,258,029	\$165,647,857
FY 1992	\$56,395,797	\$50,392,512	\$0	\$25,196,592	\$0	\$17,314,372	\$0	\$74,307,953	\$33,829,694	\$0	\$8,862,560	\$197,946,923
FY 1993	\$65,154,653	\$54,029,406	\$0	\$27,014,703	\$0	\$17,181,190	\$0	\$101,627,864	\$40,700,513	\$0	\$10,067,359	\$208,931,140
FY 1994	\$80,128,944	\$56,912,083	\$0	\$28,456,041	\$0	\$16,467,438	\$0	\$108,284,693	\$45,712,060	\$0	\$11,668,828	\$225,230,065
FY 1995	\$89,006,331	\$59,849,850	\$0	\$29,924,925	\$0	\$16,841,673	\$0	\$122,054,551	\$50,782,093	\$0	\$12,219,847	\$235,796,353
FY 1996	\$82,622,236	\$63,634,087	\$0	\$31,817,043	\$0	\$16,818,747	\$0	\$135,982,304	\$57,074,921	\$0	\$13,593,578	\$224,037,663
FY 1997	\$87,657,784	\$67,616,395	\$0	\$33,808,197	\$0	\$16,202,440	\$0	\$148,823,489	\$62,530,982	\$0	\$14,097,454	\$203,870,554
FY 1998	\$91,390,173	\$72,210,190	\$0	\$36,105,095	\$0	\$15,260,517	\$0	\$156,537,913	\$76,256,158	\$0	\$14,616,678	\$171,425,780
FY 1999	\$96,474,107	\$76,488,424	\$0	\$38,244,213	\$0	\$9,762,741	\$0	\$184,398,533	\$93,459,890	\$0	\$14,905,196	\$99,631,646
FY 2000	\$120,227,960	\$85,505,637	\$0	\$42,738,069	\$0	\$6,923,485	\$0	\$203,029,971	\$110,903,247	\$0	\$16,837,127	\$24,256,451
FY 2001	\$131,213,445	\$90,118,787	\$76,281,781	\$45,059,394	\$0	\$5,824,134	\$0	\$250,691,898	\$139,774,848	\$0	\$18,237,767	(\$35,950,521)
FY 2002	\$143,797,748	\$94,792,026	\$285,515,036	\$47,378,092	\$0	\$7,140,560	\$0	\$287,729,918	\$163,979,754	\$0	\$19,017,292	\$71,945,978
FY 2003	\$162,954,010	\$98,340,798	\$124,661,063	\$49,170,399	\$0	\$3,394,956	\$0	\$368,462,963	\$203,281,400	\$0	\$21,690,329	(\$82,967,487)
FY 2004	\$248,552,679	\$198,594,194	\$298,197,463	\$99,297,097	\$79,457,387	\$4,840,982	\$0	\$366,840,457	\$214,514,500	\$0	\$26,332,200	\$238,285,158
FY 2005	\$322,780,191	\$202,397,566	\$64,172,167	\$101,198,783	\$80,914,228	\$11,300,868	\$0	\$431,036,095	\$229,522,988	\$0	\$33,333,010	\$327,156,868
FY 2006	\$326,844,982	\$215,666,940	\$0	\$140,183,511	\$118,607,527	\$21,435,792	\$34,611,607	\$427,553,404	\$259,532,887	\$0	\$34,434,969	\$462,985,967
FY 2007	\$323,957,945	\$238,190,720	\$0	\$154,823,968	\$136,008,512	\$32,671,539	\$52,329,617	\$437,519,747	\$304,773,401	\$0	\$35,878,194	\$622,796,927
FY 2008	\$328,505,433	\$254,722,174	\$0	\$165,569,413	\$141,672,630	\$29,252,347	\$59,486,239	\$498,767,038	\$334,742,500	\$0	\$39,656,301	\$728,839,324
FY 2009	\$329,723,191	\$267,471,299	\$0	\$173,856,344	\$149,562,613	\$17,482,143	\$61,530,735	\$531,239,020	\$353,893,845	\$0	\$43,184,393	\$800,148,391
FY 2010	\$332,481,933	\$279,250,547	\$0	\$181,512,856	\$155,918,241	\$11,679,229	\$70,795,686	\$575,539,788	\$395,817,017	\$0	\$45,465,776	\$814,964,302
FY 2011	\$345,164,271	\$282,782,431	\$0	\$183,808,580	\$158,724,010	\$8,168,640	\$136,887,805	\$608,461,321	\$384,017,059	\$0	\$47,151,354	\$890,870,304
FY 2012	\$363,348,030	\$271,925,242	\$0	\$176,751,407	\$154,607,926	\$15,189,934	\$68,633,946	\$687,987,585	\$454,143,825	\$0	\$48,181,723	\$741,013,656
FY 2013	\$355,685,504	\$139,213,557	\$102,363,704	\$180,824,522	\$160,952,396	\$3,041,001	\$98,628,841	\$686,321,003	\$496,229,923	\$1,075,388	\$47,048,587	\$551,048,281
FY 2014	\$363,631,292	\$290,775,235	\$36,058,148	\$189,003,903	\$169,847,447	\$2,061,745	\$135,536,021	\$663,776,623	\$539,842,962	\$27,507,107	\$48,894,894	\$457,940,487
FY 2015	\$369,066,459	\$304,917,343	\$768,100,754	\$198,196,273	\$179,157,485	\$1,495,680	\$200,321,166	\$746,668,738	\$649,457,501	\$59,000,080	\$51,150,088	\$972,919,240
FY 2016	\$374,736,269	\$320,895,370	\$0	\$208,581,991	\$189,111,901	\$5,421,446	\$198,315,301	\$789,756,266	\$716,536,786	\$69,228,872	\$52,973,441	\$641,486,153
FY 2017	\$404,027,710	\$328,063,352	\$15,559,552	\$213,241,179	\$191,057,800	\$5,225,993	\$195,396,219	\$746,038,376	\$734,805,874	\$61,792,672	\$51,885,051	\$399,535,986
FY 2018	\$493,893,270	\$418,280,774	\$394,600,000	\$217,506,002	\$261,610,425	\$2,677,768	\$196,613,367	\$761,688,783	\$707,678,598	\$120,789,896	\$48,379,467	\$746,180,848
FY 2019	\$554,700,934	\$430,829,197	\$0	\$224,031,182	\$269,139,479	\$2,631,589	\$203,879,733	\$778,191,697	\$1,050,625,444	\$127,466,273	\$45,655,109	\$429,454,438
FY 2020	\$564,021,650	\$439,445,781	\$0	\$228,511,806	\$274,309,429	\$1,599,206	\$231,807,631	\$753,315,182	\$1,095,856,203	\$170,634,510	\$46,048,783	\$103,295,263
FY 2021	\$573,408,288	\$448,234,696	\$0	\$233,082,042	\$279,582,778	\$214,256	\$261,454,449	\$791,823,764	\$1,252,235,722	\$218,506,078	\$46,532,057	(\$409,825,848)
FY 2022	\$585,915,522	\$457,199,390	\$0	\$237,743,683	\$284,961,595	\$0	\$293,921,079	\$821,535,547	\$1,423,022,462	\$247,786,190	\$46,986,137	(\$1,089,414,915)
FY 2023	\$596,747,300	\$466,343,378	\$0	\$242,498,557	\$290,447,988	\$0	\$329,309,657	\$850,599,841	\$1,609,190,197	\$280,025,460	\$47,465,593	(\$1,951,349,126)

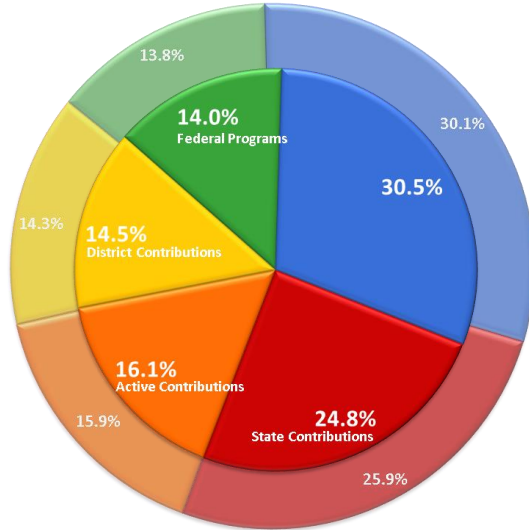
NOTES

- Invoice data through June 30, 2018
- This purpose of this report is to project revenue and expenses on an incurred basis and should not be used as a projection of cash flow. Cash flow projections are usually less than incurred primarily due to a delay in receipt of federal subsidies.
- State Contribution rate of 1.25%; District Contribution rate of 0.75%; and Active Contribution rate of 0.65% beginning 9/1/2017.
- Retiree contributions are projected at the current CY2018 levels.
- 3.0% payroll growth in FY2018 and FY2019; 2% increase in payroll growth thereafter.
- Enrollment assumptions based on headcounts assumed in annual Other Post Employment Benefits (OPEB) valuation report.
- Medical trends: 6.75% in FY2018; reduced by 0.25 each year thereafter.
- Pharmacy trends: 10.5% in FY2018; reduced by 0.25 each year thereafter.

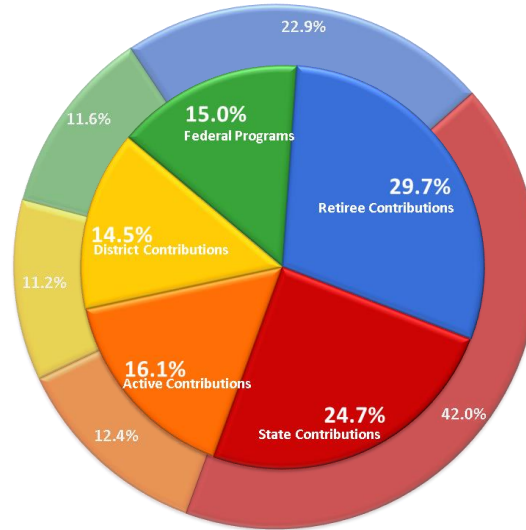


Distribution of Statutory Revenues by Biennium

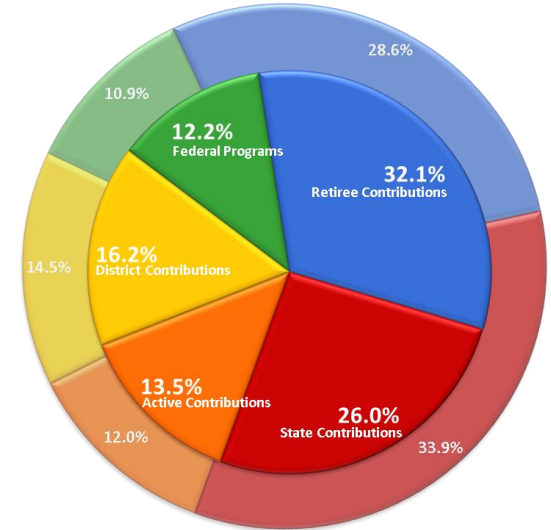
FY2014-FY2015 Biennium



FY2016-FY2017 Biennium



FY2018-FY2019 Biennium



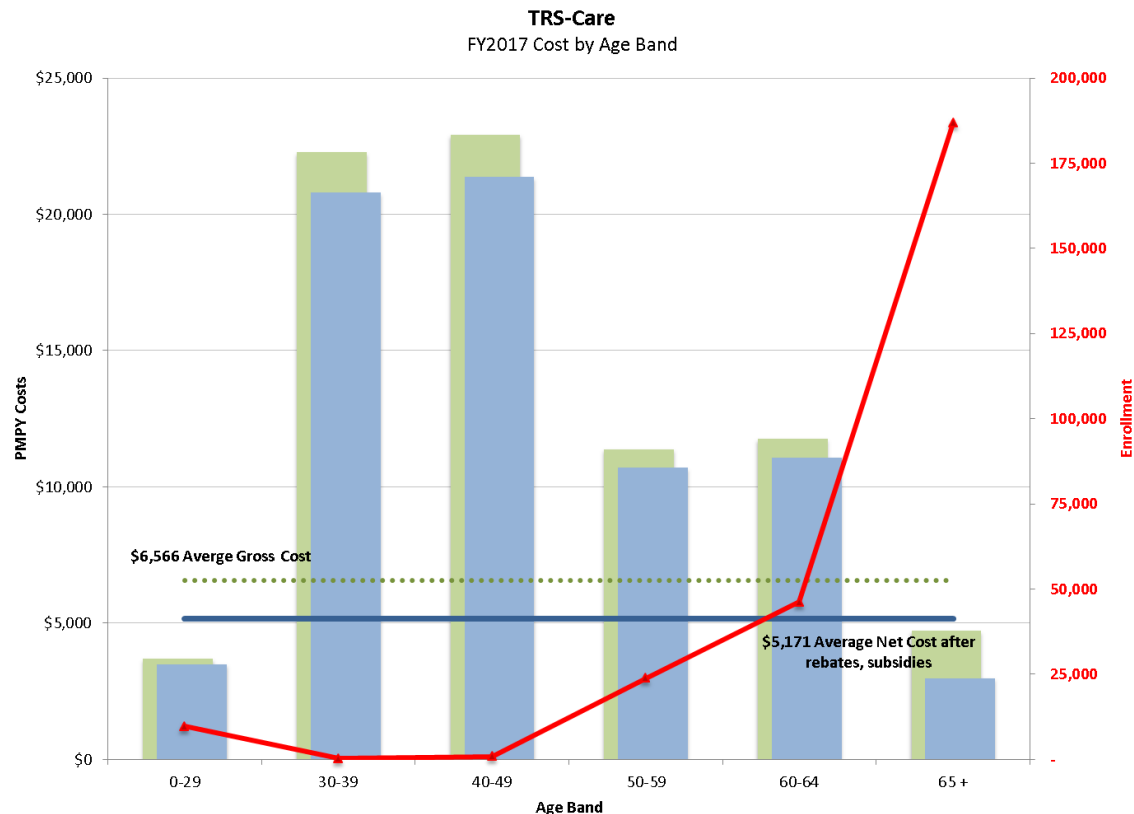
	FY2014-FY2015	FY2016-FY2017	Projected ¹ FY2018-FY2019
Total Statutory Funding	\$2,404,010,050	\$2,634,074,532	\$3,275,793,719
Total State Supplemental Funding	<u>\$36,058,148</u>	<u>\$783,660,306</u>	<u>\$394,600,000</u>
Total Revenue	\$2,440,068,198	\$3,417,734,837	\$3,670,393,719
Total Expenses	\$2,786,297,995	\$3,223,017,337	\$3,640,475,267

¹ FY2018-FY2019 biennium is projected as of June 30, 2018.

- The inner pie chart represents the distribution of statutory funding.
- The outer ring represents the distribution when supplemental funding is included.
- On average, State contributions make up 26% of plan revenues and retiree contributions make up 32% of revenues.
- Districts and active employees contribute 16% and 14% of total revenues respectively.
- Historically, the State has funded the shortfall between expenses and revenues.



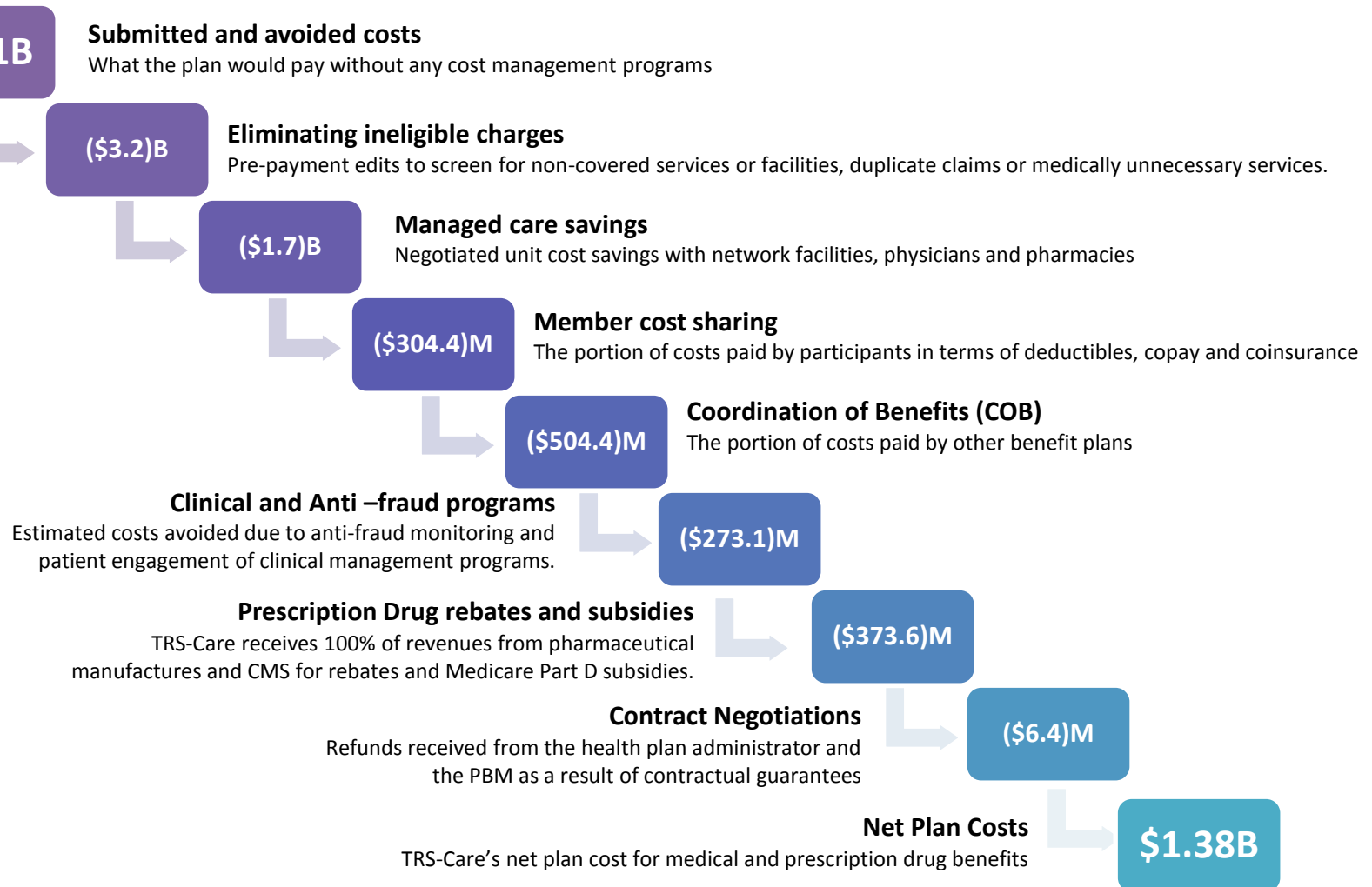
FY2017 Average Costs



- TRS-Care is a retiree only plan in which over 70% of participants are over the age 65.
 - Costs are heavily subsidized by Medicare
- The costliest participants in the plan are 30-49 year olds
 - Represent smallest portion (0.5%) of the TRS-Care population
 - Primarily disabled retirees and children



FY2017 Cost Management





Cost Containment Initiatives

- ❑ Since the implementation of the Medicare Advantage and Medicare Part D plans in 2013, TRS has saved approximately \$750 million.
- ❑ PBM contract procurement is expected to save \$300 million between FY2018 – FY2019.
- ❑ Utilization management activities save the plan about \$220M per year.



Sustainability Options

Option	Description
Option 1	<p>Fund on a pay-as-you-go basis through FY2023</p> <p>1(a) Increase State, District and +5% Retiree contributions</p> <p>1(b) Increase State, District, Active Employee and +5% Retiree contributions</p> <p>1(c) Increase State, District and Active Employee contributions</p> <p>1(d) Increase State, and District contributions</p> <p>1(e) Increase State contribution only</p>
Option 2	<p>Fund on a pay-as-you-go basis through FY2029</p> <p>2(a) Increase State, District and +5% Retiree contributions</p> <p>2(b) Increase State, District, Active Employee and +5% Retiree contributions</p> <p>2(c) Increase State, District and Active Employee contributions</p> <p>2(d) Increase State, and District contributions</p> <p>2(e) Increase State contribution only</p>

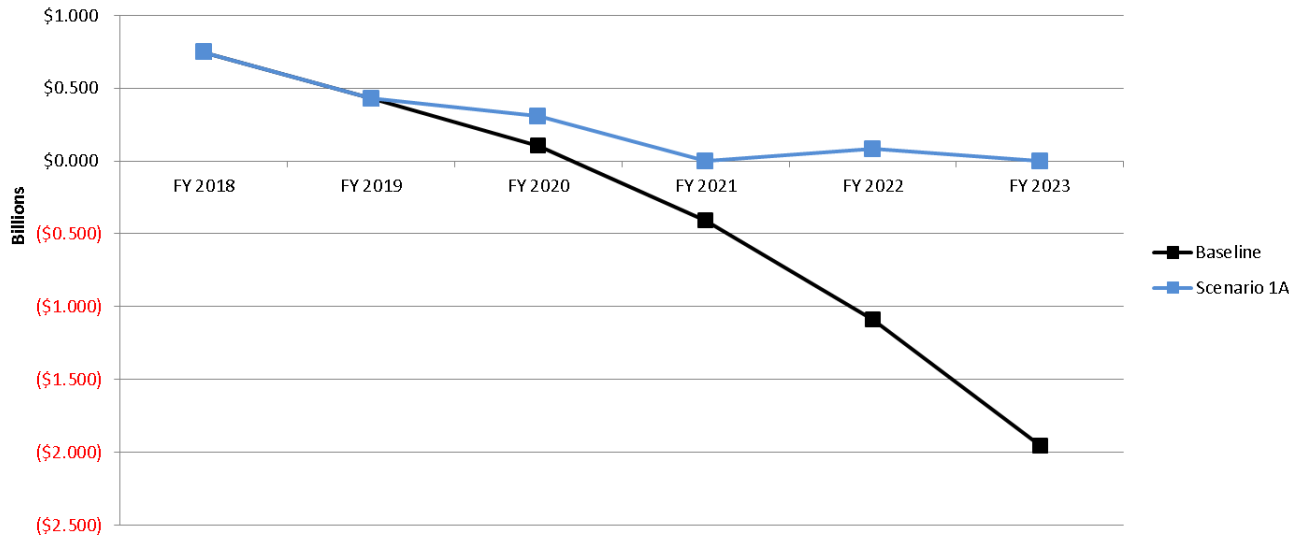


Option 1

Fund on a Pay-As-You-Go Basis

Projection of TRS-Care Ending Fund Balance

Assumes \$33.5B Active Employee Payroll in FY2018



Fiscal Year	Change in Ending Fund Balance
2018	\$0
2019	\$0
2020	\$202,633,133
2021	\$409,825,848
2022	\$1,172,945,887
2023	\$1,951,349,126

□ Option 1

- This option projects the increase in funding from the State, District, Active employees and retirees in order for the fund to be solvent at the end of both FY2021 and FY2023.
- Each of options 1(c) through 1(e) achieve the ending fund balances shown above by increasing contributions a variety of ways.



Option 1(a) Fund on a Pay-As-You-Go Basis

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2018 – 2019	1.25%	0.75%	0.65%	0%
2020 – 2021	1.55%	0.93%	0.65%	5% per calendar year
2022 – 2023	2.38%	1.43%	0.65%	5% per calendar year

Who's contribution increases?

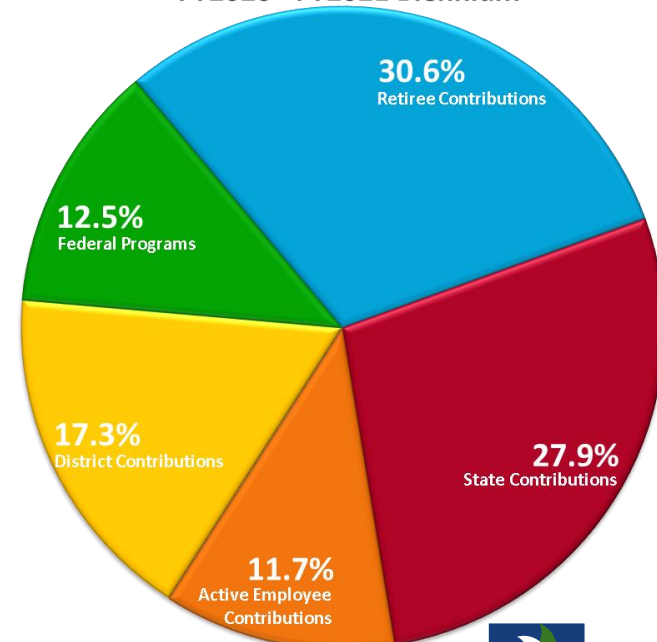
- ✓ Retirees
- ✓ State
- ✓ District
- Active Employees

Projected Additional Cost over Current Funding Levels				
Biennium	State ¹	District	Active Employees	Retirees
2018 – 2019	\$0	\$0	\$0	\$0
2020 – 2021	\$197,217,127	\$127,511,073	\$0	\$68,558,490
2022 – 2023	\$777,969,711	\$502,997,658	\$0	\$198,819,468

¹ The projected cost impact to the State has been reduced by 7.2% to remove contributions funded by the Federal Government.

Total Funding				
Biennium	State	District	Active Employees	Retirees
2018 – 2019	\$849,109,971	\$530,749,904	\$441,537,185	\$1,048,594,204
2020 – 2021	\$1,100,198,933	\$681,403,281	\$461,593,848	\$1,205,988,428
2022 – 2023	\$1,761,872,199	\$1,078,407,241	\$480,242,240	\$1,381,482,290

FY2020 - FY2021 Biennium





Option 1(b) Fund on a Pay-As-You-Go Basis

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2018 – 2019	1.25%	0.75%	0.65%	0%
2020 – 2021	1.48%	0.89%	0.77%	5% per calendar year
2022 – 2023	2.11%	1.26%	1.10%	5% per calendar year

Who's contribution increases?

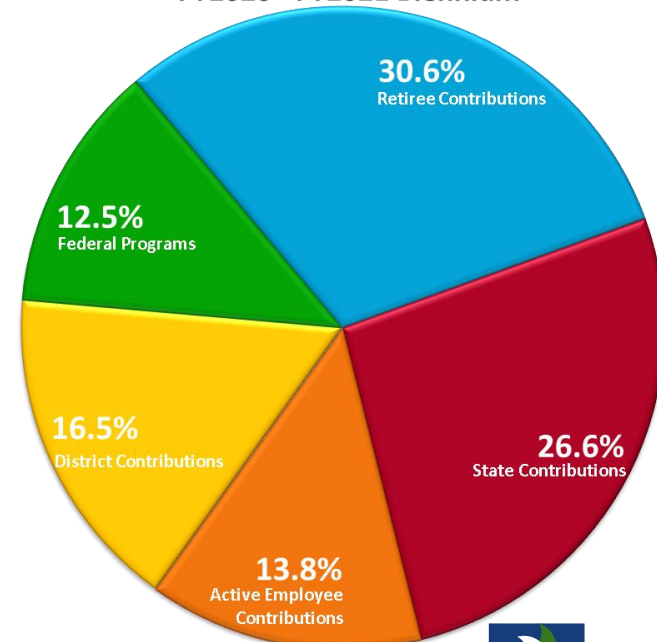
- ✓ Retirees
- ✓ State
- ✓ District
- ✓ Active Employees

Biennium	Projected Additional Cost over Current Funding Levels			
	State ¹	District	Active Employees	Retirees
2018 – 2019	\$0	\$0	\$0	\$0
2020 – 2021	\$148,843,114	\$96,234,772	\$83,403,469	\$68,558,490
2022 – 2023	\$587,146,952	\$379,620,874	\$329,004,758	\$198,819,468

¹ The projected cost impact to the State has been reduced by 7.2% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2018 – 2019	\$849,109,971	\$530,749,904	\$441,537,185	\$1,048,594,204
2020 – 2021	\$1,048,071,764	\$650,126,980	\$544,997,317	\$1,205,988,428
2022 – 2023	\$1,556,244,225	\$955,030,457	\$809,246,997	\$1,381,482,290

FY2020 - FY2021 Biennium





Option 1(c) Fund on a Pay-As-You-Go Basis

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2018 – 2019	1.25%	0.75%	0.65%	0%
2020 – 2021	1.52%	0.91%	0.79%	0%
2022 – 2023	2.23%	1.34%	1.16%	0%

Who's contribution increases?

Retirees

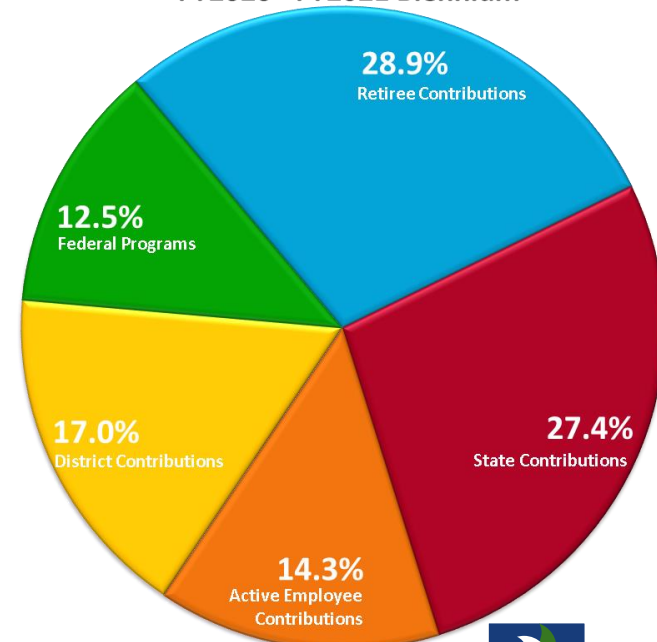
- ✓ State
- ✓ District
- ✓ Active Employees

Biennium	Projected Additional Cost over Current Funding Levels			
	State ¹	District	Active Employees	Retirees
2018 – 2019	\$0	\$0	\$0	\$0
2020 – 2021	\$178,816,173	\$115,613,905	\$100,198,717	\$0
2022 – 2023	\$674,136,010	\$435,863,799	\$377,748,626	\$0

¹ The projected cost impact to the State has been reduced by 7.2% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2018 – 2019	\$849,109,971	\$530,749,904	\$441,537,185	\$1,048,594,204
2020 – 2021	\$1,080,370,318	\$669,506,112	\$561,792,566	\$1,137,429,938
2022 – 2023	\$1,649,982,434	\$1,011,273,382	\$857,990,866	\$1,182,662,822

FY2020 - FY2021 Biennium





Option 1(d) Fund on a Pay-As-You-Go Basis

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2018 – 2019	1.25%	0.75%	0.65%	0%
2020 – 2021	1.61%	0.97%	0.65%	0%
2022 – 2023	2.55%	1.53%	0.65%	0%

Who's contribution increases?

Retirees

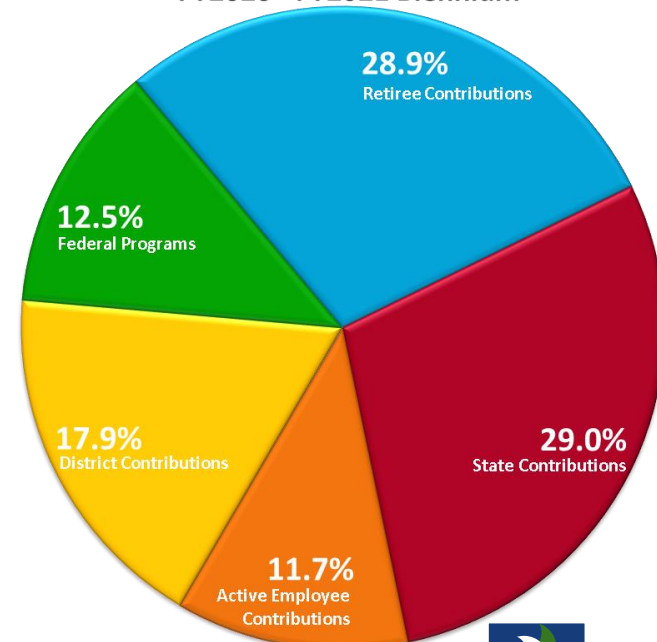
- ✓ **State**
- ✓ **District**
- Active Employees**

Biennium	Projected Additional Cost over Current Funding Levels			
	State ¹	District	Active Employees	Retirees
2018 – 2019	\$0	\$0	\$0	\$0
2020 – 2021	\$236,931,429	\$153,188,424	\$0	\$0
2022 – 2023	\$893,230,213	\$577,519,534	\$0	\$0

¹ The projected cost impact to the State has been reduced by 7.2% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2018 – 2019	\$849,109,971	\$530,749,904	\$441,537,185	\$1,048,594,204
2020 – 2021	\$1,142,994,517	\$707,080,631	\$461,593,848	\$1,137,429,938
2022 – 2023	\$1,886,075,325	\$1,152,929,116	\$480,242,240	\$1,182,662,822

FY2020 - FY2021 Biennium





Option 1(e) Fund on a Pay-As-You-Go Basis

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2018 – 2019	1.25%	0.75%	0.65%	0%
2020 – 2021	1.83%	0.75%	0.65%	0%
2022 – 2023	3.33%	0.75%	0.65%	0%

Who's contribution increases?

Retirees

✓ **State**

District

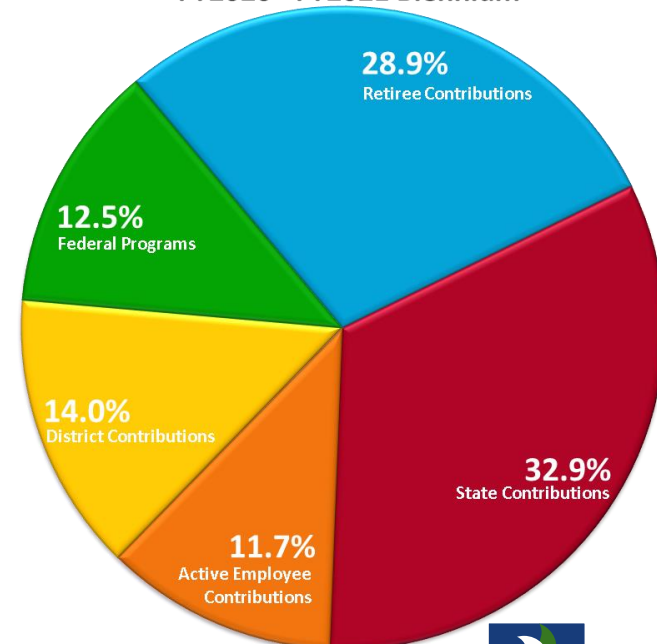
Active Employees

Biennium	Projected Additional Cost over Current Funding Levels			
	State ¹	District	Active Employees	Retirees
2018 – 2019	\$0	\$0	\$0	\$0
2020 – 2021	\$379,090,286	\$0	\$0	\$0
2022 – 2023	\$1,429,168,340	\$0	\$0	\$0

¹ The projected cost impact to the State has been reduced by 7.2% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2018 – 2019	\$849,109,971	\$530,749,904	\$441,537,185	\$1,048,594,204
2020 – 2021	\$1,296,182,941	\$553,892,208	\$461,593,848	\$1,137,429,938
2022 – 2023	\$2,463,594,859	\$575,409,582	\$480,242,240	\$1,182,662,822

FY2020 - FY2021 Biennium



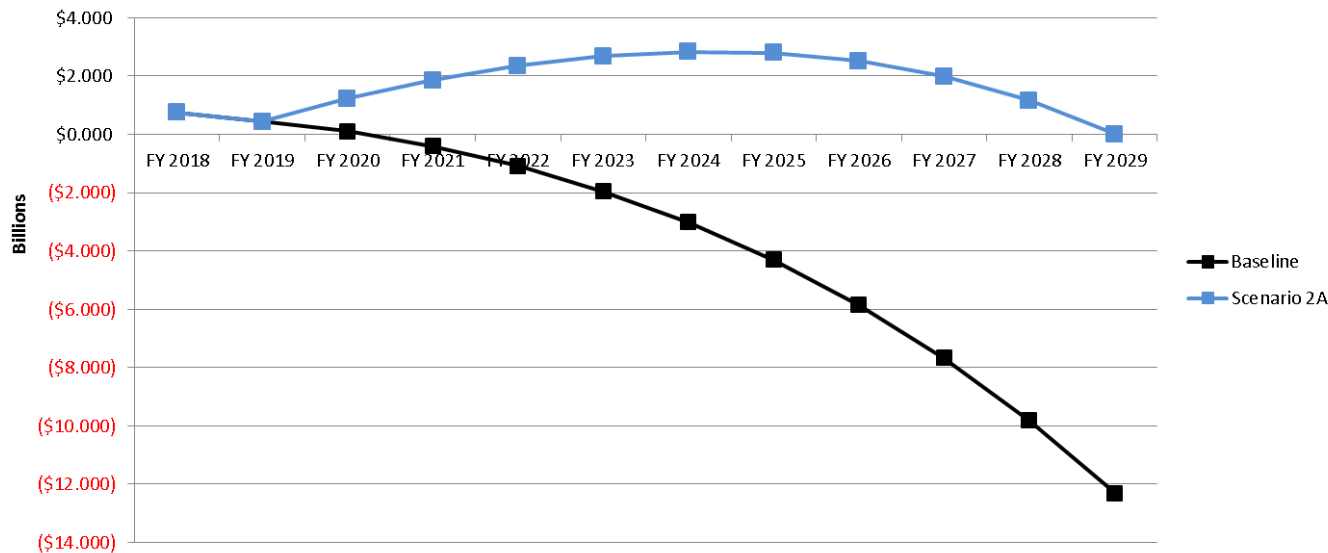


Option 2

Fund for a 10-Year Solvency

Projection of TRS-Care Ending Fund Balance

Assumes \$33.5B Active Employee Payroll in FY2018



Fiscal Year	Change in Ending Fund Balance
2018	\$0
2019	\$0
2020	\$1,118,769,505
2021	\$2,264,085,865
2022	\$3,434,664,915
2023	\$4,630,157,841
2024	\$5,850,361,794
2025	\$7,094,999,757
2026	\$8,363,702,924
2027	\$9,655,994,743
2028	\$10,971,276,123
2029	\$12,308,817,268

Option 2

- This option projects the increase in funding from the State, District, Active employees and retirees in order to for the fund to be solvent through the end of FY2029, or 10 years.
- Each of options 2(c) through 2(e) achieve the ending fund balances shown above by increasing contributions a variety of ways.



Option 2(a) Fund for a 10-Year Solvency

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2018 – 2019	1.25%	0.75%	0.65%	0%
2020 – 2029	2.93%	1.76%	0.65%	5% per calendar year

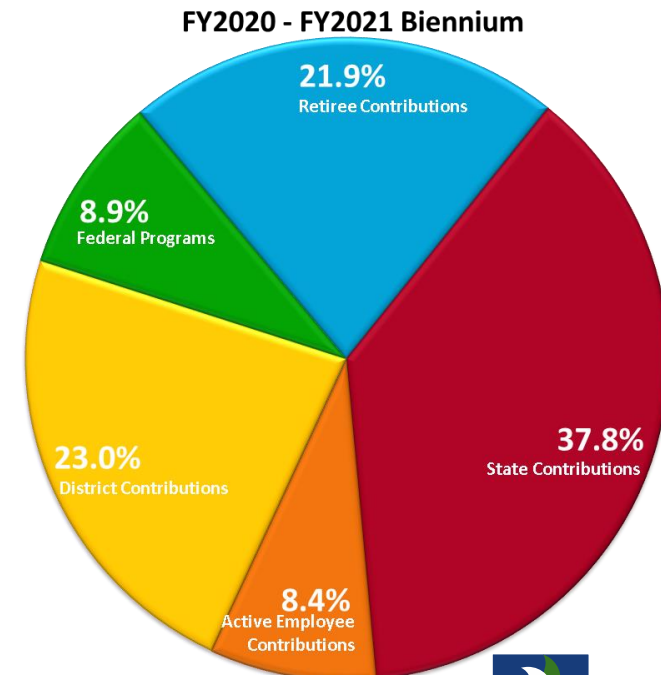
Biennium	Projected Additional Cost over Current Funding Levels			
	State ¹	District	Active Employees	Retirees
2018 – 2019	\$0	\$0	\$0	\$0
2020 – 2021	\$1,107,185,379	\$715,852,616	\$0	\$68,558,490
2022 – 2023	\$1,151,915,668	\$744,773,061	\$0	\$198,819,468
2024 – 2025	\$1,198,453,061	\$774,861,893	\$0	\$351,866,804
2026 – 2027	\$1,246,870,565	\$806,166,314	\$0	\$531,112,863
2028 – 2029	\$1,297,244,136	\$838,735,433	\$0	\$740,453,441

¹ The projected cost impact to the State has been reduced by 7.2% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2018 – 2019	\$849,109,971	\$530,749,904	\$441,537,185	\$1,048,594,204
2020 – 2021	\$2,080,768,170	\$1,269,744,823	\$461,593,848	\$1,205,988,428
2022 – 2023	\$2,164,831,204	\$1,320,182,644	\$480,242,240	\$1,381,482,290
2024 – 2025	\$2,252,290,385	\$1,372,658,152	\$499,644,026	\$1,575,223,295
2026 – 2027	\$2,343,282,916	\$1,427,253,671	\$519,829,645	\$1,796,165,638
2028 – 2029	\$2,437,951,546	\$1,484,054,849	\$540,830,762	\$2,049,356,071

Who's contribution increases?

- ✓ Retirees
- ✓ State
- ✓ District
- Active Employees





Option 2(b) Fund for a 10-Year Solvency

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2018 – 2019	1.25%	0.75%	0.65%	0%
2020 – 2029	2.52%	1.51%	1.31%	5% per calendar year

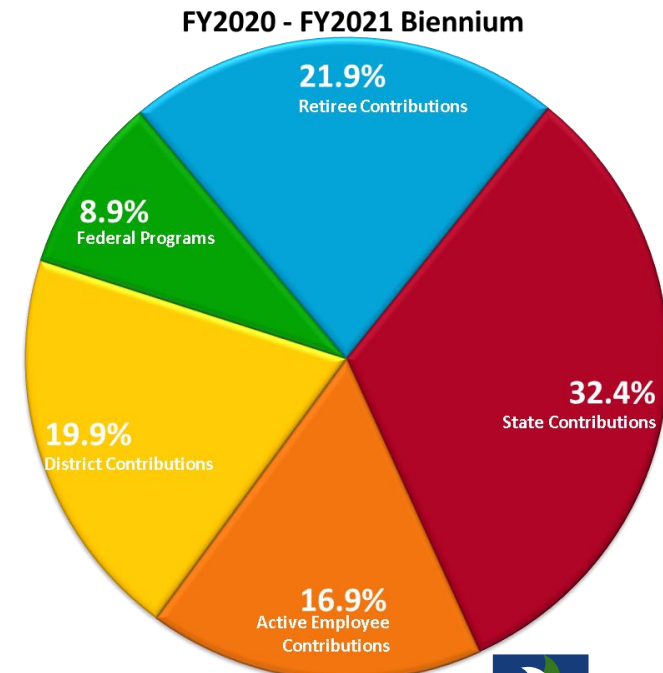
Biennium	Projected Additional Cost over Current Funding Levels			
	State ¹	District	Active Employees	Retirees
2018 – 2019	\$0	\$0	\$0	\$0
2020 – 2021	\$835,611,607	\$540,266,125	\$468,230,642	\$68,558,490
2022 – 2023	\$869,370,316	\$562,092,876	\$487,147,160	\$198,819,468
2024 – 2025	\$904,492,876	\$584,801,429	\$506,827,905	\$351,866,804
2026 – 2027	\$941,034,389	\$608,427,406	\$527,303,752	\$531,112,863
2028 – 2029	\$979,052,178	\$633,007,874	\$548,606,824	\$740,453,441

¹ The projected cost impact to the State has been reduced by 7.2% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2018 – 2019	\$849,109,971	\$530,749,904	\$441,537,185	\$1,048,594,204
2020 – 2021	\$1,788,124,019	\$1,094,158,333	\$929,824,490	\$1,205,988,428
2022 – 2023	\$1,860,364,229	\$1,137,502,459	\$967,389,399	\$1,381,482,290
2024 – 2025	\$1,935,522,944	\$1,182,597,688	\$1,006,471,931	\$1,575,223,295
2026 – 2027	\$2,013,718,071	\$1,229,514,764	\$1,047,133,397	\$1,796,165,638
2028 – 2029	\$2,095,072,281	\$1,278,327,290	\$1,089,437,586	\$2,049,356,071

Who's contribution increases?

- ✓ Retirees
- ✓ State
- ✓ District
- ✓ Active Employees





Option 2(c) Fund for a 10-Year Solvency

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2018 – 2019	1.25%	0.75%	0.65%	0%
2020 – 2029	2.75%	1.65%	1.43%	0%

Biennium	Projected Additional Cost over Current Funding Levels			
	State ¹	District	Active Employees	Retirees
2018 – 2019	\$0	\$0	\$0	\$0
2020 – 2021	\$987,272,309	\$638,322,613	\$553,212,932	\$0
2022 – 2023	\$1,027,158,110	\$664,110,847	\$575,562,734	\$0
2024 – 2025	\$1,068,655,298	\$690,940,925	\$598,815,468	\$0
2026 – 2027	\$1,111,828,972	\$718,854,939	\$623,007,613	\$0
2028 – 2029	\$1,156,746,862	\$747,896,678	\$648,177,121	\$0

¹ The projected cost impact to the State has been reduced by 7.2% to remove contributions funded by the Federal Government.

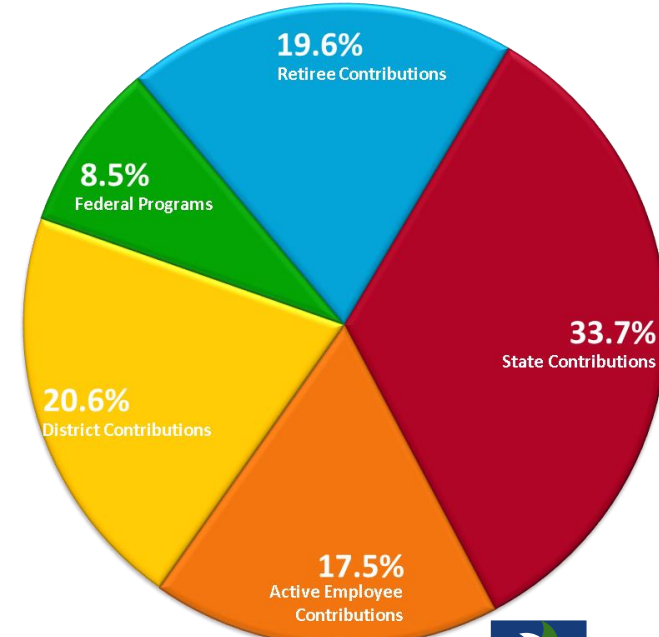
Biennium	Total Funding			
	State	District	Active Employees	Retirees
2018 – 2019	\$849,109,971	\$530,749,904	\$441,537,185	\$1,048,594,204
2020 – 2021	\$1,951,551,500	\$1,192,214,821	\$1,014,806,780	\$1,137,429,938
2022 – 2023	\$2,030,394,180	\$1,239,520,429	\$1,055,804,974	\$1,182,662,822
2024 – 2025	\$2,112,422,105	\$1,288,737,184	\$1,098,459,495	\$1,223,356,491
2026 – 2027	\$2,197,763,958	\$1,339,942,296	\$1,142,837,258	\$1,265,052,775
2028 – 2029	\$2,286,553,622	\$1,393,216,094	\$1,189,007,883	\$1,308,902,630

Who's contribution increases?

Retirees

- ✓ **State**
- ✓ **District**
- ✓ **Active Employees**

FY2020 - FY2021 Biennium





Option 2(d) Fund for a 10-Year Solvency

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2018 – 2019	1.25%	0.75%	0.65%	0%
2020 – 2029	3.23%	1.94%	0.65%	0%

Biennium	Projected Additional Cost over Current Funding Levels			
	State ¹	District	Active Employees	Retirees
2018 – 2019	\$0	\$0	\$0	\$0
2020 – 2021	\$1,308,135,809	\$845,777,463	\$0	\$0
2022 – 2023	\$1,360,984,496	\$879,946,872	\$0	\$0
2024 – 2025	\$1,415,968,269	\$915,496,726	\$0	\$0
2026 – 2027	\$1,473,173,387	\$952,482,794	\$0	\$0
2028 – 2029	\$1,532,689,592	\$990,963,098	\$0	\$0

¹ The projected cost impact to the State has been reduced by 7.2% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2018 – 2019	\$849,109,971	\$530,749,904	\$441,537,185	\$1,048,594,204
2020 – 2021	\$2,297,309,582	\$1,399,669,670	\$461,593,848	\$1,137,429,938
2022 – 2023	\$2,390,120,889	\$1,455,356,455	\$480,242,240	\$1,182,662,822
2024 – 2025	\$2,486,681,773	\$1,513,292,985	\$499,644,026	\$1,223,356,491
2026 – 2027	\$2,587,143,716	\$1,573,570,151	\$519,829,645	\$1,265,052,775
2028 – 2029	\$2,691,664,323	\$1,636,282,515	\$540,830,762	\$1,308,902,630

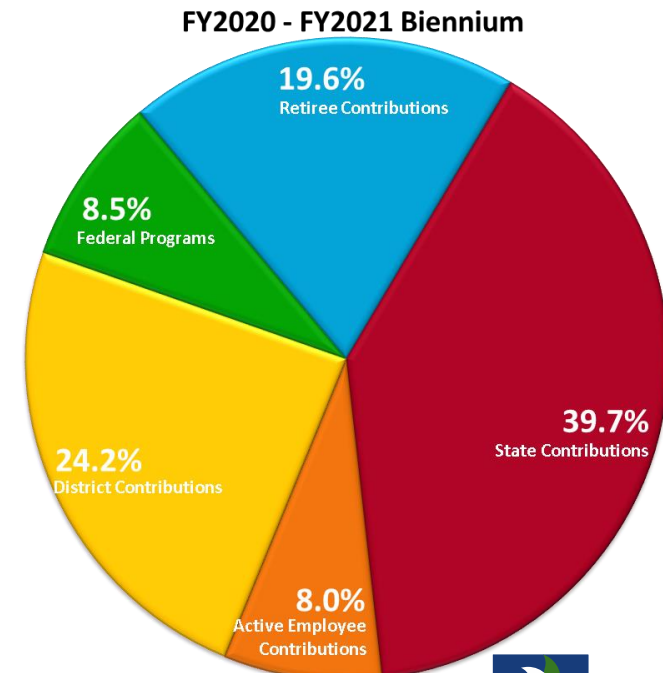
Who's contribution increases?

Retirees

✓ **State**

✓ **District**

Active Employees





Option 2(e) Fund for a 10-Year Solvency

Biennium	Contribution as a Percent of Active Employee Payroll			Percent Change in Premium Contribution
	State	District	Active Employees	Retirees
2018 – 2019	1.25%	0.75%	0.65%	0%
2020 – 2029	4.43%	0.75%	0.65%	0%

Biennium	Projected Additional Cost over Current Funding Levels			
	State ¹	District	Active Employees	Retirees
2018 – 2019	\$0	\$0	\$0	\$0
2020 – 2021	\$2,093,017,294	\$0	\$0	\$0
2022 – 2023	\$2,177,575,193	\$0	\$0	\$0
2024 – 2025	\$2,265,549,231	\$0	\$0	\$0
2026 – 2027	\$2,357,077,420	\$0	\$0	\$0
2028 – 2029	\$2,452,303,348	\$0	\$0	\$0

¹ The projected cost impact to the State has been reduced by 7.2% to remove contributions funded by the Federal Government.

Biennium	Total Funding			
	State	District	Active Employees	Retirees
2018 – 2019	\$849,109,971	\$530,749,904	\$441,537,185	\$1,048,594,204
2020 – 2021	\$3,143,087,044	\$553,892,208	\$461,593,848	\$1,137,429,938
2022 – 2023	\$3,270,067,761	\$575,409,582	\$480,242,240	\$1,182,662,822
2024 – 2025	\$3,402,178,499	\$597,796,259	\$499,644,026	\$1,223,356,491
2026 – 2027	\$3,539,626,510	\$621,087,358	\$519,829,645	\$1,265,052,775
2028 – 2029	\$3,682,627,421	\$645,319,416	\$540,830,762	\$1,308,902,630

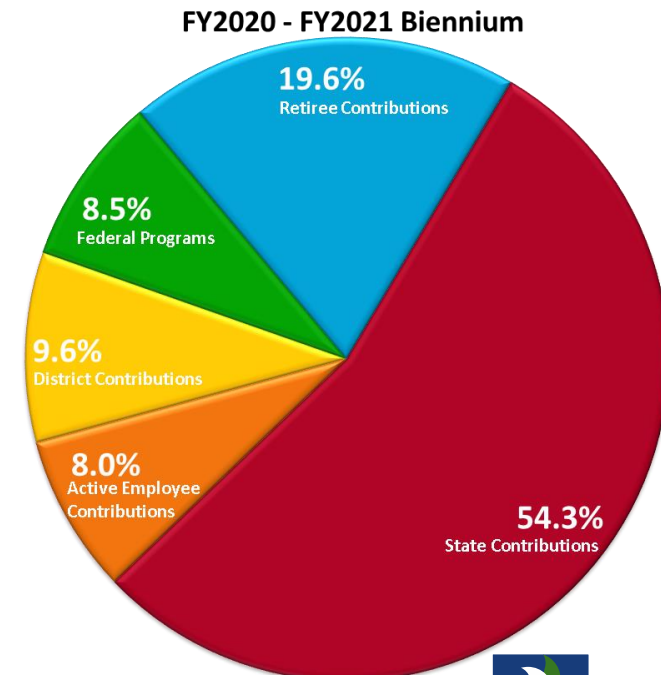
Who's contribution increases?

Retirees

✓ **State**

District

Active Employees





Illustrative Retiree Contributions

The following table shows the monthly premiums under Options #1(d), #1(e), #2(d) and #2(e).

	Projected Retiree Premiums					
	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023
Non-Medicare Premiums						
Retiree Only ¹	\$200	\$200	\$210	\$221	\$232	\$243
Retiree & Spouse ¹	\$689	\$689	\$723	\$760	\$798	\$837
Retiree & Child(ren) ^{1,2}	\$408	\$408	\$428	\$450	\$472	\$496
Retiree & Family ^{1,2}	\$999	\$999	\$1049	\$1,101	\$1,156	\$1,214
Medicare Premiums						
Retiree Only	\$135	\$135	\$142	\$149	\$156	\$164
Retiree & Spouse	\$529	\$529	\$555	\$583	\$612	\$643
Retiree & Child(ren) ²	\$468	\$468	\$491	\$516	\$542	\$569
Retiree & Family ²	\$1,020	\$1,020	\$1,071	\$1,125	\$1,181	\$1,240

¹ \$200 reduction in premium for non-Medicare retirees who retired prior to 1/1/2017 with disability for CY2018 through CY2021.

² \$200 reduction in premium for families covering a disabled child(ren).