
BENEFITS COMMITTEE

**TEACHER RETIREMENT
SYSTEM OF TEXAS**



June 2015

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES
AND
BENEFITS COMMITTEE**

(Ms. Palmer, Committee Chair; Ms. Charleston; Mr. Moss; Ms. Ramirez; & Ms. Sissney, Committee Members)

AGENDA

**June 11, 2015 – 11:45 a.m.
TRS East Building, 5th Floor, Boardroom**

1. Consider the approval of the proposed minutes of the December 13, 2013 committee meeting – Anita Palmer.
2. Discuss the Retirees Advisory Committee and receive reports on the prior two committee meetings – Bob Jordan.
3. Consider recommending to the Board adoption of the following matters related to the TRS health benefits programs – Bob Jordan and William Hickman, Gabriel, Roeder, Smith & Company.
 - A. Premiums and plan design for TRS-Care, the retiree health benefits program, including:
 - (i) adopting premiums and plan design for the three standard plans and the fully-insured Medicare Advantage Plans; and
 - (ii) adopting plan design for the Medicare Part D Plans.
 - B. Premiums and plan design for the preferred-provider organization (PPO) plan options under the active employees health benefits program (TRS-ActiveCare).
 - C. Adoption of premiums and plan design for the TRS-ActiveCare HMO plan options.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Benefits Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Benefits Committee constitutes a quorum of the Board, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

Tab 1



Minutes of the Benefits Committee
December 13, 2013

The Benefits Committee of the Board of Trustees of the Teacher Retirement System of Texas met on Friday, December 13, 2013, in the boardroom in the East Building of TRS offices located at 1000 Red River Street, Austin, Texas 78701.

Committee members present:

Anita Palmer, Chair
Karen Charleston
Christopher Moss
Dolores Ramirez
Nanette Sissney

Other Board members present:

Todd Barth
Joe Colonna
David Corpus
David Kelly

Others present:

Brian Guthrie, TRS	Bob Jordan, TRS
Ken Welch, TRS	Dan Junell, TRS
Marianne Woods Wiley, TRS	Lynn Lau, TRS
Amy Barrett, TRS	Art Mata, TRS
Carolina de Onís, TRS	Jamie Michels, TRS
Don Green, TRS	Mike Rehling, TRS
Betsey Jones, TRS	Eric Lang, TRS
Tina Carnes, TRS	Bill Hickman, Gabriel Roeder Smith and Company
Mary Chang, TRS	Steve Huff, Reinhart Boerner Van Deuren s.c., Fiduciary Counsel
Dennis Gold, TRS	Philip Mullins, Texas Retired Teachers Association
Janis Engler, TRS	Derly Rivera, Austin Retired Teachers Association
Wm. Clarke Howard, TRS	Ann Fickel, Texas Classroom Teachers Association
Edward Esquivel, TRS	Susan Hasely, Protiviti
Rich Hall, TRS	Ronnie Jung, Texas Retired Teachers Association
Dan Herron, TRS	

With a quorum of the committee present, the meeting convened at 8:06 a.m.

1. Consider the approval of the minutes of the June 14, 2013 committee meeting.

On a motion by Mr. Moss, seconded by Ms. Sissney, the committee unanimously approved the minutes of the June 14, 2013 committee meeting as presented.

2. Review the Benefit Services Statistics Report.

Ms. Woods Wiley presented current and historical information concerning the Benefit Services Division, including year-to-date totals and comparative data for fiscal year 2013. She confirmed for Mr. Moss that about 11 percent of the disability applications were approved on an annual basis. She also clarified for Ms. Sissney that the terms “counseling offices visits” and “yearly office

visits” mentioned in the report referred to the same type of visits but to different reporting periods, the former being monthly and the latter annually. She stated that staff would make the reporting period uniform in future reports. Ms. Woods Wiley noted that the telephone hold times in both September and October had improved to under a minute.

3. Review the TRS Website Statistics Report.

Mr. Goldman reported the monthly statistics showing TRS website activities during FY 2013 and annual totals for prior fiscal years. He confirmed for Mr. Kelly that the statistics included mobile usage. He also noted that staff was considering developing a separate mobile version for the website as part of the website redesign project. Mr. Goldman highlighted the continual efforts to promote *MyTRS*, the website redesign project, and the growth of the social media program.

4. Consider proposed appointments to the Retirees Advisory Committee and make a related recommendation to the Board.

Ms. Jones provided an overview of the Retirees Advisory Committee (RAC), including its composition, nomination process, and duties. She stated that the terms of the incumbents in the following five positions would expire on January 31, 2014:

- One active administrator position
- One active teacher position
- Two retired teacher positions
- One retired auxiliary personnel position

She said that, for all the positions, staff had received a total of nine nominations but did not receive any nominations for the retired auxiliary personnel position. She explained the evaluation criteria and discussed the background and experience of the candidates and staff’s recommendation for each position.

On a motion by Ms. Sissney, seconded by Ms. Ramirez, the committee unanimously voted to recommend that the board appoint Bill Barnes and Marcia McNeill to the retired teacher positions, Grace Mueller to the active teacher position, and Dr. Ignacio Salinas to the active administrator position, as recommended by staff.

Mr. Guthrie stated that the terms of the board's appointees would begin on February 1, 2014. Assuming the board made appointments for all the positions that had nominees, the committee would have eight active members and one vacancy for the retired auxiliary personnel position. He also noted that an RAC member would participate in the health benefits town hall meeting to be conducted at the February board meeting.

The meeting adjourned at 8:36 a.m.



Tab 2

Summary of the October 21, 2014 Retirees Advisory Committee Meeting

- Meeting was called to order at 1:05pm. All committee members were in attendance. After the approval of the previous meeting minutes, there was one public comment from Ms. Budak representing several retired educator associations. She advised that if Medicare eligibility restrictions are lifted, there would be an increase enrollment into the MA plan and if dependents could be covered under MA plan. No other public comments made.
- Overview of 10/17/14 TRS Board Meeting, the executive board members were briefed on the workshop TRS held in June 2014 by Dr. Salinas and Ms. Mueller provided a summary of the Committee members to the Board. Both were appreciative of the opportunity to attend the Board meeting.
- The remainder of the meeting, Mr. Guthrie went into a detailed discussion of all 8 plan options listed in the TRS-Care Health Care Sustainability Study. Starting off noting where changes to the study that initiated in 2011 because there has been a significant change in the landscape in which these proposed changes would be implemented. The main focus to iterate to the brand new legislature that TRS-Care is subject to a \$750 million shortfall in the current budget.
- Mr. Guthrie addressed the importance that one option detailed in the study was not going to resolve the budgetary concerns but that a combination of options were going position TRS-Care to future solvency, not just for the next biennium. Option 8 garnered the most discussion with the Committee regarding the exchanges and if there has been enough experience in the marketplace to allow this option to sustain? GRS offered that more data would have to be considered for this option before presented to the legislature, it has a lot of moving parts.
- Roundtable Discussion/Public Comments. Open to all attendees
 - Mr. Guthrie advised of Ms. Jones' absence during the meeting
 - Mr. Jordan thanked his staff for the meeting coordination, Ms. Mullins promotion and Ms. Harper being the POC for RAC. Dr. Salinas congratulated both
 - Dr. Salinas asked for a date of the next RAC and Mr. Guthrie suggested the week prior the February Board Meeting, if schedules and legislative sessions permit.
- Meeting adjourned at 3:01 pm.

Summary of the March 18, 2015 Retirees Advisory Committee Meeting

- Meeting was called to order at 1:04 pm. All committee members, except for Ms. McAdams, were in attendance. After the minutes were approval of the previous meeting minutes, it was suggested by Ms. Mueller to have a copy of the minutes prior to the RAC for a better review. There were no further comments so the meeting went onto the next agenda item, GEER and LBB recommendations.
- Mr. Guthrie advised the committee that the legislature has been in session 7-8 weeks and there has been some movement on the issues related to TRS-Care. The LBB agreed with the sustainability study to grow the pie of contributions by increasing the amount active districts, active members and retirees contribute by either increasing premiums, co-pays and out-of-pocket expenses or through benefit reductions. Both chambers look like to agree to plug the hole for the next two years, a temporary fix.
- Both chambers have asked that a more detailed analysis be provided regarding options 5, 6 and 7 (5-mandatory MA plan for 65&over; 6-HRA marketplace; 7-pre-65 members on an ACO). A systemic fix is needed to sustain the program long term and this will be closely monitored over the next 6 weeks or so. Ms. McNeil and Ms. Mueller commented on the ACO option needs to consider the rural community as well as costs to the retiree for this plan option. Duly noted.
- TRS-Care financial updates by GRS to provide an overview of where the fund is (as of December 31). An overview of the plan options available through TRS-Care and the benefits design as well as the MA and MEDD programs that came aboard in 2013. A discussion regarding Part D and the benefits to the plan from Mr. Barnes, asking if that would be made mandatory? Mr. Guthrie advised that when referencing MA, it will include the MEDD option as well.
- GRS continued to report the medical and prescription trends that had become predictable after 2013 MA/MEDD plan savings. Utilizing all of the medical management and value added services offered at no additional cost to the plan/member, roll it up on an annual basis, about a quarter to a third of the participants are in engaged and it is a good blanket. However, there are cost drivers that decrease the trend from being solvent to the \$768 million shortfall and that is what TRS has to focus on.
- Video presentation regarding costs of compounds and other specialty medications. A brief overview of how the drug spend for compound got out hand so quickly and what ESI did to combat it. Initiated PA program in April 2014 to ensure the appropriate medicine got the appropriate patients at the appropriate time in the appropriate dose. A decrease was seen but short lived with the pain medication compounding using bulk chemicals. In July of 2014, eliminating coverage for these chemicals drove drug spend down where it needed to be and will be closely monitored.
- Another cost driver is specialty drug spend, in particular, medications to cure Hepatitis C. The cost for the treatment series and patient adherence to the medication is \$85- \$100,000 per participant so there are steps in place to help manage the situation. GRS has projected that by fiscal year '17, the plan will spend more on pharmacy than it does on medical.
- Roundtable discussion-background of pharmacy presenters and the need to education the participants about the cost of compounds to be used through the associations and publications available now. There were no other comments. The question regarding the next meeting should be after the legislature has ended around June 1st.
- Meeting adjourned at 2:57 pm.

Tab 3 A

June 11, 2015

Mr. Brian Guthrie
Executive Director
Teacher Retirement System of Texas
1000 Red River Street
Austin, Texas 78701

Dear Mr. Guthrie:

Subject: TRS-Care Plan Design and Funding

Dear Mr. Guthrie:

We have reviewed the TRS-Care Health Care Program and are pleased to offer our observations regarding the status of the plan and our recommendations regarding retiree contributions and benefit levels for the 2016 fiscal year.

Plan Funding

Our review and analysis is based on the assumed continuation of current state, district and active member funding percentages. Supplemental funding of \$768,100,754 has also been included in fiscal year 2016. For projection purposes, an annual increase in active public education payroll has been assumed.

Retiree Contributions and Benefits

Our projections indicate TRS-Care solvency through fiscal year 2016. Plan experience through April 2016 has been included in our analysis. As a result, we recommend that the current benefit levels and retiree contribution rates be continued through August 31, 2016. Our analysis also indicates that, in accordance with statutory requirements, the retiree share of total plan cost continues to be greater than 30%.

Please let us know if you have questions.

Sincerely,

Gabriel, Roeder, Smith & Company



William J. Hickman
Senior Consultant



Amy Cohen, ASA, MAAA
Consultant and Actuary



Teacher Retirement System of Texas

**RESOLUTION APPROVING PREMIUM RATES
AND BENEFIT PLAN DESIGNS FOR THE
TRS-CARE STANDARD PLANS, THE TRS-CARE
MEDICARE ADVANTAGE PLANS, AND THE
TRS-CARE MEDICARE PRESCRIPTION PLANS**

June 11-12, 2015

Whereas, Chapter 1575, Insurance Code, authorizes the Teacher Retirement System of Texas ("TRS"), as trustee, to implement and administer the uniform group health benefits program ("TRS-Care") under the Texas Public School Retired Employees Group Benefits Act, as described in the statute;

Whereas, TRS-Care offers coverage in three standard plans ("TRS-Care Standard plans"), historically known as TRS-Care 1, TRS-Care 2, and TRS-Care 3; offers coverage in two qualified fully-insured Medicare Advantage plans ("TRS-Care Medicare Advantage plans"), available to eligible TRS-Care 2 and TRS-Care 3 participants who have Medicare Parts A and B; and offers coverage in two Medicare Prescription plans ("TRS-Care Medicare Prescription plans"), available to eligible TRS-Care 2 and TRS-Care 3 participants who have either Medicare Part A or Medicare Part B or both;

Whereas, due to the funding available to TRS-Care, TRS staff and the TRS health benefits consultant, **Gabriel, Roeder, Smith & Company ("GRS")** have recommended that for the 2016 plan year, beginning September 1, 2015, premium rates in the TRS-Care Standard plans remain unchanged from the current premium rates;

Whereas, TRS staff and GRS have further recommended that for the plan year commencing on January 1, 2016, premium rates in the TRS-Care Medicare Advantage plans remain unchanged from the current premium rates;

Whereas, TRS staff and GRS have further recommended that for the 2016 plan year, beginning September 1, 2015, benefit plan designs for the TRS-Care Standard plans remain unchanged from the current benefit plan designs for these plans;

Whereas, TRS staff and GRS have further recommended that for the plan year commencing on January 1, 2016, benefit plan designs for the TRS-Care Medicare Advantage Plans and the TRS-Care Medicare Prescription plans remain unchanged from the current benefit plan designs for these plans; and

Whereas, the TRS Board of Trustees ("Board") desires to adopt the recommendations of TRS staff and GRS; now, therefore, be it

Resolved, That for the TRS-Care Standard plans, for the 2016 plan year beginning September 1, 2015, and for all plan years thereafter, until further action by the Board, the Board hereby adopts and authorizes the current premium rates for these plans in place for the 2015 plan year;

Resolved, That for the TRS-Care Medicare Advantage plans, for the plan year commencing on January 1, 2016, and for all plan years thereafter, until further action by the Board, the Board hereby adopts and authorizes the current premium rates for these plans in place for the plan year that commenced on January 1, 2015;

Resolved, That for the TRS-Care Standard plans, for the 2016 plan year beginning September 1, 2015, and for all plan years thereafter, until further action by the Board, the Board hereby adopts and authorizes the current benefit plan design for these plans in place for the 2015 plan year;

Resolved, That for the TRS-Care Medicare Advantage plans and the TRS-Care Medicare Prescription plans, for the plan year commencing on January 1, 2016, and for all plan years thereafter, until further action by the Board, the Board hereby adopts and authorizes the current benefit plan designs for these plans in place for the plan year that commenced on January 1, 2015;

Resolved, That the Board finds that, considering the actions taken in the resolutions above, TRS-Care is projected to remain financially solvent during the currently funded biennium; and

Resolved, That for the 2016 plan year commencing on September 1, 2015 for the TRS-Care Standard plans, and for the plan year commencing on January 1, 2016 for the TRS-Care Medicare Advantage plans and the TRS-Care Medicare Prescription plans, and for all plan years thereafter, until further action by the Board, the Board authorizes the Executive Director or his designees to take any actions that he or his designee in his or their discretion deem to be necessary or advisable to implement this resolution, and to otherwise implement and continue the TRS-Care Standard plans, the TRS-Care Medicare Advantage plans, and the TRS-Care Medicare Prescription plans until further action by the Board.