

## TRS Today

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Interview with Executive Director, Brian Guthrie (BG)

Host, Rhonda Price (RP)

### TRS-Care Study

RP: Hello and welcome to TRS Today, a Communications initiative of the Teacher Retirement System of Texas. I'm your host, Rhonda Price. Today, we're going to be talking about TRS Retiree Health Care Program, or TRS-Care. The Texas legislature has directed TRS to conduct a study of TRS-Care. And here to talk about that study is TRS Executive Director, Brian Guthrie. And thanks for being with us, Brian.

BG: It's my pleasure, Rhonda.

RP: So, for those not familiar with TRS-Care, can you us a little bit about the structure of the plan?

BG: Well, as you mentioned, Rhonda, TRS-Care is the health care program for our retirees. It's a program that's been in existence since 1985. It's a social security for our members, since it really is their only source of health care benefits until they turn 65 and are eligible for Medicare. And so, it has been funded from a variety of sources over time, both state contributions, active member contributions, employer or district contributions, as well as member premiums. But we find ourselves today in a situation where funding for that program is beginning to be depleted. And if no changes are made to the program, we anticipate that it will run out of money sometime in 2015.

RP: So is that why the Texas legislature directed TRS to conduct the study? Is there real concern about the sustainability of the program?

BG: There really is, Rhonda. And I'm actually pleased that the legislature has given us this opportunity. Typically, the legislature will only meet in session every other year. And when they do meet, they only have 140 days to conduct all the business of the state. And that goes far beyond TRS—it's all facets of state government and its operation. By giving us the ability to do this study now, it really allows us to take our time to look at the options for funding this program long-term. I believe there are solutions and options available to us that will extend the life of this program far into the future. And so, in order for us to take a real good look at that though, we really need to take a step back and look at all the options. And by doing it now, before the legislative session begins, it gives us the opportunity to really look at all the different proposals that are out there, cost them out, and then provide recommendations to the legislature when they meet next year.

RP: What is the scope of the study?

BG: Well, it really is to just look at the long-term sustainability of this program. It's interesting – TRS-Care has always been a program that has found itself with funding challenges over its life. When

it was first created in 1985, there was discussion not 5-6 years later that the program was not sustainable. And they found solutions to extend its life then, just as they need to do today. They again found themselves in the same situation in the early part of this century with the program facing funding constraints, and they made changes back in 2005 that really have lasted in the system until today. They were designed to extend the life of the program for another 8-10 years, and in reality, that's what's happened. And so but now, we find ourselves today in a situation where we have to do the same sort of close look again and identify what our options are.

RP: So the study is supposed to be completed by September 1<sup>st</sup>. What do you expect the study to include?

BG: Well, I really believe that because of the immediacy of the problem, we have to focus on solutions to the issue, and there are not going to be any easy solutions identified by this study. What I've been telling our members from the beginning is that we face a very serious funding crisis with this program. And I can't characterize it any other way. If there were easy solutions to this problem, we would have already made those changes. What we face now is really looking at more significant changes that will either impact the amount of funding that's contributed to the program and by whom, or what kind of benefits it provides. And those are the sorts of things that the study really needs to focus on to make meaningful changes that will extend the life of this program well beyond 2015.

RP: So will TRS actually make recommendations for the study?

BG: We will identify a variety of options, and we will evaluate those options based upon the impact to our members and the impact to the cost or the sustainability of the program. And I think those two or three factors really are paramount in terms of what we evaluate. Now, we're not going to advocate one solution over another, but we do anticipate having a number of solutions in the study – or a number of options identified in the study – with the pros and cons of each, so that the decision-makers – the legislature in this case – can make an educated decision about which changes to make.

RP: Well of course, we want our members and retirees to stay informed about the study. What are some of the ways that we're going to get the information out – besides video like this?

BG: Well, this is an issue that I've been talking about for a number of years, actually. This is not something that sneaked up on us. It's something that we've known is coming, for several years now. And so, I've been trying to get the word out to our members through regional meetings that I attend over the course of the year with our retirees. I've been providing the Board, and the staff has been providing our Board with routine updates on the health of the program and the depletion date of the fund. Really, to kick off this study, just in February in Lubbock, we had a Board meeting where we brought in staff and outside experts to talk about the program, to talk about the funding challenges it's going to face in the near future, and to start identifying some of the things that we're going to look at in the study. So that was an opportunity for our members not only to attend the meeting live and ask questions, but to also watch on the Internet and to submit questions over the Internet. And we received quite a few questions from

people watching through either one of those media, to answer their questions live. There's also going to be a number of – or two – additional Town Hall meetings that we propose to have – one in Austin and one in Dallas – where we'll be talking about not only this study but also our pension sustainability study. And again, taking member feedback, taking questions live from the audience who's there in attendance as well as folks who are watching online.

RP: And we do also have comment forms on our website, correct?

BG: That's correct. We are providing... We recognize that not everyone can attend the meeting live or watch it live, and so if someone watches it after the fact, they can always submit questions using that webpage. And I can't guarantee we'll directly respond to every question we receive, but we'll certainly read everything that we get and do our best to incorporate the ideas into our study. I think it's real important to emphasize that with the issues facing us with this program, there are no easy solutions. And perhaps the most meaningful solutions are ones that take time to study. And so it's important for people who have ideas about how to extend the life of this program or may have a concept or a new way of approaching health care in this country that hasn't been considered before, to come forward with those ideas now. And so, give us time to look at it, to study it, to run it through our experts to make sure that it is something that is worth looking at, rather than bring those ideas at the last minute when we don't have time to study them and they really don't get a proper vetting as a result.

RP: And speaking of last minute, what happens with the report is submitted to the legislature? What's next?

BG: Well, the legislature – again – will get this report on September 1<sup>st</sup>. That is three months in advance of the beginning of the legislative session. So what I would anticipate happening from there is that there will be committee hearings that take place in the fall where the committees in the House and the Senate will ask us what we found and what options we identified as potential solutions to this issue, and just start talking through the pros and cons of those ideas. And then, that discussion will continue on into the legislative session. Unlike the pension study which I believe will be limited to maybe one or two committees in each chamber, this issue really is a fundamental funding issue that the state is going to face in the near future. And so I think that this, in addition to being something that's discussed by the substantive pension committees in both chambers, will also be discussed by the Appropriations committee in the House and the Finance committee in the Senate. And those are the bodies that make all the funding decisions for the state budget.

RP: Well, unfortunately, that's our time for now, Brian. But we do thank you for being with us.

BG: It's my pleasure.

RP: And thank you for joining us for this edition of TRS Today.

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