

MARCH 2019

# TRS NEWS



THE NEWSLETTER of the TEACHER RETIREMENT SYSTEM of TEXAS

## TRS Releases New Pension Benefit Design Study

*Findings: existing plan offers better value and retirement security than alternatives*



This past December, TRS released an updated [Pension Benefit Design Study](#) and an [Executive Summary](#) at its quarterly board of trustees meeting. Both documents can be found on the TRS website.

This new study updates the findings from an original study completed in 2012. The document offers Texans fresh insights for consideration: from a fact-based overview of TRS' 81 year-old defined benefit plan, to a comparative analysis of different types of plans. It also highlights potential costs relating to implementation of a new plan structure. TRS prepared the study in coordination with TRS' pension actuary, Gabriel, Roeder, Smith and Company (GRS).

### KEY FINDINGS:



A total of 96 percent of public school employees do not participate in Social Security. For many TRS members, the only source of lifetime income in retirement is their TRS benefit. A lifetime benefit helps mitigate the risk of a retiree who — due to longevity, market volatility or failure to invest adequately — outlives his or her savings.



A majority of TRS members would end up more financially at-risk by investing on their own in a plan with a defined-contribution component.



The TRS benefit, as currently designed, replaces roughly 69 percent of a career employee's pre-retirement income when that person initially retires.



Alternate plans would be 30 to 124 percent more expensive than the current defined benefit plan to provide the same benefit level upon an employee's retirement.

Through their defined benefit plan, TRS members benefit from the talents of an internationally-recognized and professionally-managed investment team dedicated to producing above-benchmark returns year after year. This award-winning team works under the leadership and oversight of the nine-member, TRS Board of Trustees, appointed by the governor. Both groups are collaboratively engaged in fulfilling their fiduciary duty to manage and invest the trust for the long term.

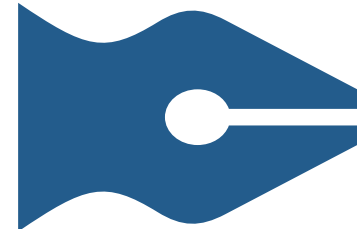
Today, the TRS Trust is better funded than the average public U.S. pension plan, despite a modest benefit structure and comparatively low contribution rates. While today's TRS plan has long-term funding challenges that must eventually be addressed; small, steady improvements now will have a lasting impact over time. To that end, the study contemplates options for the Texas Legislature to consider leading to a realistic, achievable path toward full funding while addressing the present unfunded liability.

For a complete list of key findings, please see page 6



# Memo to Retirees

from  
Executive Director  
Brian K. Guthrie



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The Teacher Retirement System of Texas does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services. A copy of the complete TRS plan is available at the above address during normal business hours.

As many of you know, the 86<sup>th</sup> Texas Legislature is now in session and will continue meeting in Austin until May 27. While TRS is prohibited by law from lobbying or advocating for changes in the law, we work closely with elected officials to provide information relating to TRS. Following the session, we will also report any new TRS-related legislation through the TRS website, on social media and in our summer newsletter.

One of the most common and important questions TRS members ask during their careers is 'What steps do I need to take when I turn 65?' Most know that you're eligible for Medicare when you're 65, but did you know you can enroll three months prior to the month you turn 65? There are a number of other key milestones to be aware of and we urge everyone to **read about them beginning on page 4.**

Once a retiree signs up for a health care program, it's an unfortunate fact that some participants inadvertently pay much more for a service or medication than they need to. The good news is there are some common pitfalls you can easily avoid. One is using an out-of-network doctor. **We've got information on avoiding that pitfall and four others on page 5.**

The *2018 Comprehensive Annual Financial Report* (CAFR) honored the 2019 Texas Teacher of the Year finalists and winners. We are also pleased to feature these distinguished educators, who have demonstrated outstanding leadership and excellence in classroom education, in the 2018 *Summary Annual Report*. **Read more about this abbreviated form of the CAFR on page 3.**

To help our members stay up to date on important information this year, TRS is releasing more member education videos. Our most recent video, *Selecting a Retirement Benefit Option*, explains why choosing a benefit option is one of the most important things members need to do when applying for retirement with TRS. **Read more about videos in the series on page 3.**

For the 13<sup>th</sup> year, TRS' Emerging Manager Conference offered a valuable professional networking opportunity for hundreds of investment managers who joined public and corporate institutional investors, asset allocators and consultants. The Feb. 7, 2019 event held at Austin's Convention Center drew nearly 1,700 registered attendees from across the nation — the largest attendance to date. **Read more about this successful event on page 7.**

# Summary Annual Report Available Soon on TRS Website

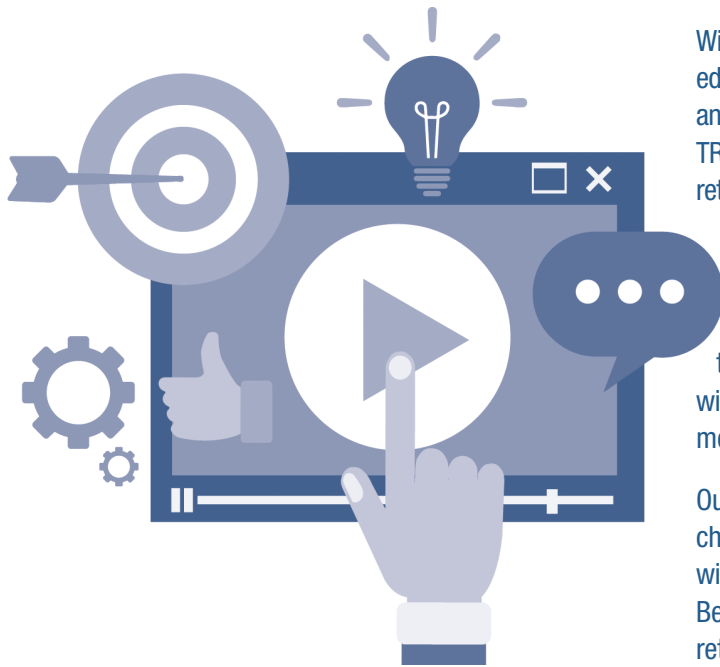
TRS' summary of its 2018 *Comprehensive Annual Financial Report* (CAFR) will soon be available online. The summary will help members who do not wish to read the entire document, but who would like to know the financial highlights that are of greatest importance to them.

The 2018 CAFR summary features easy-to-read charts, graphs and other key information relating to the TRS Pension Fund and health care programs. To view the CAFR summary, visit the TRS website at [www.trs.texas.gov](http://www.trs.texas.gov), select the "About TRS" tab, then click on "Publications," and then "Financial Reports" to locate the 2018 *Summary Annual Report*.

The 2018 CAFR honored the 2019 Texas Teacher of the Year finalists and winners. We are also pleased to feature these distinguished educators, who have demonstrated outstanding leadership and excellence in classroom education, in the 2018 *Summary Annual Report*.



## Kicking Off Springtime with New Member Education Videos



With the arrival of springtime also comes the release of more member education videos! The videos in this series are designed to provide information and answers to the most commonly asked questions we've received about TRS member pension benefits. If you are a new, mid-career, late-career, or retired member, you'll find something useful in each video. During the course of your career and into retirement, it's important to know about your benefits and stay in touch with TRS. This will pay off in the long run.

Tune in to watch completed videos today. TRS staff members lead you through the videos and are here to help you learn about your membership with TRS, the importance of naming a beneficiary, how to determine your membership tier, as well as information on working after retirement.

Our most recent video, *Selecting a Retirement Benefit Option*, explains why choosing a benefit option is one of the most important things members will need to do when applying for retirement with TRS. In this video, a TRS Benefit Counselor walks through the different options that are available at retirement as well as different scenarios that may occur.

Other future videos will include:

- *Disability Retirement*
- *Purchasing Service Credit*
- *Steps to Retirement*
- *What Every Named Beneficiary Needs to Know*

To watch complete videos as they are released, visit the [TRS Member Education Videos](#) page on the TRS website or subscribe to our YouTube channel [TRSoftexas](#).

# What steps do I need to take when I turn 65?

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**You're eligible for Medicare at age 65 and can enroll three months prior to the month you turn 65.**

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## Steps to Take Three Months BEFORE Your 65<sup>th</sup> Birthday

- 1** If you're eligible for premium-free Medicare Part A, sign up for it through the Social Security Administration. Apply online at [www.ssa.gov/medicare](http://www.ssa.gov/medicare), visit your local Social Security office, or call Social Security at 1-800-772-1213 (TTY: 1-800-325-0778).
- 2** Purchase Medicare Part B through the Social Security Administration as soon as enrollment becomes available to you. You must buy and maintain Medicare Part B to be eligible for TRS-Care benefits.
- 3** If you're currently enrolled in TRS-Care, when you turn age 65, Humana will send you a packet with a form requesting your Medicare number. Please complete the form and return it to TRS.\*
- 4** Separately, TRS will send you an enrollment kit. Review the materials inside. If you're adding dependents, complete and submit the application for TRS-Care no later than 31 days from the end of the month in which you retire or turn 65.



If you are eligible for TRS-Care coverage, and once TRS verifies your Medicare information, TRS will enroll you in the TRS-Care Medicare Advantage<sup>®</sup> and TRS-Care Medicare Rx<sup>®</sup> plans.

While Medicare allows seven months for enrollment, TRS-Care encourages enrollment in Medicare by the first day of your birth month so you avoid paying higher costs. If your birthday is on the first, your Medicare should begin the first of the preceding month.

\*If you're a retiree or surviving spouse who isn't yet 65, and you either terminated TRS-Care or didn't enroll during your Initial Enrollment opportunity, you can also enroll in TRS-Care and add dependents when you turn 65. Call TRS Health and Insurance Benefits at 1-888-237-6762 to request an application.



# Five Common Health Care Pitfalls to Look Out For

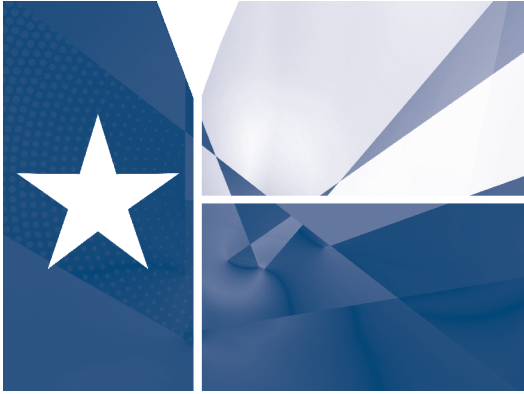


Most of us want to avoid surprises when it comes to the amount of money we pay for something. Too often, it feels like health care can be full of these “gotcha” moments. Here are a few common mistakes to avoid and prevent unpleasant surprises.

- 1 Using an Out-of-Network Doctor**  
 This is one of the most expensive mistakes to make and the easiest to avoid. First, in-network doctors have lower contracted rates for their services. What’s more, if you’re on the TRS-Care Standard plan, you have a separate deductible for out-of-network expenses that can be twice as much. Higher out-of-network expenses cannot be applied to your in-network deductible. Once you do meet your deductible, your coinsurance for out-of-network care is also higher. Always check to be sure your doctor or hospital is in network before your appointment.
- 2 Going to an Emergency Room for a Non-Emergency Condition**  
 Emergency rooms (ER) are there for life-threatening conditions that require immediate attention. In one of these situations, you should call 911 or go to the nearest ER. If you can’t get to your regular doctor but don’t require an ER, you have other options. You can use Teladoc (Aetna) or MDLive (Humana) to speak with a board-certified doctor from the comfort of your own home. You can also consider going to an urgent care clinic. These clinics cost significantly less than ERs and can treat conditions from broken bones to bronchitis. Be careful though – some freestanding emergency rooms can look like urgent care clinics, especially if they have the word “emergency” in their name. If you’re unsure, ask before you see the doctor. You can also call Aetna or Humana to determine which doctors and urgent care clinics are in network.
- 3 Paying Too Much for Diagnostic Services**  
 Higher cost doesn’t always equal higher quality, and there can be a huge difference in price for some tests and procedures depending on where you go. If you are on the TRS-Care Standard plan, make sure to use Aetna’s Member Payment Estimator tool through [Aetna Navigator](#) on the Aetna member website to do some price comparisons before you get the service.
- 4 Always Getting the Brand-Name Medication**  
 Many common medications also have generic version available. These work in exactly the same way but cost significantly less. When you get a new prescription, be sure to ask your doctor or the pharmacist if there’s a generic available. Many generic preventive medications are available at no cost to you or for a low copay.
- 5 Failing to Double Check Your Bill**  
 There are literally millions of claims filed every year through the health care system. It’s a good idea to compare the amount your doctor is charging you against the cost of the same procedure listed in your Explanation of Benefits from Aetna or Humana that you receive in the mail. If there’s a discrepancy, call your health plan administrator to get it corrected. Participants without Medicare can call Aetna at 1-800-367-3636. TRS-Care Medicare Advantage participants can contact Humana at 1-800-320-9566.

## Major Findings New Pension Benefit Design Study

- 1 A total of **96 percent** of public school employees do not participate in Social Security.
- 2 The current defined benefit plan provides current benefits at a **lower cost** than alternative plans.
- 3 Moving new hires to an alternative plan **will not eliminate** existing liabilities.
- 4 A contribution rate **increase of 1.82 percent** beginning in fiscal year 2020 will **lower the funding period to 30 years**.
- 5 A phased-in contribution rate **increase of 2 percent** beginning in fiscal year 2021 will **lower the funding period to 31 years**.
- 6 Combined employee and employer contribution rates for TRS are the **lowest in the nation** among teacher plans.
- 7 The value of the retirement benefit available to TRS members is **30 percent less** than the average benefits available to members of peer systems.
- 8 Active members have borne approximately **70 percent** of plan changes since 2005.
- 9 All plan structures carry differing levels of risk. When examining important aspects of pension plan design, the current defined benefit plan places **more risk** with the State and generally offers **more favorable outcomes** for TRS members.
- 10 The majority of TRS members will do **significantly worse** investing on their own in a plan with a defined contribution component.



## A WORLD of INVESTOR INNOVATION

2019 EMERGING MANAGER CONFERENCE ★ AUSTIN, TEXAS

# 2019 Emerging Manager Conference Sets Registration Record



Attendees value the networking opportunity at the 2019 Texas Emerging Manager Conference in Austin.

For the 13<sup>th</sup> year, TRS' Emerging Manager Conference — in annual partnership with ERS — succeeded in creating a memorable professional networking opportunity for hundreds of investment managers who joined public and corporate institutional investors, asset allocators and consultants. A record 1,677 people from across the globe registered online ahead of the Feb. 7 event held at Austin's Convention Center. The primary conference goal was to provide industry-leading insights and best practices for the small and diverse emerging manager community.

This year's conference opened with a special video welcome from Texas Governor Greg Abbott who reminded participants how important emerging managers are to building the TRS Trust.

"Emerging managers are crucial to the Teacher Retirement System of Texas," he said pointing out ongoing commitments that, since 2005 total \$5.7 billion. "(The Program) helps to stimulate small businesses and our state's economy."

The video also included testimonials from six managers who are currently working with TRS and its consultants GCM Grosvenor and RockCreek. One video participant, José Feliciano, Co-Founder and Managing Partner of Clearlake Capital Group in California said he is grateful for the partnership the Emerging Managers Program offers.

"Without having a program that had the confidence and the capability of committing during real times of (financial market) dislocation, we wouldn't be here today."

This year's keynote speaker was former U.S. Ambassador to the United Nations Susan Rice who shared her experiences onstage with TRS Board of Trustees Chairman Jarvis Hollingsworth.

In 2019, TRS is committing \$3 billion to further its investment in this important group of managers. Research has shown emerging managers are outperforming some of their more established peers, highlighting the benefit of nurturing early relationships as an important part of growing the TRS Trust over time.

***The biggest benefit of being part of the Emerging Manager program at Texas Teachers is partnership.***

— Jose Feliciano, Co-Founder, Clearlake Capital



**Want to stay updated on the 2019 legislative session?**

To obtain detailed information on bills, call the Legislative Reference Library's Bill Status Information Office at 1-877-824-7038. View proposed legislation through the library's website at [www.lrl.texas.gov](http://www.lrl.texas.gov) or visit the Texas Legislature's website at [www.capitol.texas.gov](http://www.capitol.texas.gov).



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## TRS Member Satisfaction Survey Planned for this Spring

Beginning this spring, a third-party vendor will conduct a member satisfaction survey to help TRS learn how we can better serve our members and retirees. While TRS is prohibited by law from advocating for legislative changes to member benefits, we strive to continuously improve how we deliver legislatively approved benefits to you. We want to provide you service that is timely, accurate and as convenient as possible whether you contact us by phone, visit our website, apply for benefits by mail, meet in person with a benefits counselor, receive information by mail or electronically, or attend a benefit presentation. If you are asked to participate in this survey, please do so because your input is valuable in helping us better serve you.

## Have questions about your Form 1099-R?

For helpful [information](#) and [FAQs](#), visit the TRS website at [www.trs.texas.gov](http://www.trs.texas.gov). Click on the Retirees and Beneficiaries tab at the top of the homepage, and then click on Annual 1099-R Income Tax Form.

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