

SUBJECT: Out-of-state teacher service length for health insurance upon retirement

COMMITTEE: Pensions and Investments — favorable, without amendment

VOTE: 6 ayes — Telford, Johnson, Averitt, Berlanga, McCall, Rangel

0 nays

3 absent — Haggerty, Willis, Wilson

WITNESSES: For — Joe Ross, Fort Worth ISD; Brock Gregg, Association of Texas Professional Educators

Against — None

On — Randy Mercer, Teacher Retirement System

DIGEST: HB 1264 would reduce length-of-service requirements for purchasing out-of-state credit for Teacher Retirement System health insurance benefits from 10 years to five years in Texas public schools. The bill would take effect immediately if approved by two-thirds of the membership of each house.

SUPPORTERS SAY: HB 1264 would help school districts recruit out-of-state teachers and would make eligibility for health insurance coverage consistent with eligibility for annuity benefits. Last session the Legislature lowered from 10 to five the number of years a person must teach in Texas public schools to establish credit in the retirement system for out-of-state service. However, to qualify for health insurance coverage, a teacher from out-of-state must still teach 10 years or more in Texas public schools.

Qualified and capable teachers are hard to find. The requirement of 10 years of Texas service for retirement health insurance benefits can impede the recruitment of mature teachers. Long-term teaching service by competent teachers who come to Texas should be rewarded. A teacher would still be required to have had at least 10 years of teaching service to qualify for health benefits; this bill would only remove the requirement that all 10 years be in Texas public schools.

HB 1264 would have no actuarial impact on the TRS retirement fund and little impact (\$370,000 annually) on the TRS insurance fund (TRS-Care Fund). It is anticipated that most teachers responding to recruitment efforts will be younger and will most likely teach in Texas 10 years or more.

HB 1264 would not create any significant inequity for Texas teachers, many of whom may pay into the fund and never use or become eligible for the benefits. The TRS-Care Fund is funded in part by a .25 percent contribution from teacher salaries, and a teacher must meet retirement age and have 10 or more years of service to use it. Not all teachers work until retirement age (at least 55 years of age) or use the health benefits when they retire.

**OPPONENTS
SAY:**

HB 1264 would be unfair to long-term Texas teachers since it would allow out-of-state teachers who pay into the health insurance fund (TRS-Care Fund) for only five years to tap lifetime health insurance benefits upon retirement. The number of out-of-state teachers who might be recruited as a result of HB 1264 would not warrant changing current service requirements.

Making length-of-service requirements for annuity benefits and health insurance benefits the same would not result in fairness — the two types benefits are calculated differently. Annuity benefit payments are based on a teacher's highest average salary and length of teaching service. The amount of health insurance benefits is not based on length of service.

Under HB 1264 a teacher from out-of-state who contributed to the TRS-Care Fund for five years would be eligible for the same health benefit coverage as a long-term Texas teacher who contributed for many more years. Ten years, not five years, is a more reasonable service standard for lifetime health benefits.