Traditionally the Texas Legislature meets from January to May every odd year, with the exception of any Special Sessions called by the Governor to find solutions to issues that went unresolved during the Regular Session. Upon the Texas Legislature adjournment sine die, which means without assigning a day for a further meeting or hearing, I am sure Texas citizens wonder, what exactly do elected officials do until next session? The answer is more than just attending district events and shaking hands with important community leaders.

Interim studies are assigned upon the recommendation of the Speaker, who gathers possible concerns and issues the legislature should be aware from various groups such as stakeholders, PACs, and the legislators themselves. The 83rd legislative interim studies were released later than usual due to a total of 3 Special Sessions being called by the Governor upon Sine Die of the Regular Session.

The two committees I serve on, Pensions and Government Efficiency and Reform, both received hefty interim studies which are sure to have a significant and long term impact on the State of Texas.

Pensions Committee, chaired by Representative William Callegari (R-Katy) had multiple meetings with Teacher Retirement System of Texas (TRS) and Employees Retirement System of Texas (ERS) chair members in which we sat in roundtable discussions to examine the overall wellness of their respective pension funds and examine the immediate and long-term fiscal impact of their respective health care plans.

As you may be aware we made some significant changes to both the TRS and ERS requirements to retire due to massive unfunded liabilities that were potentially crippling to the long-term health of the pension funds. Changes to both systems required a more stringent retirement ages and qualifications along with increases in contributions by both Texas and the employees. The great news is by funding standards both ERS and TRS are considered actuarially sound which means they can pay off their present unfunded liabilities in less than 31 years. TRS was even capable of giving a Cost of Living Adjustment, or COLA, to approximately 195,000 retirees on October 1, 2013 as well as diversifying the TRS portfolio to ensure the safety and stability of TRS pension funds.

The greatest challenge Pensions Committee faces is examining the immediate and long-term fiscal impact of both the ERS employee health care plan and the TRS health care plan, known as TRS-Care. As you may be well aware with the passage and implementation of the Affordable Care Act with the Federal Government there were many concerns about ERS and TRS health care plans meeting the standards set forth by the ACA. Luckily for the State of Texas we have extraordinary administrators for both ERS and TRS health care plans that both meet the requirements set by the ACA and ERS exceeds the ACA's expectations.

ERS healthcare currently covers 1 out of 50 Texans and their administrators are always looking for alternative ways to cut costs to the State of Texas without compromising the exceptional level of care provided to all its recipients. ERS has saved the State $6.5 million in administrative fees since contracting HealthSelect with UnitedHealthcare in September 2012 and the contract is even on track to exceed projected savings of $25 million through FY16 compared to other proposals submitted and Caremark, the pharmacy benefits is expects to save $41 million for FY 13 and 14. ERS healthcare provides quality benefits as a cost of $2,000 a year below the national average and has Patient Centered Medical Homes (PCMH) that improves the level of care patients receive and is saving $31.5 million since FY 11. To date there are no dire changes that we are expected to make to ERS as a whole in the 84th legislative session.

However, there are some critical changes that are expected to need to be worked out to TRS-ActiveCare and TRS-Care during the 84th legislative session. TRS plans on phasing out their TRS-ActiveCare 3 as the premiums are abnormally high and only 3% of active members choose to participate in the plan. TRS-ActiveCare was created in 2001 and unfortunately since 2002 there have been seven premium rate increases ranging from 4% to 25%. Due to the significantly high premium rate increases the plans become nearly unaffordable to the employee as well as the significant cost of covering spouses and children under TRS-ActiveCare means very few do so. As premiums rise fewer enroll in the program making the burden to contributing members ever increasing so TRS may provide the same level of coverage. Even though the change in retirement requirement last session will benefit the longevity of the program in a few years we are faced with immediate funding issues. Currently there are more retirees than active paying members. Therefore we are faced with a shortfall where more members are drawing out of the pension and health care funds than are contributing. TRS-Care, health care for retired employees, will face a $1 billion funding shortfall for the 2016-2017 biennium under current funding levels. The challenge TRS-Care will face in the 84th session is figuring out a potential plan design and other changes that would improve the long-term sustainability.

Both ERS and TRS are in much better shape than we found them to be in at the beginning of my journey in office in 2013 but they are by no means where we would like them to be. There is always something to be done where we can save the State and contributing members money and that will be our goal from the beginning of the 84th legislative session.

The State Pension Review Board, PRB, also has some exciting changes. In order to keep board members up to date they are now required to take continual training to assure they are most up to date with current procedures and issues facing pension funds they oversee across the State of Texas. In addition to the above changes the PRB is in contact with a few companies regarding a better and more efficient way to file pension reports. Currently there is no online database for all pension funds and they are required to mail in their reports by a certain date. PRB members are milling over the idea to put in place an online pension reporting database so any citizen, contributing member, elected officials, and PRB member can access the online database and see the health and funding levels of pension systems across the State. The upfront cost could be

costly but it should save money in the future by making the information available immediately on a collective domain rather than printing and mailing out reports to all those who request the information. Depending on the cost we will analyze the long term benefits of starting such a program.