Teacher Retirement System of Texas: Survey of Annuitants and State Teacher Retirement Systems

Lyndon B. Johnson School of Public Affairs
The University of Texas at Austin
Policy Research Project Report

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POLICY RESEARCH PROJECT PARTICIPANTS

STUDENTS

Barbara J. Banks, B.A. (Government), University of Texas at Austin

Kelly D. Billingsley, B.A. (Government), University of Texas at Austin

Ruby Ann Esquibel, B.A. (Political Science), University of New Mexico

Steven D. Miller, B.A. (Political Economics), Evergreen State College

David S. Peebles, B.A. (History), Kenyon College

Paul K. Roberts, B.A. (Psychology), University of New Mexico

James B. Smith, Jr., B.A. (Economics), University of Texas at Austin

Patrick H. Stafford, B.A. (Political Science), Southwestern University

Jeff J. Webster, B.A. (Political Science), Kenyon College

Anthony Williams, B.A. (Public Administration), Texas Tech University

PROJECT DIRECTORS

Lodis Rhodes, Ph.D
Lyndon B. Johnson School of Public Affairs

Robert Rickards, Ph.D.
Lyndon B. Johnson School of Public Affairs

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FOREWORD

The Lyndon B. Johnson School of Public Affairs has established interdisciplinary research on policy problems as the core of its educational program. A major part of this program is the nine-month policy research project, in the course of which two or three faculty members from different disciplines direct the research of ten to twenty graduate students of diverse backgrounds on a policy issue of concern to a government agency. This "client orientation" brings the students face to face with administrators, legislators, and other officials active in the policy process, and demonstrates that research in a policy environment demands special talents. It also illuminates the occasional difficulties of rating research findings to the world of political realities.

This analysis was designed to help the Teacher Retirement System of Texas (TRS) learn more about the health of TRS annuitants, the impact of inflation on TRS annuities, and how retirement systems in other states pay for cost-of-living adjustments in their annuities. It is the product of a policy research project conducted at the LBJ School during the academic year 1985-86.

The curriculum of the LBJ School is intended not only to develop effective public servants but also to produce research that will enlighten and inform those already engaged in the policy process. The project that resulted in this report has helped to accomplish the first task. it is our hope and expectation that the report itself will contribute to the second.

Finally, it should be noted that neither the LBJ School nor The University of Texas at Austin necessarily endorses the view or findings of this study.

Max Sherman
Dean

PREFACE

Mr. Bruce Hineman, Executive Secretary of Teacher Retirement System of Texas, and his staff generously shared their time and skills with the research team. They were gentle but effective in guiding our research along paths most useful to them. They created an excellent research environment for the graduate students on the research team. That environment permitted students to learn the technical aspects of conducting survey research while appreciating the everyday challenges public officials face in balancing the competing demands of their different constituencies.

The research team took care to collect data and report the results of its research. However, the sheer volume of data we collected and the number of changes we made in that data to be able to use it increased the chance for errors. We apologize for errors that might appear; they are ours, as are the interpretations and opinions expressed throughout this report. This report does not necessarily reflect the views of the University of Texas or officials of the Teacher Retirement System of Texas.

Lodis Rhodes, Research Director

EXECUTIVE SUMMARY

The *average* Texas Teacher Retirement System (TRS) annuitant is a 70-year-old white female who taught school for 26 years and has been retired for 9 years. She lives with her spouse in a single family house, has monthly income of $1,300 and monthly expenses of $640. She receives a Social Security annuity in addition to her TRS annuity. She qualified for her Social Security annuity 41% of the time based on her own employment record and 42% of the time she qualified for the annuity based on her spouse's employment record. She is reasonably healthy, has at least one health insurance policy in addition to Medicare, and has not seen a doctor or spent time in a hospital during the last 12 months.

The typical state teacher retirement system provides *ad hoc* cost of living adjustments (COLAs). The COLAs are usually funded by a combination of "excess earnings" from investment funds and state appropriations. Automatic COLAs are funded by increasing employer and/or employee contributions. Seventeen systems use a combination of automatic and *ad hoc* COLAs to increase annuities. The typical system using automatic and *ad hoc* COLAs pegs the automatic COLA to the Consumer Price Index and caps the increase at 3% of the original annuity. The *ad hoc* COLA is then used as an "equity payment" for those who have been retired for the longest period of time. Few retirement systems provide "state" paid health insurance for retirees. In addition, most systems do not maintain the type of historical records of increases in annuities needed to assess their performance in maintaining the buying power of annuities or to determine the most equitable way to distribute COLAs.

We recommend that TRS develop an ongoing opinion research program to provide data on annuitants' buying power and preferences for TRS services. TRS now has the technical and computer capability to conduct an opinion research program which would provide invaluable information in the future about annuitants and active members.

FACT SHEET

Data for the survey of TRS annuitants were collected using a random sample of 1,280 of the 79,318 names of annuitants on the TRS benefit roster. Percentages are based on analysis of 818 completed, usable questionnaires. This is a 64% response rate for the survey.

Annuitants:	95% Service Retiree
	25% Beneficiary
	54% Teachers
	9% Administrators
	6% Support Staff
	2% Aide
	7% Clerical
Employment:	16% Worked for salary during last year
Age:	50% older than 70
	12% 80 years or more
	4% 85 years or more
Race:	90% White
	7% Black
	2% Hispanic
Sex:	76% Female
	24% Male
Household:	53% Live with spouse
	36% Live alone
Housing:	85% Live in single-family home
	8% Live in apartment or duplex
	3% Live in a nursing home

Medicare and Other Health Insurance

Social Security:	74% Receive Social Security
	83% Eligible/covered by Social Security
	41% Eligible by own employment
	42% Eligible by spouse's employment
Medicare:	74% Covered by Medicare
Private Health Insurance:	83% Insurance other than Medicare
	11% Eligible for care from VA hospital
Monthly Premium:	$81 Average health insurance premium

Income and Expenses

Monthly Income:	$1,300 Average monthly income
	$1,018 Median monthly income
	$ 478 Average monthly TRS annuity
	$ 338 Median TRS annuity
	$ 306 Median Social Security pension
Monthly Expenses:	$640 Average monthly expenses
	$470 Median monthly expenses
	$ 94 Average for health insurance/medicine
	$ 60 Median for health insurance/medicine

Well-being

Overall Health:	52% Rate own health good to excellent
Doctor visits:	44% Must see doctor on a regular basis
Prescription Medicine:	62% Need prescription medicine

Retirement Systems

Cost of Living Adjustments	
Automatic	32 systems
Automatic only	13 systems
Ad Hoc	35 systems
Ad Hoc only	17 systems
Combination	17 systems
Funding COLAs	
State appropriations	23 systems
Excess earnings	17 systems
Employer Contributions	19 systems
Member Contributions	16 systems
Retiree Health Insurance	19 systems provide or require districts to provide health insurance

Texas School Districts

Participate in Social Security	17%

CHAPTER 1

RESEARCH QUESTIONS AND FINDINGS

This paper reports the results of a research project conducted for the Teacher Retirement System of Texas (TRS) by a research team of two faculty members and ten graduate students from the Lyndon B. Johnson School of Public Affairs of the University of Texas at Austin (LBJ School). The research team surveyed a random sample of 1280 TRS annuitants and the teacher retirement systems of other states. The team surveyed annuitants to examine the economic status of Texas public school retirees, including assessing their TRS benefits, Social Security coverage, and health insurance and/or Medicare benefits. It surveyed retirement systems in other states to explore how those systems increase annuities (provide cost of living adjustments, or COLAs). The team had a twofold interest in other retirement systems: to see whether the systems provided automatic or *ad hoc* COLAs and to determine the method they used to pay for the higher annuities.

The 69th Texas Legislature passed Senate Bill 387 (Texas Public School Retired Employees Group Insurance Program), requiring TRS to design and implement a group health insurance program for retirees by September 1986. The new health insurance program adds a long-sought benefit for TRS retirees. In addition, legislative approval for the program presented a well-timed opportunity for TRS to learn more about public school retirees and the practices of retirement systems in other states. TRS took advantage of the opportunity by developing the following scope of work for the research team.

1.1 TRS RESEARCH REQUEST

TRS's research request to the LBJ School revolved around four general areas: TRS benefits, social security, health insurance, and the COLAs and health care benefits provided by retirement systems in other states. TRS asked for answers to the following questions.

TRS Benefits

- How has inflation affected TRS annuities?
- What methods should be used to provide post-retirement increases that maximize the purchasing power of TRS annuities?
- What *ad hoc* increases have been granted in the past and how have they been funded?

- What percentage of total retiree income is provided by TRS benefits?

Social Security

- How many TRS annuitants receive a Social Security annuity?
- How many annuitants receive a Social Security annuity based on their own employment record?
- How many annuitants receive Social Security benefits based on their spouse's employment record?
- How many TRS early age retirees will become eligible for a Social Security benefit at age 62 or age 65?
- How many TRS retirees are eligible for Medicare and what is the monthly Medicare premium?
- How many TRS annuitants receive Supplemental Security Income benefits and are eligible for Medicaid?

Health Insurance

- How many annuitants are covered by a former employer's group health insurance program, what coverage do they have, and how much is the monthly premium?
- Do TRS annuitants purchase health insurance from other than a former employer?
- How much do TRS annuitants pay for health insurance?
- How much did TRS annuitants spend on medical care during the last 12 months?
- What percent of annuitants' medical costs are paid by insurance?

Retirement Systems

- What types of COLAs are provided by other systems and how are they funded?
- What features should be incorporated in a long-term program of post-retirement increases?

- Do other state systems provide or require school districts to provide health insurance for retirees?

We answered each question. Using written questionnaires mailed to each respondent, we surveyed a random sample of TRS annuitants. We used a mail survey because we were able to collect more data from a larger number of respondents at less cost than would be possible using other means. The larger sample size also ensured that the data collected provided a statistically valid, representative picture of the TRS annuitant population. We also conducted telephone interviews with the executives of all the other state retirement systems.

We discuss each question, the data we collected to answer it, and our observations about the underlying policy and program issues in the rest of this chapter. Chapter 2 describes the research design and questionnaires we used in our study. It also includes tables and tabulations of the data for each questionnaire. The final chapter is a short discussion of the broader policy and management issues we explored before we executed our research.

1.2 ANSWERS AND OBSERVATIONS

TRS Benefits

The TRS benefit is 37% of the monthly income for the average TRS annuitant. However, the 37% figure hids the fact that the TRS benefit is the only income for 29% of annuitants and that 4% of TRS annuitants have incomes which qualify them for SSI. Moreover, 54% of annuitants consider the TRS benefit their most important and stable source of income. Seventy percent of TRS annuitants rely exclusively on a combination of TRS and Social Security benefits for their income. The average TRS annuitant has a monthly income from all sources of $1,300 per month or $15,600 a year. While we refer to the average TRS annuitant, we also hasten to point out that percentages and averages cannot reveal the true human condition of annuitants, especially those at the low end of the income distribution.

Although the data clearly indicate that inflation reduces the buying power of annuities, especially how much health care they can buy, we could not answer the key question about the impact of inflation on TRS annuities. To answer that question required us to select a baseline year to use as the standard to measure increases in annuities and in inflation. We also needed an accurate record of when an annuity was increased for an individual, how much it was increased, and the reason for the increase. Unfortunately, there was no way to construct this data base to give an accurate history of benefits for an individual annuitant. TRS records, for the most part, show only the amount of the current monthly annuity. We also quickly realized that assessing the impact of inflation on aggregate TRS benefits has limited meaning and utility. The reality is that TRS cannot

realistically expect to generate the money required to fully compensate all annuitants for the loss of buying power caused by inflation. A more realistic tactic, and one which TRS seems to pursue, is to increase annuities whenever economically possible even if the increases do not fully compensate annuitants for the impact of inflation.

A statement about the aggregrate impact of inflation on TRS annuities assumes that individual annuitants are more alike than they are different. It also assumes that differences among annuitants in the current value of their annuities are caused by voluntary career decisions or by the eroding effect of inflation. Both assumptions are faulty. Significant differences occur by race and gender among current annuitants in preretirement incomes, service credits, and the option they choose to collect their benefit. This is no surprise since discrimination prevented ethnic minorities and many women from freely choosing their career paths or working conditions. The effects of discrimination show up in the annuities of all current TRS retirees. Some retirees are victims in that their annuities are lower than they otherwise would be if there had been no race and gender discrimination. Other retirees benefit from higher annuities because they enjoyed more favorable careers at the expense of restricted opportunities for victims who would have competed with them for better paying, more secure jobs. However, the effect of that past discrimination on annuities is hidden in the seemingly race and gender neutral formulas used to set TRS annuities. As a result, the size of the gap in the amount of annuities between the financially advantaged and the disadvantaged annuitant is caused in part by the formulas.

When formulas are used in the policy arena as devices to allocate money, it is important to understand them as statements of political calculations and consensus. The formulas are neither neutral in intent nor even-handed in impact. Preretirement income, service credits, and individual decisions of how and when one choses to collect an annuity are the key elements determining the ultimate financial benefit received from TRS. Formulas that use aggregate totals such as income and service credits, and then use those totals as the sole basis to set annuities have a compounding effect over time. That is, according to the formula, as salary and job tenure (job security) increase, the annuity increases. There is no question that using the formula is convenient. It avoids political debate on the moral obligation to offset the negative economic impact of past discrimination on some annuities. Also, using the formula does not account for lack of choice in career decisions. Lack of choice is also an important factor determining amount of salary or service credits. When career choices have been limited by race and sex discrimination, it is appropriate for public officials to take into account that past discrimination when they consider the issue of fairness in setting retirement benefits.

In short, formulas can play an important, although unintended, role in widening the gap between financially advantaged and disadvantaged annuitants. Inflation depresses buying power, but it does so differently for the advantaged and

the disadvantaged. Therefore, it is important to understand the interplay between the career choices annuitants made before they retired and the formulas used to set annuities. While focusing on inflation as the centerpiece of the argument for COLAs is a wise tactical move, it does not address the more critical need to re-evaluate formulas used to set annuity rates.

Although our data do not permit empirically supported statements about the impact of inflation on aggregate TRS benefits, they do suggest that inflation has the greatest impact on TRS annuitants in the area of medical and health care expenses. These expenses consume 15% of the monthly income of an essentially healthy population. They are second only to the 21% of income consumed by housing expenses for TRS annuitants (67% of annuitants own their homes free of mortgage obligations) and have been more susceptible to higher rates of inflation than other living costs. It is also easy to understand how a relatively minor, short-term illness can become catastrophic for TRS annuitants.

Officials seeking ways to increase annuities face three major challenges. One is increasing the amount of the initial annuity as it compares with preretirement salary. The goal is for the annuity to replace a higher percentage of preretirement salary. Under the current law, an active member can receive an annuity that replaces up to 60% of the average of the best three years of his or her pre-retirement salary if the member has at least 30 years of service credits. The average TRS retiree accumulated 26 years of service credits. This means the 60% threshhold is more a symbol than an economic fact. It also means an annuitant starting below the 60% threshold will lose even more economic ground against the 60% replacement rate and against inflation. This is because the *ad hoc* COLAs granted by TRS have not maintained the original replacement rate of the original annuity or checked the erosion in the buying power of the TRS annuity caused by inflation. If most annuitants begin below the 60% threshold, the second challenge is to rethink 30 years as the trigger for the 60% replacement rate. A more realistic, though expensive, option may be to reduce the period to 25 years. The third challenge facing officials is twofold. TRS officials would have to unravel the compounding effects of the formula on current annuities in cases where race and sex discrimination have clearly disadvantaged some annuitants. The other is for TRS officials to account for the different effects of inflation on a TRS member who approaches retirement and spends the initial retirement years during a cycle of steeply rising inflation rates and one who approaches retirement and retires during cycles of low inflation rates.

Officials may need to rethink who should pay for the basic annuity, COLAs, and the obligation to correct for past race and gender discrimination. Each seems to be an element in annuity payments. However, it is possible and desirable to have a clearer picture of who is and who should be paying for each element. The underlying rationale of most pension systems is that each generation of workers is responsible for paying for its own benefits through increased contribution rates

during its working years. In addition, the rationale implies that service in the public sector is rewarded by job security and attractive retirement benefits. It may be time to modify the rationale to account for the increased job mobility of workers and to formally set an attainable replacement rate to become the minimum defined benefit for a TRS annuity. This would leave a clearer obligation and strategy that TRS active members could begin using to self-insure their retirement benefits against inflation. In short, the state, through a combination of employee and state appropriations seems obliged to pay for the basic benefit. The employee can decide if he or she wants the protection of COLA "insurance". If the employee wants that protection, he or she should be expected to pay for it through an incremental contribution to the retirement fund. Finally, the state is morally obligated to correct the economic effects of past discrimination on the annuities of current retirees.

The most equitable approach to granting COLAs is a combination of automatic and *ad hoc* adjustments funded through pension accounts which are separate from those funding the basic annuity benefit. Consistent with the philosophy that each generation of members should pay for its own benefits, the separate fund for automatic COLAs should be accumulated by increased worker contributions. The contributions should be scaled to provide a minimum percentage increase in annuity and a voluntary component which acts as "self-insurance" against inflation rates beyond the minimum percentage rate. *Ad hoc* COLAs should be funded by state appropriations and by excess earnings from investment funds. The purpose of *ad hoc* COLAs is to maintain the replacement rate of the original annuity and to resolve structural inequities in TRS benefit programs.

Social Security

TRS officials decided a cost-effective health program must assume that most TRS annuitants are covered by Medicare. In fact, 83% of TRS annuitants are eligible for Social Security and 74% are currently covered by Medicare. Not surprisingly, 74% of TRS annuitants also receive Social Security benefits. Forty-one percent of annuitants qualified for Social Security based on their own employment record and 42% qualified based on a spouse's employment record. Although the overall picture on Medicare coverage is encouraging, it is also noteworthy that 9% of annuitants have incomes which qualify them for Medicaid. The data suggest that approximately 5-7% of TRS annuitants do not or will not qualify for either Social Security benefits or Medicare. There is also a small number of TRS annuitants who do not qualify for Social Security but have chosen to participate in the Medicare program; our data show less than 1% of annuitants are in this category.

Health Insurance

Most TRS annuitants (85%) have at least one health insurance policy *in addition* to Medicare coverage. Of these annuitants 24% have continued participating in the group plan offered by their former school district; 8% are covered by health plans of employers other than a school district. Most annuitants in this group work for state agencies, universities, and post-secondary institutions.

The average TRS annuuitant pays $81 per month or approximately 6% of his or her annual income for health insurance; half of the annuitants pay $55 or less per month for health insurance. In cases where an annuitant incurred medical expenses beyond insurance premiums, he or she paid an average of $804 for medical care during the last 12 months.

Other Retirement Systems

Retirement systems in other states seem evenly divided between those using automatic and those using *ad hoc* methods to increase annuities: 32 use automatic methods and 35 use *ad hoc* techniques. Obviously, some systems (17) combine the two approaches. However, our survey and phone interviews with pension officials in other states revealed that one system's automatic increase is another's *ad hoc* increase. The distingishing feature of the two methods seems to be the type of decision a state legislature must make to increase an annuity. For example, some systems are bound by statutes to increase annuities. However, the statute allows the legislature to decide how to fund the increase. In one sense, this can be considered an automatic COLA. It specifies the conditions which invoke an increase and the conditions are set out in legal statutes, thus removing the issue of whether to grant an increase from continuous legislative brokering. There is also an *ad hoc* feature in this approach. It restricts the active legislative debate to *ad hoc* choices of how to fund the increase.

As for funding COLAs, most systems use a combination of excess earnings and state appropriations to increase annuities. They also seem inclined to avoid increasing the system's base annuity. In this regard, many states distribute a portion of excess earnings to annuitants as a 13th check. The gesture is quite visible to annuitants. It tells annuitants the system is providing an extra benefit. More importantly, the technique avoids the economic uncertainty of a commitment to maintain the increase or grant others in the future.

1.3 ANNUITANT SURVEY AND ANSWERS

The percentages listed below are averages for each response. In some cases the total percentage is not 100% because all respondents did not answer a specific question. For values given in dollars we include the average and median values.

I. BACKGROUND INFORMATION

1. Sex? (check one)	
Male	24%
Female	76%
2. Age(in years)?	70 yrs
3. What is your marital status?	
Single	8%
Married	54%
Divorced	4%
Widow(er)	33%
Separated	<1%
4. Have you worked for a salary during the last 12 months?	
Yes	16%
No	84%
5. About how many hours per day do you usually work when you do work?	7 hrs
6. Does your spouse work for a salary?	
Yes	16%
No	84%
7. Are you a retired TRS member?	
Yes	95%
No	5%
8. How many total years did you attend school and (if applicable) college?	14 yrs
9. Who is your beneficiary? (check one)	
Your spouse	56%
Your child under age 25	1%
Your child over age 25	28%
Other(specify)	13%

10. Are you the beneficiary of a TRS member?

Yes	25%
No	74%

11. How would you describe the place where you live?

One-family house	85 %
Duplex or apartment	8%
Nursing home	3%
Other(specify)	4%

12. With whom do you live? (check one)

No one	36%
Spouse	53%
Other(specify)	10%

13. What is your race?

White	90%
Black	7%
Hispanic	2%
Other	<1%

14. Did the school district from which you retired participate in the Social Security program? (check one)

Yes	17%
No	76%
Not applicable	1%
Don't know	4%

15. Are you or will you be eligible for Social Security? (check one)

Because of your employment	41%
Because of your spouse's employment	42%
Not eligible for Social Security	14%

16. Do you receive a monthly payment from Social Security?

Yes	74%
No	19%
Not eligible for Social Security	5%

17. Please give the dollar amount of your monthly Social Security payment.

Average	$339
Median	$306

18. Do you receive a Social Security payment as a (check one)?

Pension benefit	67%
Survivor benefit	32%
Disability benefit	1%

19. Do you receive SSI (Supplemental Security Income)?

Yes	4%
No	94%

20. What was your job or position just before you retired?

Teacher	54%
Administrator	9%
Support Staff (Counselor, Nurse, Librarian)	6%
Aide	2%
Clerical (Secretary or Admin. Ass't)	7%
Auxiliary Staff (Maintenance, Cafeteria, Bus Driver)	18%

21. How many years of Teacher Retirement System service credit (including purchased service) did you have when you retired?

26 yrs

22. Was your service continuous? (check one)

Yes	63%
No	37%

23. Did you purchase service credits because you did not have continuous service? (check one)

Yes	19%
No	62%
Not applicable	12%

24. Did you purchase service credits due to having served in the U. S. military? (check one)

Yes	14%
No	68%
Not applicable	13%

25. What was your age when you retired?

62 yrs

26. How many years have you received retirement benefits from TRS?

9 yrs

II. HEALTH INSURANCE/MEDICARE COVERAGE

27. The scale below represents the degree of health insurance coverage a person feels he or she has.

(adequacy of insurance coverage)

100% 75% 50% 25% 0%

For example, someone toward the left end of the scale (around 100%) feels he or she has adequate coverage; a position toward the scale's right end (around 0%) is considered inadequate coverage. Please rate how adequate you feel your insurance coverage is by selecting the percentage which best represents the degree of health insurance you think you have and write that percentage in this space.

65% of respondents rate coverage at 70% or better

28. Are you now covered by Medicare?

Yes	74%
No	26%

29. Do you have group or private health insurance other than Medicare?

Yes	85%
No	14%

30. Do you have health insurance other than Medicare because you are covered by your spouse's health insurance?

Yes	24%
No	75%

31. Do you have Medicare, Part A (Hospitalization)?

Yes	73%
No	27%

32. Do you have Medicare, Part B (Doctors' Expenses)?

Yes	72%
No	28%

33. Is your group health insurance policy through (check one)?

Your school district	24%
An employer other than a public school district	8%
An association like the American Association of Retired Persons(AARP)	22%
Other(specify)	26%
Not applicable	13%

34. How many health insurance policies other than Medicare do you have?

Respondents reporting at least one policy	54%
No health insurance other than Medicare	22%

35. Would you prefer to consolidate your other health insurance coverage (not Medicare) under TRS?

Yes	42%
No	17%
No health insurance policies	9%
Don't know	32%

36. Are you eligible to receive medical care through a VA(Veterans Administration) hospital?

Yes	11%
No	84%

37. Does your other health insurance (not Medicare) pay part of your hospital bill?

Yes	83%
No	5%
Not applicable	6%
Don't know	3%

38. Does your other health insurance (not Medicare) pay part of your doctor's bill?

Yes	76%
No	10%
Not applicable	6%
Don't know	5%

39. Do you have to pay a deductible amount for your other health insurance (not Medicare)? (check one)

Yes	56%
No	24%
Not applicable	8%
Don't know	10%

40. How much is the deductible?

90% of respondents report deductible less than $250
Average deductible is $109

41. Assume that TRS provided you with basic health insurance at no cost to you. How much would you be willing to pay per month for (additional, optional) coverage (for example, to decrease the deductible portion of hospitalization or doctors' costs you otherwise would have to pay)?

48% of respondents report not being willing to pay for insurance.

42. Are you currently covered by Medicaid?

Yes	9%
No	84%
Don't know	4%

III. RETIREE WELL-BEING

43. The scale below represents a person's general health.
(general health)

100%	75%	50%	25%	0
Excellent			Poor	

For example, someone who felt his or her general health was quite good would place himself or herself toward the left end of the scale; the right end of the scale represents poorer general health. Rate your general health by writing in a percentage number from 0-100% in this space. (do not mark on the scale)

35% of respondents report health at 75% or higher

44. Do you have special medical equipment like a wheelchair or an artificial device like a pacemaker or hip joint to replace a missing part of your body?

Yes	10%
No	89%

45. Please list the type of medical equipment or device you have. (Wheelchair, walkers, and pacemaker most frequently listed)

46. Do you have a continuing health problem which requires you to see a doctor on a regular basis?

Yes	44%
No	55%

47. Do you have a continuing health problem which requires you to take prescription medicine on a regular basis?

Yes	61%
No	37%

48. How many times have you seen a doctor in the last 12 months?

50% of respondents see doctor 3 times or less per year
90% of respondents see doctor 10 times or less per year

49. If you did not see a doctor during the last 12 months, was it because?

You were not sick	91%
Sick but could not afford to see a doctor	1%
Sick but had no way to get to the doctor	<1%

50. What is the total number of days you spent in the hospital during the last 12 months?

76% of respondents spent 0 days in hospital.

4 days is the average hospital stay.
3% of respondents spent 15 or more days in hospital.

51. Do you have diabetes?

Yes	6%
No	92%

52. Do you have hypertension (high blood pressure)?

Yes	36%
No	61%

53. Do you have a problem related to your heart?

Yes	18%
No	78%

54. Have you been treated for cancer in the last 5 years?

Yes	8%
No	90%

55. Do you have difficulty moving about your house?

Yes	14%
No	84%

56. Do you have difficulty getting dressed?

Yes	10%
No	90%

57. Have you been out of your house to shop, visit friends, or socialize in the last 4 weeks?

Yes	91%
No	8%

58. Do you receive regular physical or medical therapy treatments?

Yes	10%
No	87%

59. Please list the type of therapy treatments you receive.

60. Have you moved within the last two years?

Yes	10%
No	88%

IV. Retirement Income and Sources.

61. Do you receive income other than your TRS or Social Security payment?

Yes	70%
No	29%

62. Please check each source of income if you receive money from that source.

Interest/Dividends from savings, stocks, bonds	73%
Pension/benefits other than TRS or Social Security	5%
Business or personal services	4%
Rentals (boarders, real estate, etc.)	6%
Family/friends	1%
Other(specifiy)	3%

63. What is your most important source of income(check one)?

Interest/dividends	19%
Pension benefits other than TRS or Social Security	7%
TRS payment	54%
Social Security	12%
Business/personal services	2%
Other(specify)	4%

64. How much is your monthly TRS check?

Respondent reported average	$587
Respondent reported median	$522

65. How much income do you receive each month from sources other than TRS and Social Security?

Average	$374
Median	$150

66. How confident are you that Social Security can pay your benefits throughout your lifetime?

Very confident	23%
Somewhat confident	39%
Not confident	21%
Not applicable	13%

67. Do you own your home free and clear or is there a mortgage?

Free and clear	67%
Mortgage	17%
Not applicable	12%

68. How much do you think you could sell your house for in today's market?

$15,000 or less	8%
15,001-50,000	37%
50,001-75,000	21%
75,001 or more	17%

69. Did family members or friends help you pay some of your normal living expenses during the last 12 months?

Yes	14%
No	82%

70. Have you used money you've saved for emergencies to pay some of your normal living expenses during the last 12 months?

Yes	37%
No	59%

71. About how much do you pay per month for housing and utilities?

Average	$281
Median	$200

72. About how much do you pay per month for all your health insurance?

Average	$81
Median	$55

73. About how much have you paid per month for medical care (other than for health insurance) during the last 12 months?

Average	$67

74. If you live in a nursing home, about how much does it cost you per month?

Average	$851
Median	$1000

(A relatively small number of annuitants have spent time in a nursing home. The data cannot easy distinguish permanent from short term residents or the level of care a resident might receive. Both factors influence cost.)

75. About how much do you pay per month for food?

Average	$173
Median	$150

76. How much per month do you pay for transportation?

Average	$72
Median	$50

77. How much do you spend on prescription drugs each month?

Average	$33
Median	$15

V. TRS MEMBER SERVICES

78. How confident are you that TRS can pay your lifetime benefits?

Very confident	64%
Somewhat confident	21%
Not confident	3%
Don't know	9%

79. Do you read the Teacher Retirement Newsletter and brochures published by TRS?

Yes	87%
No	8%

80. Have you ever phoned or written to TRS to ask for information about your retirement benefits?

Yes	35%
No	61%

81. How well do you think you understood the retirement benefits provided by TRS before you retired?

Very well	59%
Somewhat	29%
Not well	8%

82. Did you meet with a TRS counselor to review your benefits before you retired?

Yes	43%
No	50%
Not applicable	2%

83. Did you attend any workshops or seminars on pre-retirement planning before you retired?

Yes	16%
No	78%
Not applicable	2%

84. Would you select the same retirement option if you could make that decision again?

Yes	83%
No	9%

85. In general, how would you rate your experiences with the TRS staff?

Excellent	56%
Good	24%
Adequate	7%
Inadequate	<1%
Poor	<1%
Not applicable	6%

86. Do you now feel you planned adequately for your retirement?

Yes	57%
No	18%
Not applicable	2%
Don't know	18%

87. Have you attended a retired teachers' meeting in the last 12 months where a TRS representative made a presentation?

Yes	13%
No	83%

88. Was the information presented by the TRS representative helpful?

Yes	21%
No	3%
Not applicable	56%

TRS RECORDS

89. Years of service?

Average	26 yrs.
Median	26 yrs.

90. Year of retirement?

91. Current monthly pay?

Average	$478
Median	$338

92. Original pay?

Average	$430
Median	$247

1.4 STATE RETIREMENT SYSTEMS SURVEY AND ANSWERS

TEACHERS' RETIREMENT SYSTEM OF ALABAMA

Members:	95,915
Annuitants:	20,905
Total:	116,820
Total Assets:	$3.23 billion
Cost of Living Adjustment:	
Ad Hoc:	Yes
Automatic:	No
Funding:	Excess earnings, state appropriations
Retiree Health Insurance:	Yes
Covered by Social Security:	Yes (100%)

ALASKA TEACHERS' RETIREMENT SYSTEM

Members:	9,034
Annuitants:	1,940
Total:	10,974
Total Assets:	$0.86 billion
Cost of Living Adjustment	
Ad Hoc:	Yes
Austomatic:	Yes
Funding:	Excess earnings
Retiree Health Insurance:	No
Covered by Social Security:	No

Summary: Original annuity increased yearly based on performance of pension fund; indexed to CPI and capped at 4%. Alaska residents eligible for additional 10% benefit.

ARIZONA STATE RETIREMENT SYSTEM

Members:	108,000
Annuitants:	26,000
Total:	134,000
Total Assets:	$3.65 billion
Cost of Living Adjustment	
Ad Hoc:	Yes
Automatic:	No
Retiree Health Insurance:	No
Covered by Social Security:	Yes (100%)

ARKANSAS TEACHER RETIREMENT SYSTEM

Members:	35,271
Annuitants:	10,269
Total:	45,540
Total Assets:	$1.22 billion
Cost of Living Adjustment	
Ad Hoc:	Yes
COLA:	Yes
Funding:	Lump sum state appropriation, excess earnings, increased employer contribution.
Retiree Health Insurance:	No
Covered by Social Security:	Yes (100%)

STATE TEACHERS' RETIREMENT SYSTEM OF CALIFORNIA

Members:	302,586
Annuitants:	103,803
Total:	406,389
Total Assets:	$15.20 billion

Cost of Living Adjustment

Ad Hoc:	Yes
COLA:	Yes
Funding:	Lump sum state appropriations.

Retiree Health Insurance: No

Covered by Social Security: Unknown

Summary: Original annuity increased yearly; indexed to CPI; increase range from 3-6%.

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

Members:	100,000
Annuitants:	26,000
Members:	126,000

Total Assets: $5.70 billion

Cost of Living Adjustment

Ad Hoc:	No
Automatic:	Yes
Funding:	Lump sum state appropriation, increased contributions

Retiree Health Insurance: Yes

Covered by Social Security: No

Summary: Original annuity increased yearly; indexed to CPI; rate of increase varies 3-6%.

CONNECTICUT TEACHERS RETIREMENT SYSTEM

Members:	39,085
Annuitants:	12,367
Total:	51,452

Total Assets: $2.15 billion

Cost of Living Adjustment

Ad Hoc:	Yes

Automatic:	Yes
Funding:	Automatic adjustment funded by separate fund of employee contributions.
Retiree Health Insurance:	Yes
Covered by Social Security:	No

DELAWARE STATE EMPLOYEES' PENSION PLAN

Members:	25,100
Annuitants:	7,114
Total:	32,214
Total Assets:	$1.10 billion
Cost of Living Adjustment	
Ad Hoc:	Yes
Automatic:	No
Retiree Health Insurance:	Yes
Covered by Social Security:	Yes (100%)

FLORIDA RETIREMENT SYSTEM

Members:	418,905
Annuitants:	78,986
Total:	497,891
Total Assets:	$8.33 billion
Cost of Living Adjustment	
Ad Hoc:	No
Automatic:	Yes
Funding:	Increased contribution rate.
Retiree Health Insurance:	No
Covered by Social Security:	Yes (100%)

TEACHERS' RETIREMENT SYSTEM OF GEORGIA

Members:	110,000
Annuitants:	23,892
Total:	133,892
Total Assets:	$4.10 billion
Cost of Living Adjustment	
Ad Hoc:	Yes
Automatic:	Yes
Funding:	Financed from increased contribution rate (when automatic), lump sum state appropriation (when ad hoc).
Retiree Health Insurance:	No
Covered by Social Security:	Unknown

HAWAII EMPLOYEES' RETIREMENT SYSTEM

Members:	45,191
Annuitants:	15,548
Total:	60,739
Total Assets:	$2.20 billion
Cost of Living Adjustment	
Ad Hoc:	No
Automatic:	Yes
Retiree Health Insurance:	Unknown
Covered by Social Security:	Yes (100%)

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF IDAHO

Members:	42,250
Annuitants:	13,559
Total:	55,809
Total Assets:	$0.68 billion

Cost of Living Adjustment

Ad Hoc:	No
Automatic:	Yes

Retiree Health Insurance: No

Covered by Social Security: Yes (100%)

ILLINOIS STATE TEACHERS' RETIREMENT FUND

Members:	98,428
Annuitants:	41,010
Total:	139,438

Total Assets: $4.30 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	Yes
Funding:	Lump sum appropriation, excess earnings

Retiree Health Insurance: Yes

Covered by Social Security: No

INDIANA STATE TEACHERS' RETIREMENT FUND

Members:	62,000
Annuitants:	25,000
Total:	87,000

Total Assets: $1.20 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	No
Funding:	Lump sum state appropriation, excess earnings

Retiree Health Insurance: Yes

Covered by Social Security: Yes (100%)

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Members:	130,000
Annuitants:	42,000
Total:	172,000
Total Assets:	$3.10 billion
Cost of Living Adjustment	
Ad Hoc:	Yes
COLA:	Yes
Funding:	Excess Earnings
Retiree Health Insurance:	No
Covered by Social Security:	Yes (100%)

KANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Members:	87,530
Annuitants:	33,000
Total:	120,530
Total Assets:	$2.30 billion
Cost of Llving Adjustment	
Ad Hoc:	Yes
Automatic:	No
Funding:	Lump sum state appropriation, excess earnings
Retiree Health Insurance:	No
Covered by Social Security:	Yes (100%)

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Members:	44,000
Annuitants:	17,000
Total:	61,000
Total Assets:	$2.00 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	Yes
Funding:	Excess earnings

Retiree Health Insurance: Yes

Covered by Social Security: No (7% - university personnel)

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA

Members:	85,262
Annuitants:	24,686
Total:	109,948

Total Assets: $2.16 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	No
Funding:	Lump sum appropriation and excess earnings

Retiree Health Insurance: No

Covered by Social Security: No (3%)

MAINE STATE RETIREMENT SYSTEM

Members:	42,176
Annuitants:	18,938
Total:	61,114

Total Assets: $0.85 billion

Cost of Living Adjustment

Ad Hoc:	No
Automatic:	Yes
Funding:	Increased contribution rate

Retiree Health Insurance: No

Covered by Social Security: No (8-10%)

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

Members:	174,707
Annuitants:	40,850
Total:	215,557
Total Assets:	$5.10 billion
Cost of Living Adjustment	
Ad Hoc:	No
COLA:	Yes
Retiree Health Insurance:	Yes
Covered by Social Security:	Yes (95%)

MASSACHUSETTS TEACHER RETIREMENT BOARD

Members:	70,000
Annuitants:	21,892
Total:	91,892
Total Assets:	$1.48 billion
Cost of Living Adjustment	
Ad Hoc:	Yes
Automatic:	No
Funding:	Lump sum appropriation
Retiree Health Insurance:	No
Covered by Social Security:	No

MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT SYSTEM

Members:	275,000
Annuitants:	63,000
Total:	338,000

Total Assets:	$7.90 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	Yes
Funding:	Excess earnings above 8%

Retiree Health Insurance:	Yes
Covered by Social Security:	Yes (100%)

Summary: Those who retired before 1/86 receive ad hoc post-retirement adjustments from the legislature. Those who retire after 1/87 receive annual 3% COLA if they contribute 4% of salary to the fund as active members; those who don't contribute will get ad hoc 13th checks without guarantee of frequency. Those retiring between those two dates will receive automatic 3% COLAs for their lifetimes.

MINNESOTA TEACHERS' RETIREMENT SYSTEM ASSOCIATION

Members:	50,000
Annuitants:	17,564
Total:	67,564

Total Assets:	$3.00 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	No
Funding:	Excess earnings over 5%

Retiree Health Insurance:	No
Covered by Social Security:	Unknown

PUBLIC EMPLOYEES RETIREMENT SYSTEM OF MISSISSIPPI

Members:	125,000
Annuitants:	25,295
Total:	150,295

Total Assets:	$2.40 billion

Cost of Living Adjustment

Ad Hoc:	Yes
COLA:	Yes
Funding:	Excess earnings

Retiree Health Insurance: No

Covered by Social Security: Yes (95%)

Summary: Annuity increased yearly; indexed to CPI; automatic COLA capped at 2.5%, ad hoc COLA capped at 1.5% and paid as 13th check. Ad hoc COLA depends on performance of investment fund.

PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI

Members:	57,468
Annuitants:	14,534
Total:	72,002

Total Assets: $2.80 billion

Cost of Living Adjustment

Ad Hoc:	No
Automatic:	Yes
Funding:	Increase employer and employee contributions

Retiree Health Insurance: No

Covered by Social Security: No (15%)

Summary: Original annuity increased 1% yearly beginning 4th year after retirement.

MONTANA TEACHER RETIREMENT SYSTEM

Members:	15,429
Annuitants:	5,700
Total:	21,129

Total Assets: $0.39 billion

Cost of Living Adjustment

Total Assets: $7.90 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	Yes
Funding:	Excess earnings above 8%

Retiree Health Insurance: Yes

Covered by Social Security: Yes (100%)

Summary: Those who retired before 1/86 receive ad hoc post-retirement adjustments from the legislature. Those who retire after 1/87 receive annual 3% COLA if they contribute 4% of salary to the fund as active members; those who don't contribute will get ad hoc 13th checks without guarantee of frequency. Those retiring between those two dates will receive automatic 3% COLAs for their lifetimes.

MINNESOTA TEACHERS' RETIREMENT SYSTEM ASSOCIATION

Members:	50,000
Annuitants:	17,564
Total:	67,564

Total Assets: $3.00 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	No
Funding:	Excess earnings over 5%

Retiree Health Insurance: No

Covered by Social Security: Unknown

PUBLIC EMPLOYEES RETIREMENT SYSTEM OF MISSISSIPPI

Members:	125,000
Annuitants:	25,295
Total:	150,295

Total Assets: $2.40 billion

Cost of Living Adjustment

Ad Hoc:	Yes
COLA:	Yes
Funding:	Excess earnings

Retiree Health Insurance: No

Covered by Social Security: Yes (95%)

Summary: Annuity increased yearly; indexed to CPI; automatic COLA capped at 2.5%, ad hoc COLA capped at 1.5% and paid as 13th check. Ad hoc COLA depends on performance of investment fund.

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Members:	15,429
Annuitants:	5,700
Total:	21,129

Total Assets: $0.39 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	No
Funding:	Increase contribution rate
Retiree Health Insurance:	No
Covered by Social Security:	Yes (99%)

NEBRASKA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Members:	25,864
Annuitants:	5,664
Total:	31,528
Total Assets:	$0.40 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	No
Funding:	Lump sum state apropriation
Retiree Health Insurance:	No
Covered by Social Security:	Yes (100%)

PUBLIC EMPLOYEES RETIREMENT SYSTEM OF NEVADA

Active Members:	42,000
Retired Members:	9,500
Total Members:	51,500
Total Assets:	$1.70 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	Yes
Funding:	Increase contribution rate
Retiree Health Insurance:	No
Covered by Social Security:	No

Summary: Original annuity increased 2% yearly.

NEW HAMPSHIRE TEACHERS' RETIREMENT SYSTEM

Members:	31,527
Annuitants:	7,502
Total:	39,029
Total Assets:	$0.83 billion
Cost of Living Adjustment	
Ad Hoc:	Yes
Automatic:	No
Funding:	Excess earning
Retiree Health Insurance:	No
Covered by Social Security:	Yes (90%)

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

Members:	107,429
Annuitants:	26,928
Total:	134,357
Total Assets:	$5.60 billion
Cost of Living Adjustment	
Ad Hoc:	No
Automatic:	Yes
Funding:	Lump sum state appropriations
Retiree Health Insurance:	No
Covered by Social Security:	Yes

NEW MEXICO EDUCATIONAL RETIREMENT SYSTEM

Members:	44,804
Annuitants:	9,734
Total:	54,538

Total Assets: $1.10 billion

Cost of Living Adjustment

Ad Hoc:	No
Automatic:	Automatic
Funding:	State lump sum appropriation, excess earnings

Retiree Health Insurance: No

Covered by Social Security: Yes (99%)

Summary: Annuity increased yearly; indexed at 50% rate of CPI; increase capped at 4%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM

Members:	178,516
Annuitants:	54,969
Total:	233,485

Total Assets: $14.12 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	No
Funding:	State appropriation and increased contribution rate

Retiree Health Insurance: No

Covered by Social Security: Yes (95%)

NORTH CAROLINA TEACHERS AND STATE EMPLOYEE RETIREMENT SYSTEM

Members:	198,000
Annuitants:	55,562
Total:	253,562

Total Assets: $7.60 billion

Cost of Living Adjustment

Ad Hoc:	No
Automatic:	Yes
Funding:	Increase contribution rate

Retiree Health Insurance: Yes

Covered by Social Security: Yes (100%)

Summary: Annuity increased yearly; indexed to CPI and annual increases in salary of active members.

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

Members:	9,077
Annuitants:	3,663
Total:	12,740

Total Assets: $0.23 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	No
Funding:	Increase Contribution Rate

Retiree Health Insurance: No

Covered by Social Security: Yes (95%)

STATE TEACHER RETIREMENT SYSTEM OF OHIO

Active Members:	162,792
Retired Members:	58,776
Total Members:	221,568

Total Assets: $9.50 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	Yes
Funding:	Lump sum state appropriation; increase contribution rate; excess earnings

Retiree Health Insurance: Yes

Covered by Social Security: No (estimated 75% covered)

Summary: Annuity increased yearly if CPI exceeds 3%. Ad hoc increase paid by 13th check and depending on performance of investment fund.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Members:	60,000
Annuitants:	19,986
Total:	79,986

Total Assets: $1.40 Billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	Yes
Funding:	State appropriation based on oil and gas well-head tax.

Retiree Health Insurance: No

Covered by Social Security: Yes (95%)

OREGON PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Members:	165,000
Annuitants:	47,000
Total:	212,000

Total Assets: $5.20 billion

Cost of Living Adjustment

Ad Hoc:	No
Automatic:	Yes
Funding:	Increase employer contribution rate

Retiree Health Insurance: Yes

Covered by Social Security: Yes (98%)

Summary: Annuity increased yearly not to exceed 2%.

PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Members:	200,000
Annuitants:	86,000
Total:	286,000
Total Assets:	$9.00 billion
Cost of Living Adjustment	
Ad Hoc:	Yes
Automatic:	No
Funding:	Increase contribution rate
Retiree Health Insurance:	No
Covered by Social Security:	Yes (100%)

EMPLOYEES' (TEACHERS) RETIREMENT SYSTEM OF RHODE ISLAND

Active Members:	10,016
Retired Members:	3,167
Total Members:	13,183
Total Assets:	$0.87 billion
Cost of Living Adjustment	
Ad Hoc:	No
Automatic:	Yes
Funding:	Excess earnings
Retiree Health Insurance:	No
Covered by Social Security:	Unknown

SOUTH CAROLINA RETIREMENT SYSTEMS

Members:	150,000
Annuitants:	35,000
Total:	185,000

Total Assets: $4.00 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	Yes
Funding:	Lump sum appropriation and excess earnings

Retiree Health Insurance: Yes

Covered by Social Security: Yes (100%)

Summary: Annuity increased yearly; indexed to CPI; capped at 4%. Ad hoc increase paid as 13th check.

SOUTH DAKOTA RETIREMENT SYSTEM

Members:	27,000
Annuitants:	8,300
Total:	35,000

Total Assets: $0.82 billion

Cost of Living Adjustment

Ad Hoc:	No
Automatic:	Yes
Funding:	Increase contribution rate

Retiree Health Insurance: No

Covered by Social Security: Yes (100%)

Summary: Original annuity increased yearly; indexed to CPI; capped at 3%.

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Members:	144,621
Annuitants:	44,944
Total:	189,565

Total Assets: $4.00 billion

Cost of Living Adjustment

Ad Hoc: Yes
Automatic: Yes
Funding: Increase employer contribution

Retiree Health Insurance: No

Covered by Social Security: Unknown

Summary: Annuity increased yearly; indexed to CPI, capped at 3%.

TEXAS TEACHER RETIREMENT SYSTEM

Members: 424,601
Annuitants: 100,000
Total: 524,601

Total Assets: $13.2 billion

Cost of Living Adjustment

Ad Hoc: Yes
Automatic: No
Funding: Excess earnings, state contribution

Retiree Health Insurance: Yes

Covered by Social Security: 83%

Summary: *ad hoc* increases in annuities

UTAH STATE RETIREMENT SYSTEM

Members: 62,615
Annuitants: 13,916
Total: 76,531

Total Assets: $1.90 billion

Cost of Living Adjustment

Ad Hoc: Yes
Automatic: Yes
Funding: Excess earnings, increased contribution rate

Retiree Health Insurance: No

Covered by Social Security: Yes (90%)

Summary: Annuity increased yearly; indexed to CPI; capped at 4%.

STATE TEACHERS' RETIREMENT SYSTEM OF VERMONT

Members:	8,400
Annuitants:	2,500
Total:	10,900

Total Assets: $0.23 billion

Cost of Living Adjustment

Ad Hoc:	No
Automatic:	Yes
Funding:	Lump sum state appropriation; increase contribution rate

Retiree Health Insurance: Yes

Covered by Social Security: No (5-10%)

Summary: The Vermont system was restructured in 1981 so that teachers who joined after that time do not contribute to the retirement fund. Their retirement is financed by the state and their employer. Currently, there are two plans in operation in Vermont--one for those who contribute to their retirement, Group A, and one for those who do not, Group B. The COLA benefits for Group B is only half what Group A receives. Group A receives one-half of the increase in the CPI up to 5%.

VIRGINIA SUPPLEMENTAL RETIREMENT SYSTEM

Members:	213,800
Annuitants:	44,309
Total:	258,109

Total Assets: $3.90 billion

Cost of Living Adjustment

Ad Hoc:	No
Automatic:	Yes

Summary: Annuity increased yearly; indexed to CPI; capped at 7%, full

coverage to 3% then 50% of inflation rate between 3-7%.

TEACHERS' RETIREMENT SYSTEM OF WASHINGTON

Members:	46,868
Annuitants:	20,802
Total:	67,670
Total Assets:	$1.90 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	Yes
Funding:	Lump sum state appropriation; increase employer contribution

Retiree Health Insurance: No

Covered by Social Security: Yes (100%)

Summary: Annuity increased yearly; indexed to CPI; capped at 3%.

WEST VIRGINIA STATE TEACHERS' RETIREMENT SYSTEM

Members:	49,063
Annuitants:	18,000
Total:	67,063
Total Assets:	$0.29 billion

Cost of Living Adjustment

Ad Hoc:	Yes
Automatic:	No
Funding:	State appropriation

Retiree Health Insurance: Yes

Covered by Social Security: Yes

WISCONSIN RETIREMENT SYSTEM

Members:	190,000
Annuitants:	54,000
Total:	244,000
Total Assets:	$12.00 billion
Cost of Living Adjustment	
Ad Hoc:	Yes
Automatic:	No
Funding:	Excess earnings
Retiree Health Insurance:	Yes
Covered by Social Security:	Yes (90%)

WYOMING RETIREMENT SYSTEM

Members:	31,749
Annuitants:	6,829
Total:	38,578
Total Assets:	$0.79 billion
Cost of Living Adjustment	
Ad Hoc:	Yes
Automatic:	No
Funding:	Lump sum state appropriation
Retiree Health Insurance:	No
Covered by Social Security:	Yes (99.9%)

PROFILE '86
State Teacher Retirement Systems

System	Members	Assets	COLA		Funding	Unfunded Liability		Health Insurance		Social Security		Historical Record		Summary
			Automatic	Ad hoc	(SA,EE,MC,EC)	yes	term	yes	no	yes	no	yes	no	
AL	T 116,820 M 95,915 A 20,905	3.23b		X	SA, EE	X	30	X		X		X		
AK	T 10,974 M 9,034 A 1,940	.86b	X	X	EE	X	25		X		X	X		Original annuity increased based on performance of fund; indexed to CPI and capped at 4%. Alaska residents eligible for additional 10% benefit.
AZ	T 134,000 M 108,000 A 26,000	3.65b		X		X			X	X		X		
AR	T 45,540 M 35,271 A 10,269	1.22b	X	X	SA, EE, EC	X	30		X	X			X	Original annuity increased yearly at 3% after 1 year.
CA	T 406,389 M 302,586 A 103,803	15.20b	X	X	SA	X	40		X		X			Original annuity increased yearly at 2% after 1 year. Ad hoc adjustments increase amortization to 60 years.
CO	T 126,000 M 100,000 A 26,000	5.70b	X		SA, MC, EC	X		X			X			Original annuity increased yearly; indexed to CPI; capped at 3%
CT	T 51,452 M 39,085 A 12,367	2.15b	X	X	SA, MC	X	40	X			X			Original annuity increased yearly; indexed to CPI; 3-6%

Legend:

T = Total
M = Active Members
A = Annuitants

Assets: In billions

Funding:
SA = State Appropriation
GE = Excess Earnings
MC = Member Contribution
EC = Employer Contribution

PROFILE '86
State Teacher Retirement Systems

System	Members	Assets	COLA		Funding	Unfunded Liability		Health Insurance		Social Security		Historical Record		Summary
			Automatic	Ad hoc	(SA,EE,MC,EC)	yes	term	yes	no	yes	no	yes	no	
DE	T 32,214 M 25,100 A 7,114	1.10b		X		X	40	X		X 100%		X		
FL	T 497,891 M 418,905 A 78,986	8.33b	X		MC, EC	X	30		X	X			X	Annuities must be fully funded. COLA based on CPI; capped at 3%, if CPA < 3% = CPI.
GA	T 133,892 M 110,000 A 23,892	4.10b	X	X	SA, ME, EC	X	30		X			X		Annuity increased every 6 months; indexed CPI; capped at 1.5%.
HI	T 60,739 M 45,191 A 15,548	2.20b	X			X				X				
ID	T 55,809 M 42,250 A 13,559	.68b	X						X	X				
IL	T 139,438 M 98,428 A 41,010	4.30b	X	X	SA, EE	X		X			X	X		Original annuity increased yearly by 3%; legislature makes additional ad hoc equity adjustments.
IN	T 87,000 M 62,000 A 25,000	1.20b		X	SA, EE	X	40	X		X 100%		X		Retiree pays all health insurance premium.

PROFILE '86

State Teacher Retirement Systems

System	Members	Assets	COLA		Funding	Unfunded Liability		Health Insurance		Social Security		Historical Record		Summary
			Automatic	Ad hoc	(SA,EE,MC,EC)	yes	term	yes	no	yes	no	yes	no	
IA	T 172,000 M 130,000 A 42,000	3.10b	X	X	EE	no			X	X 100%			X	
KS	T 120,530 M 87,530 A 33,000	2.30b		X	SA, EC	X	40		X	X 100%			X	
KY	T 61,000 A 41,000 B 17,000	2.00b	X	X	EE	X	35	X			X 7%		X	Annuity increased yearly; indexed to CPI; 1% increase applied to first $1,000 of benefit.
LA	T 109,948 M 85,262 A 24,686	2.16b		X	SA, MC, EC	X			X		X 3%	X		
ME	T 61,114 M 42,176 A 18,938	.85b	X		MC, EC	X	15		X		X 10%		X	Annuity increased yearly; indexed to CPI.
MD	T 215,557 M 174,707 A 40,850	5.10b	X			X	34	X		X 95%		X		Annuity increased yearly; indexed to CPI.
MA	T 91,892 M 70,000 A 21,892	1.48b		X	SA	X	40		X		X		X	

PROFILE '86
State Teacher Retirement Systems

System	Members	Assets	COLA		Funding (SA,EE,MC,EC)	Unfunded Liability		Health Insurance		Social Security		Historical Record		Summary
			Automatic	Ad hoc		yes	term	yes	no	yes	no	yes	no	
MI	T 338,000 M 275,000 A 63,000	7.90b	X	X	MC, EE	X	50	X		X 100%			X	Automatic increase in annuity funded by 4% MC. Excess earnings must exceed 8% for ad hoc increase; paid as 13th check.
MN	T 67,564 M 50,000 A 17,564	3.00b		X	EE	X	25		X			X		
MS	T 150,295 M 125,000 A 25,295	2.40b	X	X	EE	X			X	X 95%			X	Annuity increased yearly; indexed to CPI; automatic COLA capped a 2.5%, ad hoc increase as 13th check based on investment performance.
MO	T 72,002 M 57,468 A 14,534	2.80b	X		MC, EC	X	25		X		X 15%	X		Original annuity increased yearly after 4 years, 1% per year.
MT	T 21,125 M 15,429 A 5,700	.39b		X	MC, EC	X			X	X 99%				
NE	T 31,528 M 25,864 A 5,664	.40b		X	SA	X			X	X 100%				Pay-as-go system.
NV	T 51,500 M 42,000 A 9,500	1.70b	X	X	MC, EC	X	40		X		X	X		Original annuity increased 2% yearly.

PROFILE '86
State Teacher Retirement Systems

System	Members	Assets	COLA		Funding	Unfunded Liability		Health Insurance		Social Security		Historical Record		Summary
			Automatic	Ad hoc	(SA,EE,MC,EC)	yes	term	yes	no	yes	no	yes	no	
NH	T 39,029 M 31,527 A 7,502	.83b		X	EE	X	20		X	X 90%			X	
NJ	T 134,357 M 107,429 A 26,928	5.60b	X		SA	no			X	X		X		
NM	T 54,538 M 44,804 A 9,734	1.10b	X		SA, EE	X	22		X	X 95%		X		Annuity increased annually; indexed at 50% of CPI and capped at 4%.
NY	T 233,485 M 178,516 A 54,969	14.12b		X	SA, MC, EC	X	25		X	X		X		
NC	T 253,562 M 198,000 A 55,562	7.61b	X		MC, EC	X	18	X		X 100%			X	Annuity increased; indexed to CPI and salary increases of active members.
ND	T 12,740 M 9,077 A 3,663	.23b		X	EE	X	21		X	X 95%		X		
OH	T 286,612 M 162,792 A 58,776	9.50b	X	X	SA, EE, MC, EC	X	39	X		X 75%		X		Annuity increased yearly if CPI exceeds 3%. Ad hoc increased by 13th check.

PROFILE '86
State Teacher Retirement Systems

System	Members	Assets	COLA		Funding	Unfunded Liability		Health Insurance		Social Security		Historical Record		Summary
			Automatic	Ad hoc	(SA,EE,MC,EC)	yes	term	yes	no	yes	no	yes	no	
OK	T 179,986 M 60,000 A 19,986	1.40b	X	X	SA	X	17		X	X 95%		X		
OR	T 212,000 M 165,000 A 47,000	5.20b	X		MC, EC	X	30	X		X 98%				Annuity increased yearly not to exceed 2%.
PA	T 286,000 M 200,000 A 86,000	9.00b		X	MC, EC	X	26		X	X 100%		X		
RI	T 21,224 M 15,186 A 6,038	.87b	X			X	30	X						Annuity increased yearly; indexed to CPI; capped at 3%. COLA paid from pension fund.
SC	T 185,000 M 150,000 A 35,000	4.00b	X	X	SA	X	19	X		X 100%		X		Annuity increased; indexed to CPI; 13th check from state appropriation.
SD	T 35,300 M 27,000 A 8,300	.82b	X		MC, EC	X	18		X	X 100%		X		Original annuity increased yearly; indexed to CPI; capped at 3%.
TN	T 189,565 M 141,621 A 41,944	4.00b	X	X	EC	X	40		X		X		X	Annuity increased yearly; indexed to CPI; capped at 3%.

PROFILE '86
State Teacher Retirement Systems

System	Members	Assets	COLA		Funding (SA,EE,MC,EC)	Unfunded Liability		Health Insurance		Social Security		Historical Record		Summary
			Automatic	Ad hoc		yes	term	yes	no	yes	no	yes	no	
TX	T 524,601 M 424,601 A 100,000	13.20b		X	SA, EE	X	30	X			X 70%		X	
UT	T 76,531 M 62,615 A 13,916	1.90b	X	X	EE, MC, EC	X	40		X	X 90%		X		Annunity increased yearly; indexed to CPI; capped at 4%.
VT	T 10,900 M 8,400 A 2,500	.23b	X		SA	X	30	X		X			X	Annuity increased yearly; indexed to CPI; capped at 50%.
VA	T 258,109 M 213,800 A 44,309	3.90b	X											Annuity increased yearly; indexed to CPI; capped at 7%, full coverage to 3%, 50% of CPI 3-7%.
WA	T 67,670 M 46,868 A 20,802	1.90b	X	X	SA, EC	X	29		X	X 100%		X		Annuity increased yearly; indexed to CPI, capped at 3%.
WV	T 67,063 M 49,063 A 18,000	.29b		X	SA	X		X		X		X		
WI	T 244,000 M 190,000 A 54,000	12.00b		X	EE	X	40	X		X 90%		X		

PROFILE '86
State Teacher Retirement Systems

System	Members	Assets	COLA		Funding (SA,EE,MC,EC)	Unfunded Liability		Health Insurance		Social Security		Historical Record		Summary
			Automatic	Ad hoc		yes	term	yes	no	yes	no	yes	no	
WY	T 38,578 M 31,749 A 6,829	.79b		X	SA	X	38		X	X 99%		X		

CHAPTER 2

SURVEY METHODS

We surveyed three groups of respondents: TRS annuitants; Texas school districts; and teacher retirement systems in other states.

2.1 SURVEY OF ANNUITANTS

Sample Size

Data for the survey of TRS annuitants were collected using a random sample of 1,280 of the 79,318 names of annuitants on the TRS benefit roster. The 1,280 respondents represented retirees, beneficiaries, and disabled annuitants. They were selected from the roster by choosing the first name at random and then taking every 62nd name, either preceding or succeeding the initial name until the total sample of 1,280 names was drawn. We used the same procedure and sample size to draw a sample for a full-scale "pilot" study which we conducted during October 1985. We used the same basic questionnaire for the pilot study and the study reported on here, essentially collecting the same information from two different samples of the same population and strengthening the reliability of our results.

Confidence Level. We decided, and TRS officials concurred, that we would use a research design and select a sample size that would permit us to be 95% sure that the statistics (frequency distribution, means, and correlations) we calculated would be within 5% of their true values. Our sample had to be large enough to assure that if we did the same study 100 times, we would get the same answers (statistical results) from 95 of those 100 studies. The number of annuitants required us to collect at least 384 completed, usable questionnaires to be 95% confident of our results. We decided to use a sample size approximately three times the number of completed surveys we needed to attain a 95% confidence level.

The response rate for our pilot study was 63% (812 of 1,280 respondents) and the response rate for the study reported on here was 64% (818 of 1,280 respondents). These rates produced more than twice the number of completed questionnaires needed for the 95% confidence level.

Formula for Sample Size. The ideal sample size in tests of population parameters is determined by the amount of error a researcher can accept, the confidence one wants in the error estimate, and the standard deviation or variation found in a population. This statement is expressed symbolically as follows:

$$n = ((z \text{ x } s)/E)^2$$

where n is the sample size, z is the score associated with the desired confidence limit, s is the population standard deviation, and E is the amount of error that can be tolerated.

This is the formula we used when we did not know the parameters of our population (how many annuitants were on the TRS roster or the ratios for groups within that population) and did not have results for the pilot study, from which those parameters could have been estimated. In the absence of results from the pilot study, we assumed a proportion of 0.5 and, thus, a standard deviation of 0.5. Our assumption about the proportion and standard deviation is based on the statistical proof that the standard deviation from a proportion is greatest when the proportion is 0.5. Using 0.5 in the formula produced the following sample size.

$$n = ((1.96 \text{ x } 0.5)/0.05)^2 = (0.98/0.05)^2 = 384$$

Mail Survey

We mailed each potential respondent a copy of the questionnaire included in the previous chapter. We decided to use a mail survey because the technique is less expensive than other survey approaches such as personal, in-depth interviews or phone interviews. It does not require a group of skilled interviewers and processing and analyzing data is more straightforward.

While a mail questionnaire is a cost-effective research technique to collect survey data, there are disadvangtages in using it. Questions have to be easily understood and elicit answers that are unambiguous. It is no easy task to write simple, unambiguous questions about income and insurance policies! While a mail survey has the advantage of posing less of a threat to a potential respondent by assuring a greater sense of anonymity, it strips data of richness because the researcher cannot explore complex topics and clarify questions that may be ambiguous to the respondent.

We used several techniques to increase the response rate. We asked that TRS include a short story about the study in the monthly publication it mails to all active members and annuitants. The questionnaire packet mailed to each respondent included a cover letter from TRS's Executive Secretary, Bruce Hineman, which explained the purpose of the study and asked annuitants to cooperate by completing and returning the questionnaire to the LBJ School. The packet also included a letter from the project director stressing confidentiality of individual responses and asking that the questionnaires be returned quickly. Finally, the questionnaire mailing included a postage-paid envelope to return the completed questionnaire.

2.2 SURVEY OF STATE SYSTEMS

We conducted telephone interviews with retirement officials from the other states. Before conducting the phone interviews, we contacted the chief administrator of each retirement system by letter. The letter explained our research, asked the official to complete and return a short data sheet, and indicated that a researcher would call to conduct a more extensive interview. We allowed approximately two weeks to pass from the time we mailed the folowing letter until the time we began phone interviews.

$$n = ((z \times s)/E)^2$$

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Cover Letter and Instructions

(ADDRESS BOX)

Dear (name):

I am directing a policy research team at the Lyndon B. Johnson School of Public Affairs of the University of Texas. The team was asked by the Teacher Retirement System of Texas (TRS) to survey retired teachers in Texas and to examine public pension programs in other states. We need your help in collecting information about your pension system and would appreciate your helping us in the following way.

- In a few days, a member of our research team will call you to review the information we need and the short questionnaire which is enclosed.
- In the meantime, we would like you to designate a staff member who will be our "point of contact". This person should be well-informed about the laws and administrative policies governing your system. We will ask you for the person's name, title, address, and phone number when we call.
- Please complete the enclosed questionnaire (you may complete it yourself or have the contact person complete it) and have the contact person hold it until a member of the research team calls him or her to discuss the answers.
- Would you please assemble an information packet for us which includes the fact book, member benefits brochure, and related material you provide active and retired members of your system? If you have a health insurance program for retired members, we would also appreciate a copy of its enabling legislation. Finally, may we have a copy of the policy governing your system's investments?
- We will ask the contact person to return the completed questionnaire and the information packet when we talk with him or her.

Thank you for helping us with our research; we will be happy to share the results with you. A member of the research team will be speaking with you in a few days.

Sincerely,

Lodis Rhodes, Ph.D.

Project Director

Interview Procedure

Although we conducted a phone interview, we mailed each administrator a copy of the inventory our interviewer would be using during that interview. We asked the designated contact person for each system to complete the inventory and have it at hand for the interview. We also provided a stamped, self-addressed envelope and asked that the contact person return the inventory to us *after* the phone interview was completed. We also asked that each system send us other relevant information about their policies and operations.

Response

We were successful in conducting phone interviews with representatives of 47 states. In cases where we were unsuccessful, we used data about those systems gathered from other sources. We used three principal sources to supplement our information. One was *Public Pension Plans: The State Regulatory Framework*, a 1985 study completed by the National Council on Teacher Retirement. A second source was also a 1985 study, *Public Pension Systems*, conducted by the Teachers Insurance and Annuity Association. The final source was an in-house staff survey of health insurance programs conducted by the American Association of Retired Persons (AARP). Since we collected information on teacher retirement systems in each state, we were not concerned with the representativeness of our data. What was problematic about the data we collected was lack of consistent measures for and interpretations of two key terms: unfunded liability and COLAs as understood and used by other systems. This inconsistency lead us to refrain from discussing the issue of unfunded liability in this report and left us less than confident about the validity of the explanations we received about funding COLAs.

2.3 SURVEY OF SCHOOL DISTRICTS

We asked TRS to add two questions to a monthy report school districts submit to TRS. One question asked whether the district participated in social security. The second asked if the district provided a health insurance program for employees.

2.4 COMMENT ON DESIGN AND SURVEYS

We chose a research design that permitted us to develop a representative picture of the annuitant population as a group. It allowed us to calculate income, degree of insurance, and health status. The annuitants' survey provides an important data base that can be used to explore the income and health profiles of subgroups of annuitants. However, it is important to understand that while the picture developed is a fair representation of annuitants as a group, it is composed of averages and averages do not give a detailed picture of individuals. There are some important differences across the annuitant population by gender, race, job category, and type of annuitant. We did not explore these differences or the

implications these differences might have in refining the formulas used to set annuities or to grant post-retirement increases in those annuities. We are confident the data are a fair representation of TRS annuitants.

We are less confident about the soundness of data we collected from other retirement systems. Our design required us to rely on secondary sources for data on assets, membership totals, and interpretation of policies. Because we relied heavily on secondary sources, we were also confronted with reconciling and comparing data collected in different years. We tried to avoid using data more than four years old and we favored using official reports of the retirement systems from 1984 and 1985.

CHAPTER 3

POLICY, RESEARCH, AND MANAGEMENT ISSUES

3.1 INCOME MAINTENANCE PROGRAMS

Workers hope to maintain their standard of living after they retire. However, rising health care costs, accident or illness, and death of a spouse can quickly erode the standard of living of many retirees. The incomes of the elderly erode because most private and nonfederal pension programs do not provide cost of living adjustments (COLAs). That is, the pension benefits are not indexed to inflation; they lose buying power each year.

Age has a significant influence on a person's income for several reasons. Income from wages and salary generally increases the longer a person works for a salary. This reasoning suggests that work experience and salary should increase with age. Older, retired workers, because they have retired from the work force, rely less on wages and salaries for their income. Finally, age determines when one becomes eligible for pension or annuity payments -- sources of income least likely to match rising inflation rates. As a result, retirees can quickly lose a significant portion of the buying power of their relatively fixed incomes. Given this tendency, it is no surprise that those who have been retired the longest can see their incomes loss substantial buying power.

Retirees must rely on a combination of personal savings, public and private pensions, and health insurance to protect themselves from inflation and economic hardship. In many cases, public programs provide an important measure of protection through a range of direct and indirect measures designed to assist the elderly. These public programs are always challenged to meet the tests of fairness and efficiency.

We said earlier that primary and secondary education is a heavily "female" profession. There are substantially more women than men in the ranks of professional education in Texas. The Texas Education Agency (TEA) includes (according to 1983-84 statistical data) 40,000 male secondary school teachers and 130,000 females.[1] Of the other school district personnel, 13,000 are male and 58,000 female. There are approximately 179,000 whites, 35,000 Hispanics, and

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[1]Texas Education Agency, "Statistical Analysis Data for 1983-1984," January 1985.

25,000 blacks employed in professional and para-professional capacities within Texas school districts (1983-84 TEA full-time equivalent personnel data). There are proportionally more whites than Hispanics or blacks in education than in the state's overall population. Not only are nonprofessional jobs more likely to be held by minorities, but these jobs are usually less likely to lead to vesting within the system. Therefore, nonwhites are expected to comprise a relatively small percentage of TRS retirees.

Individuals in lower income groups, primarily women and minorities often have been systematically victimized by discrimination in the workplace. The economic effects of that victimization are compounded over a working career as an ever widening gap in salaries between victims and non-victims. More importantly, systematic discrimination does not disappear when workers retire. It is merely reflected in the retirement benefits retirees receive or in a failure of some retirees to qualify for retirement benefits despite maintaining active work careers. For example, the median income of a married couple, 65-67 years of age, in 1982 was $17,930; while the median income for an unmarried woman (85 years or older) was $5,280. In addition, income differences among races increase with age. In the 55-to-64 age group, there are 19.5 percent more blacks and 10.8 percent more Hispanics than whites below the poverty level. For those individuals 65 years of age and older, there was a 7 percent increase in blacks, 2.8 percent increase in Hispanics, and 4 percent increase in whites below the poverty level. The differences follow from different career patterns and lower salaries of minority workers. They are more likely to have been unemployed and less likely to have worked full-time. They, consequently, do not enjoy the full benefits of employer pension programs because policies on vesting period, tenure, and salaries favor wokers with different career patterns.

The most reliable indicator of income for the aged is gender and marital status. In general, women have lower incomes than men and the income of couples is higher than single men or women. Women have less income for several reasons. Low pre-retirement salaries produce low retirement pensions because post-retirement income is linked to pre-retirement salary. Current female retirees began their careers in the 1940s and 1950s, usually in "female" occupations like teaching and when sex discrimination in the workplace was not the political and social issue it is today. Furthermore, primary and secondary education careers, in which most female teachers begin and end their careers, historically pay substantially less than careers in post-secondary education and other fields.

The life expectancy of women has increased greatly in recent years. They tend to outlive their spouses. Women are penalized in at least two ways because they live longer than men. In outliving their spouses, they often lose one source of direct support from the spouse's salary. Even when women, as wives, are the beneficiaries of insurance and pension programs, the income from these programs does not equal the spouse's salary before his death. The second factor that

depresses income for older women is that pension annuities are calculated from life expectancy tables. In effect, the longer a pension program expects to pay an individual annuity the smaller the check each month. Of the women 85 and older, only one in twelve is married. The income for a married couple 85 years of age and older is twice the income of a single within that group. When a woman lives longer than her spouse, her income is likely to decrease after his death because a survivor benefit is less than the original pension benefit. For example, a Social Security survivor benefit is approximately two-thirds the amount of the Social Security benefits previously available to the couple.

People derive their cash incomes from many sources: wages and salaries; net income from self-employment; cash income from other sources such as interest dividends; net rental income; Social Security benefits; private pensions; public assistance; unemployment benefits; and regular support contributions from persons not living in the household. In 1982, 60.8% of personal income came from wages and salaries, 6.1% from other labor income, 14.5% from transfer payments, 14.2% from personal interest income, 6.1% from proprietors'/rental income, and 2.6% from personal dividends.[2]

The amount of retirement income is determined by a person's work record and salary level. Length of work record and salary determine future Social Security benefits, private pension benefits, and public assistance. These two factors also affect how people save. Only high wages/salaries enable a person to save for retirement. In 1982, 16.7% of individuals aged 65 years and older had an annual income under $5,000; 29.2% between $5,000-10,000; 17.6% had income between $10,000-15,000; 11.4% between $15,000-20,000; 8.4% between $20,000-25,000; and 15% exceed $25,000 per year.[3]

3.2 SOCIAL SECURITY ACT AND PROGRAMS

The Social Security Act is the centerpiece of public policy designed to maintain an income for the elderly. Its many social insurance programs include the "pension" program, Medicare, and Medicaid. Although there is important symbolic value in the myth that social insurance programs operate like private sector insurance programs, they do not. Public programs are concerned with equity and adequacy in ways that do not concern private insurance. They strive to provide a floor or "adequate" income for all recipients regardless of what the individual paid into the system. The equity and adequacy philosophy is found in public income

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[2]U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the U.S., 1984, 104th ed.: 1984, p.455.

[3]Ibid., p.460.

maintenance programs regardless of whether they are considered pension or "insurance" programs.

Most public and private pension programs have two implicit, if not explicit, objectives in providing income for retirees. The first is to replace some acceptable percentage of an individual's pre-retirement income. The second is to maintain the buying power of that replacement rate. However, these noble objectives, when followed blindly, do not have the same economic impact on individual retirees. One reason for the difference in impact is that some retirees have been victims of race and sex discrimination in the past. Another is that retirees report different sources of post-retirement income. In both cases, inflation can have quite different impacts on individual retirees.

While it is impractical for TRS to account for all the variation in the annuitant population, it might be time to recognize that legally sanctioned race and sex discrimination has victimized some retirees. Discrimination in the workplace was and is reflected in salaries. Retirement formulas based solely on salaries and service credits extend that discrimination into the present.

TRS retirees are healthier than the elderly population in general. Since educational level and income are fairly good predictors of health status and access to health care, it is no surprise that TRS retirees, as a group, are healthier than the general elderly population - they have more education and higher incomes than the general elderly population.

Medicare is a federal health insurance program. It was created to ease the health care expenses of eligible people 65 or older and certain disabled individuals. Medicare consists of hospital and medical insurance coverage. Part A, hospital insurance, provides coverage for inpatient hospital care, skilled-nursing facility care, hospice care, and home health care. Part B, medical insurance, provides coverage for doctors' services, outpatient hospital care, outpatient physical therapy and speech pathology services, outpatient surgical services, and other medical services and supplies.

Medicaid is a federal health insurance program administered by states. It assists those who need and qualify for medical assistance. It may not provide for all a person's medical needs, and he or she pays for any additional medical services. Eligibility is based on income and resources. Persons eligible for Supplemental Security Income and Aid to Families with Dependent Children are automatically eligible for Medicaid. In general, a person is eligible for Medicaid at 65 if his or her monthly income is $325 per month or less if single person with limited assets or $488 per month if married.

3.3 POLICY AND MANAGEMENT TRENDS

Senate Bill 387 and House Bill 72 are significant pieces of legislation for TRS. Senate Bill 387 establishes the Texas Public School Retired Employees Group Insurance Program. TRS must devise, administer, and implement the program. House Bill 72, a comprehensive reform of the educational system in Texas, substantially changed state aid to school districts. HB 72 increases state aid to school districts by about 26 percent. In addition, the funding formula was revised to direct more money to school districts with low property tax values.

HB 72 also instituted the "career ladder", which could increase the annual salary of some school district employees (and consequently, TRS members) up to $6,000 per year. For TRS over the long term, the most important effect of HB 72 was to increase teachers' salaries. This will increase the salary base of school districts and the salaries of individual teachers. The first increase requires the state to pay more to school districts in formula funding and in meeting its contribution rate for the TRS fund. Increases in individual salaries mean that individual TRS annuities must increase. In the near future, HB 72 could increase the number of retiring teachers. The competency testing provisions in the bill and the career ladder feature may encourage some teachers to retire sooner than they had originally planned to retire or to leave the profession before reaching retirement age. This means that TRS could see a larger number of service retirements in the near future and a larger number of withdrawals by active members of their vested annuities.

The relative wealth of school districts also influences TRS annuities. In general, teachers and other employees of wealthier school districts receive higher salaries than those in poorer school districts. State aid to school districts is determined in part by the number of teachers in a district and a district's payroll: the higher the payroll, the higher the state's contribution to the retirement fund for TRS members in that district. While there have been many debates and legislative efforts to equalize state aid to school districts, there has been little discussion of compensating for the relative wealth of school districts in the state's contribution to the retirement fund. Such a discussion might focus attention on policy options that are a closer match for differences in economic status of individual retirees and individual school districts.

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