Input on Pensions, Investments & Financial Services Interim Charge No. 2

Regarding Review of the Teacher Retirement System of Texas

Aug. 18, 2026

The **Association of Texas Professional Educators (ATPE)** offers the following input regarding the House Pensions, Investments & Financial Services (PIFS) Committee interim charge No. 2: *Teacher Retirement System (TRS) of Texas Review: Review the actuarial soundness of TRS, including current contribution levels, defined benefit plan assumptions, and projected liabilities to ensure the long-term financial stability of the system. Evaluate the impact of basing employer contributions on total payroll, options to increase parity in the contribution rates for all entities, and the impact of benefit enhancements.*

As Texas' largest educator association, ATPE believes educators are the single most important resource in Texas public schools and that the state must provide the compensation and support required to attract and retain highly qualified, caring professionals. As a part of that compensation, ATPE supports the dedication of revenue to maintain the actuarial soundness of the pension fund in order to improve benefits for all active and retired Teacher Retirement System (TRS) members.

Maintaining the current defined benefit pension plan and maintaining the actuarial soundness of that plan have long been top priorities for ATPE.

Under current statute, actuarial soundness is defined as a funding period of less than 31 years. Prior to the passage of HB 2 from the 2025 legislative session, the TRS funding period was at 28 years and trending down. However, the teacher pay raises in HB 2, which ATPE strongly supported and continues to support, raised the funding period from 28 years to 35 years by adding approximately $5 billion in unfunded liability to the system. To be clear, even if nothing is done about this, and TRS continues to perform as it has over the long term, the fund should return to an actuarially sound state in three to five years. However, we strongly believe the Legislature can and should do better. We recommend the following to quickly bring the fund back to actuarial soundness, strengthen the overall position of the fund beyond the statutory minimums, improve parity between contributors, and provide enhanced benefits.

First and foremost, we recommend the Legislature include a minimum of $2.5 billion in the supplemental appropriations bill to help offset the costs of the increased unfunded liability generated by the inclusion of the Teacher Retention Allotment in HB 2. Because this is a one-time appropriation with the impact of shoring up the state's overall financial position, we would encourage the Legislature to consider using the rainy-day fund as a funding source for the appropriation.

Second, we recommend expanding the base of the 2% employer contribution rate to apply to total payroll for all covered TRS positions. We would also strongly encourage offsetting this additional cost to ISDs (as well as some of the current cost to charter schools) by increasing the minimum salary schedule (MSS). Because the state only pays the state contribution rate on an employee's salary up to the MSS, a significant portion of the state contribution rate is shifted over to local employers to cover. Increasing the MSS will shift a portion of the state's contribution rate currently borne by ISDs and charter schools back to the state. This combination of increasing the base on the 2% rate and increasing the MSS will increase total real contributions to TRS without impacting rates or increasing the cost for ISDs. It should decrease costs for charter schools. Because most employees are paid significantly over the MSS, the increase in the MSS should have very little impact on employers in terms of increasing the costs associated with educator pay. Where there is some increase, it can best be addressed by tweaking the small- and mid-sized school allotment rate to provide the minimal additional funding required to cover those costs.

While ATPE generally supports increasing the state contribution rate, we do so only when the benefit outweighs the impact that increases in the contribution rate would have on the long-term proposition of maintaining the current defined benefit system, considering the constitutional cap on the state rate. In this case, we do not feel a rate increase is necessary or likely prudent considering our recommendations above. ATPE would recommend the interim report include a recommendation to revisit these issues prior to the 91st legislative session to ensure that the combination of expanding the 2% local employer contribution to cover all payroll and the one-time buydown of the liability introduced through HB 2's Teacher Retention Allotment raises has been fully addressed by the actions of the 90th Legislature.

With regard to increasing the financial stability of the pension fund and enhancing retirement benefits, ATPE would also recommend studying the impact of reducing the statutory definition of actuarial soundness to a number below 30 years and creating an optional employee contribution rate with a state match that could be used to guarantee automatic cost-of-living adjustments (COLAs) for individual educators who choose to pay the higher optional rate.

Thank you for your consideration of these recommendations. For additional information, please contact ATPE Governmental Relations at (800) 777-2873 or government@atpe.org.