



STATE OF CONNECTICUT  
OFFICE OF POLICY AND MANAGEMENT

**TESTIMONY PRESENTED TO THE LABOR AND PUBLIC EMPLOYEES  
COMMITTEE  
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Testimony Supporting Senate Bill No. #1130

AN ACT CONCERNING A POST-EMPLOYMENT BENEFITS TASK FORCE

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Senator Prague, Representative Ryan and distinguished members of the Labor and Public Employees Committee thank you for the opportunity to offer testimony on Senate Bill No. #1130, An Act Concerning A Post-Employment Benefits Task Force.

This bill establishes a task force to study and make recommendations for a long-term solution to address the state's unfunded liability for other post employment benefits for state employees and teachers.

Similar to pension benefits, the state has an obligation to its retirees for other post employment benefits (OPEB), primarily health insurance. Statement 45 from the Governmental Accounting Standards Board (GASB) requires large public sector employers, such as the State of Connecticut, to quantify these obligations beginning in FY 2008. Connecticut's substantial health benefit package for state employees results in a significant unfunded OPEB liability. The current estimate of the OPEB liability for state employees is approximately \$21 billion. The health benefit package for teachers calls for more cost sharing. As a result, the current estimate for teachers is significantly less at approximately \$2.2 billion.

The health benefits for retirees are paid on a "pay as you go basis" so the state pays what is needed yearly for these benefits but has not set aside any funds to cover future obligations. The benefits for state employees are governed by an agreement with the State Employees Bargaining Agency Coalition (SEBAC) that extends to 2017. The state cannot unilaterally make any changes to the other post employment benefits for state employees during the term of this agreement, as changes can occur only if the state and SEBAC agree to reopen the agreement.

In order to be fiscally responsible, the state must develop long term plans on how to address this future obligation or face the potential of future payments that will strain the State's ability to provide other needed services to the public.

Connecticut's unfunded liability will place the state at a disadvantage relative to other states that have a much lower unfunded liability or have undertaken a plan to address such a shortfall. The Governor's budget proposes \$21 million from the FY 2007 surplus in FY 2008 to begin to address these obligations. In addition, the budget provides funding of \$100,000 within the Office of Policy and Management for a study on how to best address the state's unfunded obligation.

I would like to again thank the committee for the opportunity to present this testimony. I respectfully request the Committee support this bill and I will be happy to answer any questions you may have.