



# House of Representatives

General Assembly

**File No. 372**

February Session, 2010

House Bill No. 5402

*House of Representatives, April 7, 2010*

The Committee on Appropriations reported through REP. GERAGOSIAN of the 25th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

***AN ACT CONCERNING EXPENSES FOR HEALTH BENEFIT PLANS  
UNDER THE TEACHERS' RETIREMENT FUND.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 10-183r of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective from passage*):

3 The system shall be funded as follows:

4 (1) [All] Except as provided in subdivision (3) of this subsection, all  
5 expenses of the administration of the system, exclusive of payment of  
6 benefits, shall be paid for out of amounts appropriated by the General  
7 Assembly on certifications and recommendations submitted by the  
8 board.

9 (2) The cost of all benefits payable from the system shall be paid out  
10 of the retirement fund which shall consist of contributions paid by  
11 members, appropriations by the General Assembly based upon  
12 certifications and recommendations submitted by the board, the

13 proceeds of bonds held by the system under section 10-183m, the  
14 proceeds of bonds issued pursuant to section 10-183qq and earnings of  
15 the system.

16 (3) Professional fees associated with the administration of the health  
17 benefit plans offered pursuant to section 10-183t, as amended by this  
18 act, of not more than one hundred fifty thousand dollars annually may  
19 be paid for out of the retired teachers' health insurance premium  
20 account established pursuant to said section 10-183t.

21 Sec. 2. Section 10-183t of the general statutes is repealed and the  
22 following is substituted in lieu thereof (*Effective from passage*):

23 (a) The retirement board shall offer one or more health benefit plans  
24 to: Any member receiving retirement benefits or a disability allowance  
25 from the system; the spouse or surviving spouse of such member, and  
26 a disabled dependent of such member if there is no spouse or  
27 surviving spouse, provided such member, spouse, surviving spouse,  
28 or disabled dependent is participating in Medicare Part A hospital  
29 insurance and Medicare Part B medical insurance. The board may offer  
30 one or more basic plans, the cost of which to any such member,  
31 spouse, surviving spouse or disabled dependent shall be one-third of  
32 the basic plan's premium equivalent, and one or more optional plans,  
33 provided such member, spouse, surviving spouse or disabled  
34 dependent shall pay one-third of the basic plan's premium equivalent  
35 plus the difference in cost between any such basic plans and any such  
36 optional plans. The board shall designate those plans which are basic  
37 and those plans which are optional for the purpose of determining  
38 such cost and the amount to be charged or withheld from benefit  
39 payments for such plans. The surviving spouse of a member, or a  
40 disabled dependent of a member if there is no surviving spouse, shall  
41 not be ineligible for participation in any such plan solely because such  
42 surviving spouse or disabled dependent is not receiving benefits from  
43 the system. With respect to any person participating in any such plan,  
44 the state shall appropriate to the board one-third of the cost of such  
45 basic plan or plans, or one-third of the cost of the rate in effect during

46 the fiscal year ending June 30, 1998, whichever is greater.

47 (b) Any member who is receiving retirement benefits or a disability  
48 allowance from the system, the spouse or surviving spouse of such  
49 member, or a disabled dependent of such member if there is no spouse  
50 or surviving spouse, and who is not participating in Medicare Part A  
51 hospital insurance and Medicare Part B medical insurance, may fully  
52 participate in any or all group health insurance plans maintained for  
53 active teachers by such member's last employing board of education,  
54 or by the state in the case of a member who was employed by the state,  
55 upon payment to such board of education or to the state, as applicable,  
56 by such member, spouse, [or] surviving spouse [ ] or disabled  
57 dependent, of the premium charged for his form of coverage. Such  
58 premium shall be no greater than that charged for the same form of  
59 coverage for active teachers. The spouse, surviving spouse or disabled  
60 dependent shall not be ineligible for participation in any such plan  
61 solely because such spouse, surviving spouse or disabled dependent is  
62 not receiving benefits from the system. No person shall be ineligible  
63 for participation in such plans for failure to enroll in such plans at the  
64 time the member's retirement benefit or disability allowance became  
65 effective. Nothing in this subsection shall be construed to impair or  
66 alter the provisions of any collective bargaining agreement relating to  
67 the payment by a board of education of group health insurance  
68 premiums on behalf of any member receiving benefits from the  
69 system. Prior to the cancellation of coverage for any member, spouse,  
70 [or] surviving spouse or disabled dependent for failure to pay the  
71 required premiums or cost due, the board of education or the state, if  
72 applicable, shall notify the Teachers' Retirement Board of its intention  
73 to cancel such coverage at least thirty days prior to the date of  
74 cancellation. Absent any contractual provisions to the contrary, the  
75 payments made pursuant to subsection (c) of this section shall be first  
76 applied to any cost borne by the member, spouse, [or] surviving  
77 spouse or disabled dependent participating in any such plan. As used  
78 in this subsection, "last employing board of education" means the  
79 board of education [with] by which such member was employed when  
80 such member filed his initial application for retirement, and "health

81 insurance plans" means hospital, medical, major medical, dental,  
82 prescription drug or auditory benefit plans that are available to active  
83 teachers.

84 (c) On and after July 1, 2000, the board shall pay a subsidy equal to  
85 the subsidy paid in the fiscal year ending June 30, 2000, to the board of  
86 education or to the state, if applicable, on behalf of any member who is  
87 receiving retirement benefits or a disability allowance from the system,  
88 the spouse [, or] of such member, the surviving spouse of such  
89 member, or a disabled dependent of such member if there is no spouse  
90 or surviving spouse, who is participating in a health insurance plan  
91 maintained by a board of education or by the state, if applicable. Such  
92 payment shall not exceed the actual cost of such insurance. With  
93 respect to any person participating in any such plan pursuant to  
94 subsection (b) of this section, the state shall appropriate to the board  
95 one-third of the cost of the subsidy. No payment to a board of  
96 education pursuant to this subsection may be used to reduce the  
97 amount of any premium payment on behalf of any such member,  
98 spouse, [or] surviving spouse, or disabled dependent, made by such  
99 board pursuant to any agreement in effect on July 1, 1990. On and after  
100 July 1, 2008, the board shall pay a subsidy of two hundred twenty  
101 dollars per month on behalf of the member, spouse or the surviving  
102 spouse of such member who: (1) Has attained the normal retirement  
103 age to participate in Medicare, (2) is not eligible for [Part A of]  
104 Medicare Part A without cost, and (3) contributes at least two hundred  
105 twenty dollars per month towards his or her medical and prescription  
106 drug plan provided by the board of education.

107 (d) The Treasurer shall establish a separate retired teachers' health  
108 insurance premium account within the Teachers' Retirement Fund.  
109 Commencing July 1, 1989, and annually thereafter all health benefit  
110 plan contributions withheld under this chapter in excess of five  
111 hundred thousand dollars shall, upon deposit in the Teachers'  
112 Retirement Fund, be credited to such account. Interest derived from  
113 the investment of funds in the account shall be credited to the account.  
114 Funds in the account shall be used for (1) payments to boards of

115 education pursuant to subsection (c) of this section and for payment of  
 116 premiums on behalf of members, [or] spouses of members, surviving  
 117 spouses of members or disabled dependents of members participating  
 118 in one or more health insurance plans pursuant to subsection (a) of this  
 119 section in an amount equal to the difference between the amount paid  
 120 pursuant to [said] subsection (a) of this section and the amount paid  
 121 pursuant to subsection (c) of this section, and (2) payments for  
 122 professional fees associated with the administration of the health  
 123 benefit plans offered pursuant to this section of not more than one  
 124 hundred fifty thousand dollars annually. If, during any fiscal year,  
 125 there are insufficient funds in the account for the purposes of all such  
 126 payments, the General Assembly shall appropriate sufficient funds to  
 127 the account for such purpose.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	10-183r
Sec. 2	<i>from passage</i>	10-183t

**APP**      *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 11 \$</b>	<b>FY 12 \$</b>
Teachers' Retirement Bd.	GF - Savings	89,000	90,800
Teachers' Retirement Bd.	Retired Teachers' Health Insurance Premium Fund-Cost	up to \$150,000	up to \$150,000

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill allows the Teachers' Retirement Board (TRB) to pay for health care consultant costs, up to \$150,000, from the Retired Teachers' Health Insurance Premium Fund instead of from the General Fund. Historically, this expense has been paid through the agency's General Fund appropriation for Other Expenses. In FY 10, funding of \$93,788 was eliminated for TRB consultant contract costs as part of the \$95 million reduction in outside consultant contracts in the 2009-2011 Biennial Budget.

The average annual expenditure for health care consultant services over the past four years was \$86,000. There are approximately 16,000 TRB health plan members. Based on these figures, the average health care consultant services fees would be less than 50 cents per member per month.

**The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Sources: Core-CT Financial Accounting System

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**OFA Bill Analysis****HB 5402*****AN ACT CONCERNING EXPENSES FOR HEALTH BENEFIT PLANS UNDER THE TEACHERS' RETIREMENT FUND.*****SUMMARY:**

The bill allows the Teachers' Retirement Board (TRB) to pay for health care consultant costs, up to \$150,000, from the Retired Teachers' Health Insurance Premium Fund instead of from the General Fund.

EFFECTIVE DATE: Upon Passage

**Retired Teachers' Health Insurance Premium Fund**

The balance of the Retired Teachers' Health Insurance Fund was \$60.4 million as of December 31, 2009. The fund receives money from the following sources: state contributions, retiree contributions, federal Part D subsidy and active teacher contributions. The state budget for the 2009 - 2011 Biennial Budget suspended the state contributions for retiree health insurance for the first time in the fund's history. The anticipated state contributions for retiree health insurance of \$28.9 million in FY 10 and \$31.3 million in FY 11 were not made. This results in a reduction in the fund balance over the two year period. The retired and active teacher contributions are not impacted by the change in state funding and neither are retiree health benefits. Additionally, CGS 10-183t(d) specifies that if the money in the fund is insufficient for all such required payments, the General Assembly shall appropriate sufficient funds.

**TRB Health Care Consultant**

The TRB health care consultant provides the agency with services such as calculating the premium equivalent, preparing cost analysis on

health plan changes, writing the RFP's for health care vendor services, maintaining the health fund model used for forecasting financial needs for benefits and providing HIPAA training for TRB staff.

**COMMITTEE ACTION**

Appropriations Committee

Joint Favorable

Yea 51 Nay 0 (03/25/2010)