



House of Representatives

File No. 640

General Assembly

February Session, 2010

(Reprint of File No. 372)

House Bill No. 5402
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
April 26, 2010

**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 Section 10-183r of the general statutes is repealed and the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 Section 10-183t of the general statutes is repealed and the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.

128 Sec. 3. Section 10-183ff of the general statutes is repealed and the
129 following is substituted in lieu thereof (*Effective October 1, 2010*):

130 (a) Should any change or error in records result in any member or
131 beneficiary receiving from the teachers' retirement system more or less
132 than he would have been entitled to receive had the records been
133 correct, then upon discovery of any such error the Teachers'
134 Retirement Board shall notify the member or beneficiary affected and
135 correct the same, and as far as practicable shall adjust the payments in
136 such manner that the actuarial equivalent of the benefit to which such
137 member or beneficiary was correctly entitled shall be paid, provided if
138 such change or error results in any member or beneficiary receiving
139 less than he would have been eligible to receive, such member or
140 beneficiary may elect to have such benefit paid in a single payment.

141 (b) If a member or beneficiary has been overpaid through no fault of
142 his own, and he could not reasonably have been expected to detect the
143 error, the board may waive any repayment which it believes would
144 cause hardship.

145 (c) Upon determination by the Teachers' Retirement Board that any
146 person has erroneously been included in membership in the teachers'
147 retirement system, contributions and interest credited under the

148 provisions of this chapter shall be refunded and records of related
149 service voided.

150 (d) Upon determination that the Teachers' Retirement Board has
151 invoiced a member for the purchase of additional credited service in
152 an amount in excess of that permitted by law, and such member has
153 paid the invoiced amount, the amount of the overpayment shall be
154 refunded to such member with interest at a rate equal to the average of
155 interest rates for the most recent ten-year period from the date of the
156 member's retirement to the date such amount is refunded.

157 (e) Upon determination that a member has not purchased additional
158 credited service which was invoiced to him in an amount in excess of
159 that permitted by law, such member shall be given the opportunity at
160 any time to make such purchase by the payment of the proper amount
161 with interest to the date of payment. The additional benefit resulting
162 from the credited service so purchased shall be made retroactive to the
163 date of the member's retirement, and the aggregate amount of such
164 additional benefit shall be paid to the member in a single payment
165 together with interest calculated at a rate equal to the average of
166 interest rates for the most recent ten-year period from the date each
167 payment was due to the date such payment is made.

168 (f) Upon determination by the Teachers' Retirement Board that a
169 member received, on or after November 1, 2008, an estimate of benefits
170 statement from the board that contained a material error, the board
171 shall pay the member the benefits set forth in such estimate if the
172 board determines that (1) the member could not reasonably have been
173 expected to detect such error, and (2) the member, in reliance upon
174 such estimate, irrevocably submitted (A) his or her resignation to the
175 employing board of education, and (B) a formal application of
176 retirement to the Teachers' Retirement Board. For purposes of this
177 subsection, material error means an error that amounts to a difference
178 of ten per cent or greater between the estimated retirement benefits
179 and the actual retirement benefits to which such member would
180 otherwise be entitled.

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
Sec. 3	<i>October 1, 2010</i>	10-183ff

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:

Agency Affected	Fund-Effect	FY 11 \$	FY 12 \$
Teachers' Retirement Bd.	GF - Savings	75,000	76,500
Teachers' Retirement Bd.	Retired Teachers' Health Insurance Premium Fund - Cost	up to \$150,000	up to \$150,000
Teachers' Retirement Bd.	Teachers' Retirement Fund - increased liability	See below	See below

Note: GF=General Fund

Municipal Impact: None

Explanation

Section 1 of 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. This change in funding source is expected to result in a General Fund savings of at least \$75,000 in FY 11. There are approximately 16,000 TRB health plan members and therefore the average health care consultant services fees would be less than 50 cents per member per month.

Section 2 of the bill requires the Teachers' Retirement Board (TRB) to pay a member benefits based on the estimate TRB provided if the member retires based on a benefit estimate that is in error by 10 % or more. There is currently one retired member that meets the criteria of the bill with an actual benefit that is approximately \$900 per month (\$10,800 annual) lower than the estimate provided by the TRB. The actuary for the Teachers' Retirement System (TRS) estimates that the unfunded actuarial liability of the system would be increased by \$130,600 if the monthly benefit paid to the retiree were increased by the difference in the calculations. The increase would be reflected in the next TRS valuation as of 6/30/10 which will be used to calculate the state's contribution for FY 12 and FY 13.

Based on the most recent TRS valuation as of 6/30/08, the system had an unfunded liability of \$6.5 billion and a funded ratio (assets/liabilities) of 70%.

House Amendment "A" (LCO #3696) adds section 2 of the bill which gives the TRB the authority to compensate a member who retired based upon a material error in their retirement benefit statement and has the fiscal impact described above.

The Out Years

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

*Sources: Core-CT Financial Accounting System
TRB Consulting Actuary: Cavanaugh Macdonald Consulting*

OFA Bill Analysis**HB 5402 (as amended by House "A")******AN ACT CONCERNING EXPENSES FOR HEALTH BENEFIT PLANS UNDER THE TEACHERS' RETIREMENT FUND.*****SUMMARY:**

This 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. The bill also gives the TRB the authority to compensate a member who retired based upon a material error in their retirement benefit statement.

EFFECTIVE DATE: Upon Passage

Retired Teachers' Health Insurance Premium Fund

The balance of the Retired Teachers' Health Insurance Premium 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.

TRB Benefit Error

The bill requires the Teachers' Retirement Board (TRB) to pay a member benefits based on the estimate TRB provided if the member retires based on a benefit estimate that is in error by 10 % or more. There is currently one retired member that meets the criteria of the bill.

*House Amendment "A" adds the provision giving TRB authority related to certain benefit errors.

COMMITTEE ACTION

Appropriations Committee

Joint Favorable

Yea 51 Nay 0 (03/25/2010)