

Testimony of Diane L. Ethier Pomfret Center, CT

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Written Testimony in opposition to Governor's Bill No.5016: An Act Implementing the Governor's Recommendations Concerning General Government

Senator Harp, Representative Walker and other members of the Appropriations Committee:

My name is Diane Ethier. I am a retired Connecticut teacher and I am writing in opposition to Sec. 4 of Governor's Bill No.5016: An Act Implementing the Governor's Recommendations Concerning General Government.

Governor Malloy said in his 2012 Budget/State of the State Address that "This package is GAAP compliant, it proposes no borrowing for operating expenses, it continues to meet our pension obligations on an actuarial basis, and it seeks no tax increases." I believe that the Governor's proposal on Retired Teachers' Health Insurance is not meeting the state's obligation to one group of pensioners and is in fact a new tax on a select group of retirees, retired teachers who have dedicated their lives to educating the children of this State.

In Connecticut, benefits for retired teachers are legislated by the State and not negotiated with employers. Currently, the State contributes 33% of the cost of the STRB's Medicare supplement plan and the under-65 municipal health subsidy paid to retirees participating in their local board of education health insurance plans. Active and retired teachers fund the remaining 67%. The Governor's budget proposal will reduce the State's contribution to the Health Fund resulting in savings to the State of over \$15 million and shift a portion of the State's financial obligation to retirees by increasing the premium share paid by retirees on the STRB's Medicare supplement plan from 33% to 42%, a 9% increase. Based on current 2012 rates, that would amount to a monthly increase of \$32 per person, a 26% increase over current premium rates.

The proposed reduction in the State's contribution to the Health Fund, coupled with the State's failure to contribute a single cent to the Fund in 2009-2010 and 2010-2011, will negatively affect its long-term solvency. Active and retired teachers have been paying more than their fair share into the Health Fund every year with the understanding that it will be there for them when they need it.

The average age of a retired teacher on the STRB's Medicare Supplement Plan is 75 years old. Because Connecticut teachers do not participate in Social Security, they have no Medicare eligibility through teaching but have earned the necessary credit through part-

time jobs or eligible spouses. Under the Windfall Elimination Provision, teachers who do earn social security credits from other employment will receive a reduction in social security benefits of approximately 40 – 50%. The Government Pension Offset also results in most teachers receiving no spousal benefit from social security.

The proposed 9% increase in the premium share paid by retirees on the STRB's Medicare supplement plan financially harms the oldest retirees, many of whom are unable to pay a significant increase in their medical premium. Over 2,000 of these individuals retired before the Enhancement Act of 1986 and are receiving pensions based on minimal teaching salaries. The increase also has a negative financial impact on two other groups of retired teachers:

- Those who retired because of disability or illness before they were eligible for normal teacher retirement benefits. Retiring teachers who are not 60 years old and who have not taught for the required 35 years receive reduced pensions.
- Those who retired after teaching in the poorer counties in Connecticut. Teachers' salaries in these counties, and therefore retired teachers' pensions, are significantly lower than those in other counties in the State.

The State of Connecticut needs to keep the promise it made to its teachers and continue its one-third share in payments to the Retired Teachers' Health Care Fund. Failing to do so will result in great financial hardship for many retirees. I understand that the state has seen the amount of money provided to the fund increase as the boomers retire. Retired teachers have seen these increases too. Our basic premium for the STRB's Medicare supplement plan has already increased 27% in the last four years. The Governor's proposal will mean an additional 26% increase as of July 1, 2012. While retired teachers received a \$0 Cost of Living Adjustment (COLA) in 2010 and 2011 and were still required to pay increased premiums, the State of Connecticut chose to pay \$0 into the Retired Teachers' Health Fund. Promises continue to be broken.

I thank the members of the Appropriations Committee for this opportunity to provide written testimony.