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**TESTIMONY OF ROBYN KAPLAN-CHO, RETIREMENT
SPECIALIST,
THE CONNECTICUT EDUCATION ASSOCIATION (CEA)
CONCERNING THE GOVERNOR'S PROPOSED BUDGET
RELATED TO
THE STATE TEACHERS' RETIREMENT BOARD (STRB)**

**BEFORE THE APPROPRIATIONS COMMITTEE
FEBRUARY 21, 2012**

Good evening Senator Harp, Representative Walker, and members of the Appropriations Committee. My name is Robyn Kaplan-Cho and I am the retirement specialist for the CEA, representing over 41,000 active teachers and over 4,000 retired teachers who are members of the State Teachers' Retirement System.

Frankly, I was stunned to read that Governor Malloy is proposing shifting a portion of the State's financial obligation to our oldest retired teachers. When the health fund was created in 1989, it was understood that active teachers would contribute the lion's share to this fund, followed by retired teachers. This has in fact been the reality – you have my attached Fact Sheet which clearly illustrates that the contributions from active and retired teachers account for over 75% of the total contributions to the Health Fund.

State dollars account for approximately 25% of the total dollars in the Health Fund - the State has never paid an equal share compared to active and retired teachers in terms of actual dollars. Nonetheless, the Health Fund has been very stable and able to sustain a very well-managed Medicare supplement plan. In short, the system has been working well.

I am dumbfounded as to why the Governor would, in light of this, propose reducing its contribution by over \$16 million and shifting much of that cost over to retirees on the Medicare supplement plan. The average age of a retiree on that plan is 75 and many of these individuals retired before the Enhancement Act and thus are living on modest pensions. They are in the worst position to assume a portion of the cost previously borne by the State.

OPM Secretary Barnes has stated that this proposed change will encourage retired teachers to remain on their local board of education health plans and thus lessen the burden on the State. This is simply untrue. First, most local school districts do not even offer a Medicare supplement plan for their retirees who are age 65 and older. Second, the cost of local board of education plans is significantly higher than the cost of the Medicare supplement plan. Most retirees could not afford it and it would be imprudent to force the oldest retired teachers to remain in more costly plans intended for active and retirees who are not yet Medicare-eligible.

The Governor's proposed overall reduction in the State's contribution to the health fund will send an otherwise stable, well-functioning fund down a path toward instability – again, why do this to a plan that has operated extremely efficiently and has been satisfactory to its participants?

I also question the propriety of the Governor's proposal to claim the federal Medicare Part D reimbursement funds as "State contribution" dollars. For the past several years, these reimbursement dollars have been going directly into the Health Fund, above and beyond the State's required contribution. Claiming it as part of the State's contribution is nothing more than a shell game that results in a net loss and thus further harm to the Health Fund.

I would also like to address the Governor's proposal to consolidate the STRB under the Office of the State Comptroller (OSC). I fail to understand how this will save the State any real money given what a lean agency the STRB is – a study done several years ago concluded that Connecticut's STRB provides services to active and retired members at a cost of \$27 per member. This was the lowest number of any teacher retirement system in the country – a tribute to the hardworking and dedicated staff of the STRB that administers a complicated pension system on a daily basis with minimal staffing and resources. Moreover, the OSC itself is facing agency cuts so would seem ill-positioned to assume the work of STRB, especially given that the two systems have entirely separate technology and pension payment structures.

Even more concerning to CEA is the fact that the proposed legislation essentially strips STRB of the autonomy that it has had since its inception. The Board is comprised of a diverse constituency - elected active and retired teachers, gubernatorial appointments, and agency heads. Under the Governor's proposal, most of the authority currently vested in the STRB would be transferred to the State Comptroller, an elected official. CEA strongly opposes any change that will remove the STRB's longstanding independence.

Thank you for your time and consideration.