To: Members of the Appropriations Committee

From: William J. Sudol, Former Executive Director, StateTeachers' Retirement Board

Date: February 21, 2012

Subject: Governor's Budget Proposals Affecting the Connecticut Teachers' Retirement Board

I am writing to express my deep concern for two initiatives proposed by the Governor as part of his budget for the upcoming fiscal year and the impact it will have on the Connecticut Teachers' Retirement Board (CTRB).

During my long tenure with the Teachers' Retirement Board, I have experienced firsthand many of the fiscal challenges that have occurred in the State of Connecticut beginning with former Governor Meskill up to the present day Governor Dannel J. Malloy and I commend and appreciate the Governor for exploring new ways to promote efficiency and savings in state government.

As a matter of history, the Teachers' Retirement Board has been an autonomous State agency since its inception in 1917. At the present time, it currently provides retirement benefits to almost 32,000 retirees and benefits administration to nearly 54,000 active teachers with a staff of 22 employees.

The cost of administering CTRB was less than $1.5 million for fiscal year 2010-11. In fact, according to the CTRB Strategic Business Plan 2008-2013, CTRB's administrative cost of $27 per member (active and retired) was the lowest per capita cost of the 75 national and international pension systems that were benchmarked of comparable size and complexity.

It is extremely unrealistic to assume that consolidation of the Teachers' Retirement Board within the Office of the State Comptroller will have any substantial fiscal savings to the State. My only hope and expectation of any proposed consolidation would be that staffing levels would be sufficient to permit a resumption of counseling services to teachers, a function that has been virtually eliminated due to staff reductions and other pressing priorities.

I would also like to express my dismay at the governors' proposal to reduce the state's share of the subsidy for health insurance from 33% to 42% for those retired teachers enrolled in the CTRB Medi-gap plan. Currently a retiree, the State and the Health Insurance Premium Account (HIPA), funded by employee contributions, each pay 33% of the premium cost. The net result would increase the basic monthly premium for a retired teacher from the current level of $124 monthly to $156, an increase of almost 26%.

In addition, the State's share of the subsidy to those retired teachers enrolled in their local school district health plans will be reduced from 33% to 25% as well. This proposal will reduce the State's monthly cost from $37 per month to $28, but increase the monthly cost from HIPA from $73 to $82. The shifting of the State's obligation to fund in part the CTRB health program will place an undue financial hardship on those retired teachers currently participating tin the CTRB Medi-gap plan and further imperil the solvency of the Health Insurance Premium Account.

It should be noted that active teachers have been paying into HIPA since its inception in 1989 an amount over an above their regular retirement contribution of 6%. of their salary. From its origins in 1989, teachers had been paying 1% of their salary to HIPA. This amount was increased to 1.25% beginning in 2004 when the State agreed to increase its contribution rate from 25% to 33%.

I would urge members of the committee to reject any changes to the State's obligation to fund the CTRB health program and to consider the serious affect it will have on the future solvency of HIPA.

Sincerely,

William J. Sudol
Retired CTRB Administrator