



**Connecticut Education
Association**

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**TESTIMONY OF MARK WAXENBERG, EXECUTIVE DIRECTOR,
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, 2013**

Good evening Senator Harp, Representative Walker, and members of the Appropriations Committee. My name is Mark Waxenberg and I am the Executive Director of the CEA, representing over 41,000 active teachers and over 4,000 retired teachers who are members of the State Teachers' Retirement System.

At the outset, I would like to express CEA's support for Governor Malloy's full actuarially recommended appropriation to the teachers' retirement fund. This continued commitment to fiscal prudence combined with improved investment returns should put the pension fund on the path to long-term sustainability.

However, I speak in opposition to the Governor's proposal to reduce the State's contribution to the retired teachers' health insurance fund to \$0 for FY 2014 and FY 2015. As you recall, last year the Governor proposed shifting a portion of its share over to retired teachers. Thankfully, this Committee and the General Assembly rejected such an ill-advised idea and eventually voted to reduce the State's contribution from 33% to 25% for just two years. Our expectation was that after this two-year period, the State would resume paying the 33% share to which it is statutorily committed. Yet, the Governor's latest proposal does just the opposite and is even more harmful because it totally eliminates the State's contribution for the next two years. This total elimination of necessary revenue from the State will jeopardize a fund that has been financed primarily by active teachers and has worked well since its inception in 1989. At that time, 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 the 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 and a minimal subsidy for under-65 retirees on their former board of education plans. In short, the system has been working well.

The Governor's proposed two-year elimination of the State's contribution to the health fund, amounting to over \$70 million, will send an otherwise stable, well-functioning fund down a path toward instability as soon as 2017, according to Teachers' Retirement Board projections. And this estimate assumes that the State reinstates at least its 25% contribution in the next budget. However, if the State does not return to at least its current 25% contribution (or ideally the 33% statutory requirement), then the instability will be accelerated rapidly. Again, why do this to a plan that has operated extremely efficiently and has been satisfactory to its participants? Please reject the Governor's proposal and restore the State's 33% funding to the retired teachers' health insurance fund.

Thank you for your time and consideration.

RETIRED TEACHERS' LEGISLATIVE FACT SHEET FEBRUARY, 2013

Prepared by Robyn Kaplan-Cho, CEA Retirement Specialist

BACKGROUND ON RETIRED TEACHERS' HEALTH INSURANCE:

Who Contributes to the Retired Teachers' Health Insurance Fund:

- The Retired Teachers' Health Insurance Fund ("Health Fund") was created in 1991 and is administered by the State Teachers' Retirement Board (STRB).
- Active teachers contribute 1.25% of salary annually into Health Fund – this represents the largest contribution to the Health Fund. In 2012-13, active teachers' salary contributions of over \$45 million will be deposited into the Health Fund.
- Retired teachers participating in the STRB's Medicare supplement plan also contribute a premium share to the Health Fund. In 2012-13, retirees' contributions will amount to over \$37 million.
- State statute requires the State to contribute 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.
- The STRB has been receiving a federal reimbursement based on its non-participation in the Medicare Part D prescription drug program. Since the reimbursement began, these funds had been deposited directly into the Health Fund. However, last year's legislation allows the State to count this reimbursement money as part of the State's contribution thus reducing the overall revenue to the Health Fund.
- Since its inception, active teachers' contributions have been the primary source of income to the Health Fund. Teachers', retirees' and State contributions over the past seven years have been as follows:

Year	Active Teachers' Contributions	Retired Teachers' Contributions	State Contribution	Federal Medicare Part D Reimbursement
2006 - 07	38,473,730.5 6	22,949,731.7 9	20,749,537.3 6	0
2007 - 08	41,296,730.3 2	23,192,258.7 5	20,769,667.0 2	0
2008 - 09	46,219,152.6 1	24,635,463.3 0	22,433,384.0 6	7,061,829.98
2009 - 10	44,635,744.8 7	27,400,912	0	8,049,189.94
2010 - 11	45,410,154.0 3	30,039,157.7 9	0	5,312,118.90
2011 - 2012	43,359,743	40,123,523	35,259,003	14,227,081
2012 - 2013	45,156,508	37,910,647	17,668,157	0

What Retired Teachers Pay for Health Insurance:

- Retired teachers and spouses under age 65 and over-65 retirees who are not Medicare eligible obtain insurance through their last employing board of education and typically pay the full cost of insurance, minus a \$110 per month subsidy paid from the Health Fund. Monthly costs currently range from around \$400 to over \$900 per person, depending on local plans.
- 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. Some will never have Medicare eligibility. Teachers hired after 1986 have begun paying the Medicare tax of 1.45% of salary. Moreover, 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.

- Retired teachers and spouses over age 65 who are Medicare-eligible pay the Medicare Part B premium (currently \$104.90/month) plus one-third of the cost of the Medicare supplement plan offered by STRB. The current retiree cost for the base supplemental plan is \$117 per month per person.
- Many retired teachers received a \$0 Cost of Living Adjustment (COLA) in 2010 and 2011.
- The average age of a retired teacher on the STRB's Medicare Supplement Plan is 75 years old.

GOVERNOR MALLOY'S RETIREE HEALTH INSURANCE PROPOSAL:

- The Governor's budget proposal will eliminate the State's contribution to the Health Fund resulting in savings to the State of over \$70 million over two years.
- The reduction in the State's contribution to the Health Fund will negatively affect its long-term solvency. Active and retired teachers have been paying into the Health Fund with the understanding that it will be there for them when they retire.