RETIRED TEACHERS' HEALTH INSURANCE 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	38,473,730.56	22,949,731.79	20,749,537.36	0
2007 – 08	41,296,730.32	23,192,258.75	20,769,667.02	0
2008 – 09	46,219,152.61	24,635,463.30	22,433,384.06	7,061.829.98
2009 – 10	44,635,744.87	27,400,912	0	8,049,189.94
2010 – 11	45,410,154.03	30,039,157.79	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.