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TESTIMONY OF ROBYN KAPLAN-CHO, RETIREMENT SPECIALIST, THE CONNECTICUT EDUCATION ASSOCIATION (CEA) CONCERNING THE GOVERNOR'S BUDGET RECOMMENDATION FOR THE RETIRED TEACHERS' HEALTH INSURANCE FUND

BEFORE THE APPROPRIATIONS COMMITTEE MARCH 22, 2013

Good morning Senator Harp, Representative Walker, and members of the Appropriations Committee. My name is Robyn Kaplan-Cho and I have worked as the Retirement Specialist for the CEA for over 18 years.

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 ensure the long-term stability of the pension fund.

It is ironic, however, that now that the State has finally begun funding the pension at the required level, Governor Malloy has recommended not just underfunding the State's share of the retiree health insurance fund (as was done in the current budget) but completely NOT funding it. This is an all too familiar, short-sighted trek down a fiscally imprudent road.

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. Moreover, last year's legislation also allows the State to permanently count the federal drug reimbursement money – money that had always been deposited directly into the health fund – to be counted as part of the State's share. This represents yet another dangerous hit to the health fund.

Yet, our expectation last year was that after this two-year period, the State would resume paying the 33% share to which it is statutorily committed. Now we are faced with the governor's latest proposal that does just the opposite and is even more harmful because it totally eliminates the State's contribution for the next two years. This seriously jeopardizes a health 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 health 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 60% of the total contributions to 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.

Governor Malloy's proposed two-year elimination of the State's contribution to the health fund, according to Teachers' Retirement Board projections, could cause the fund to become insolvent as early as 2017. Why do this to a plan that has operated extremely efficiently and has been satisfactory to its participants – participants who have year after year paid their required share to the health fund? 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.