TESTIMONY OF

TOM SINGLETON, PRESIDENT

ASSOCIATION OF RETIRED TEACHERS (ARTC)

TO THE APPROPRIATIONS COMMITTEE

FEBRUARY 24, 2014

Good Evening, my name is Tom Singleton. As president of the Association of Retired Teachers of Connecticut, I'm here on behalf of our 16,000members and affiliate members. I am pleased to come before you with my colleagues from CEA and AFT, as together we are representing the concerns of 33,000 retired teachers. Presently, our primary issue is our Health Insurance Premium Account known as HPPA. It is a major concern not only for retired teachers but for the 53,000 active teachers who contribute 1.25% of their salaries toward the funding of HIPA. We are before you representing 86,000 active and retired teachers of Connecticut.

Teachers, upon retirement, do not have a contractual protection for their health benefits the way state and municipal employees do, thus I am here to educate you about teacher and retired teachers health insurance issues. I would like to begin by reviewing some background information that will help to explain our present concerns. Until 1990, health insurance was provided to retirees at no cost to them – 75% was paid from HIPA and 25% by the State. As health care costs escalated, the fiscal soundness of HIPA became problematic in the late 1990's. In 2000, 25% of the cost was shifted to retirees. In 2003 contributions to HIPA from active teachers increased to 1.25% of their salaries in order to stabilize and strengthen the fund. Legislation enacted in 2004 established a plan where health service costs administered by the Teachers Retirement Board would be shared equally by retired teachers, the State, and our HIPA, each contributing ⅓.

In 2010, and 2011 the State did not contribute its ⅓ share to HIPA. As a result, HIPA lost $60 million plus interest. Full funding was restored in FY 2-11 – 2012. In June 2012@ the implementer session, section 102 of PA12-1 was amended to enable the State to use the TRB's federal Medicare reimbursement dollars to offset the State's Contribution to HIPA.

The wording of this amendment makes this a permanent policy, which had never previously been done.

In 2013, legislation was passed reducing the State's contributed share to HIPA from ⅓ to ¼. When you factor in this reduction with the loss of the federal reimbursement monies, the original ⅓ State contribution is reduced to ⅛. Retired teachers did not see a reduction in their premiums this year because HIPA is making up the difference. The question is, "How long can this be sustained?"

HIPA has been fiscally sound as structured (the ⅓, ⅓, ⅓ plan) since 2004. However, repeated underfunding by the State since 2010 has resulted in a shortfall of $170 million over the past five years. If the current underfunding by the State persists, the State Teachers Retirement Board's actuarial projection of our Health Insurance Premium Account is that it will be compromised and unable to be sustained by 2018.

ARTC members have met with legislators over the past year to make them aware of the present underfunding of HIPA and its dyer consequences. Most were unaware of the full extent of reduction in funding from the state and that it is jeopardizing the fund.

86,000 teachers, active and retired, continue to pay their fair share and fulfill their obligation to fund HIPA as structured. Today, we are asking our legislators to fulfill the State's obligation to our HIPA. We are asking that the State restore the ⅓ contribution and not use the Medicare federal reimbursement monies to offset this contribution. We would like our HIPA to defray insurance costs, as originally intended, for present retired teachers and for future retired teachers of Connecticut.

Thank you for the opportunity to address the committee today.

Tom Singleton, President

Association of Retired Teachers of Connecticut.