Testimony of
Stephen McKeever
First Vice President
AFT Connecticut, AFL-CIO

Appropriations Committee Hearing
February 24, 2014

HB 5030 An Act Making Adjustments to State Expenditures for the Fiscal Year Ending June 30, 2015

Good evening Senator Bye, Representative Walker and members of the Appropriations Committee. My name is Stephen McKeever and I serve as AFT Connecticut's First Vice President for our more than 10,000 teachers across the state in our public schools. Thank you for the opportunity to share our thoughts on behalf of our members today.

The TRB Health Insurance Premium Account (HIPA) was created to defray the costs of health insurance premiums for retired teachers. The state is supposed to pay one-third of the cost. The remainder is paid by active and retired teachers.

We are grateful to the members of this committee for restoring a significant portion the FY 2014 and FY 2015 proposed cuts (requiring the state to pay one-quarter of costs rather than nothing), but nevertheless, the state's overall contribution was reduced by $21.6 million.

Further, Public Act 12-1 of the June special session made statutory revisions that allowed OPM to use Medicare Part D reimbursements to the account, on an ongoing basis, to offset amounts paid to the HIPA fund by the state. The TRB estimates this change will result in additional losses of more than $28.1 million during the FY 2014 and FY 2015 biennium.

In total, the state has diverted nearly $50 million away from the HIPA fund and its actual contribution to the fund has fallen from the one-third of the actual cost of retired teachers' health insurance to approximately one-eighth of the actual cost. All the while, 53,000 active educators contribute 1.25% of their salary into HIPA and 33,000 retired educators continue to pay their premium shares.

Our members are concerned about the long-term solvency of the HIPA fund. With the ranks of retirees growing and the state paying less than half of its promised share, the fund is jeopardy. Active teachers worry that there will be no HIPA fund left by the time they retire.

The FY 2015 budget adjustments further cut the state's contribution to the fund by another $6.5 million. In addition, the deficiency bill, HB 5034, further cuts the HIPA fund by another $2 million. That's a total of $8.25 million in new cuts this year.

We understand that premium rates have decreased and that the state will not have to spend as much to realize its one-quarter contribution and that retired teachers will pay lower premium

shares, but given the significant reductions the state has already made to the fund we are concerned that this compromises the fund. ***We suggest that since rates have dropped, the state is fully capable of paying its full one-third contribution to the fund. We also ask that the Medicare Part D reimbursements not be used to offset the state's contribution on an ongoing basis.***

Thank you for the opportunity to testify before you this evening. I would be happy to answer any questions you may have.