



**TESTIMONY OF ROBYN KAPLAN-CHO, RETIREMENT  
SPECIALIST  
THE CONNECTICUT EDUCATION ASSOCIATION (CEA)**

**AN ACT MAKING ADJUSTMENTS TO STATE EXPENDITURES  
FOR THE FISCAL YEAR ENDING JUNE 30, 2017  
RELATED TO  
THE STATE TEACHERS' RETIREMENT BOARD (STRB)**

**BEFORE THE APPROPRIATIONS COMMITTEE  
FEBRUARY 16, 2016**

**Connecticut Education  
Association**

**Governance**

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An affiliate of the  
National Education Association

Good evening Senator Bye, Representative Walker, and members of the Appropriations Committee. My name is Robyn Kaplan-Cho and I am the Retirement Specialist for the CEA, representing over 37,000 active teachers and over 5,500 retired teachers who are members of the State Teachers' Retirement System.

The Governor's budget continues to provide a reduced appropriation to the retired teachers' health insurance fund. Specifically, it provides a fixed dollar amount currently representing about 15 percent of the cost of the plan. As you know, state statute requires that the state contribute 33 percent of the cost of the STRB health subsidy and Medicare supplement plan.

CEA has addressed this Committee many times before, consistently asking that the full statutory amount be appropriated. This year, we again are requesting that this Committee reconsider the reduced appropriation. The STRB has created a legal trust for the retired teachers' health insurance fund that would finally provide the structure for long-term funding and stability. The reduced funding level prevents the trust from beginning to grow a corpus that would allow for future stability and long-term solvency.

The retiree health fund was originally set up to be sustained primarily by contributions from active and retired teachers but also have a committed appropriation from the state. The reality is that active teachers have contributed the lion's share to this fund and their contributions have never wavered. In fact, 41 percent of the cost of the retiree health insurance program is borne by active teachers' contributions. But, at the rate we are going, the fund will not be there for them when they are ready to retire. This is exacerbated by the reality that the number of retired teachers is increasing while the amount of active teacher contributions to the fund is decreasing. In short, all of the active

teachers' retiree health fund contributions are being spent by current retired teachers.

Faced with the potential bankruptcy of this fund in the next several years, the State Teachers' Retirement Board took the responsible step over the last several years of convening a work group to try to create a long-term solution to this funding debacle. The STRB considered ways to lower the cost of the plan and the feasibility of creating a health trust that could begin to chip away at the unfunded liability. The STRB then implemented a new prescription drug plan which has resulted in significant savings. The intent was to use those savings, along with the full contributions expected to be received from the three partners to the fund – active teachers, retired teachers and the state - to begin funding the trust. That trust could finally be invested over a longer investment horizon yielding a moderate return, as opposed to the current minimal return generated from being in the short-term investment fund (STIF). Moreover, the unfunded (OPEB) liability of the trust would be significantly decreased, which is the ultimate goal that we all share.

Unfortunately, by reducing the state's appropriation, the Governor's budget is forcing the fund to remain a pay-as-you-go fund with no hope whatsoever of reducing its unfunded liability. This pattern of merely funding enough of the cost to keep the fund afloat for the next few years is simply short-sighted and fiscally unsound. Please reconsider this funding approach and resolve to provide the full required appropriation moving forward.

Thank you for your time and consideration.