

APPROPRIATIONS  
COMMITTEE PUBLIC HEARING

MARCH, 11, 2020  
10:30 A.M.

CHAIRPERSON: Senator Catherine Osten

SENATORS: Formica, Abrams, Winfield

REPRESENTATIVES: Walker, Lavielle,  
Abercrombie, Baker, Betts,  
Candelaria, Case,  
Dauphinais, France,  
Haddad, Mastrofrancesco,  
Nolan, Pavalock-D'Amato,  
Reyes, Rotella, Ryan,  
Simanski, Wilson,  
Zawistowski, Zupkus

SENATOR OSTEN (19TH): Good Morning, everybody.  
You ready? All right. Going to call the Public  
Hearing to order and the first order of, the first  
speaker is S. Fae Brown Brewton, in Groton Greg  
Messner. This is on Senate Resolution No. 6 and  
House Resolution No. 8. Go ahead.

S. RAE BROWN-BREWSTER: Good Morning, I am Fae Brown  
Brewton with the State of Connecticut Office of  
Labor Relations in the Office of Policy and  
Management. Distinguished members of the  
Appropriations Committee, I am here today seeking  
your approval of Senate Resolution 6 and House  
Resolution 8 concerning an Agreement Between the  
State of Connecticut and the State Employees  
Bargaining Agent Coalition regarding Pension  
Funding.

You may recall that this body approved the February  
2017 SEBAC Agreement which basically accomplished  
the following: computed the unfunded State  
Employees Retirement System pension liability using

"Entry Age Normal" as the actuarial cost method and changed the pension funding method from a level percent of payroll to a level dollar method with a five year phase in. The prior level percent of payroll methodology resulted in a back-weighting of the state's repayment schedule and required ever-increasing contributions through Fiscal Year 2047. The level dollar methodology results in required payments that are initially higher, but that remain constant over the entire repayment period. The current schedule is for that transition in methodology to take place over the five years, which results in General Fund increases of approximately \$100 million dollars per year between Fiscal Year 2019 and Fiscal Year 2023 before becoming level from Fiscal Year 2023 through Fiscal Year 2047.

The February 2017 Agreement also reset the amortization period for only a portion of the unfunded liability. The unfunded liability that had accrued as of 1984 maintained the amortization payoff period to June 30, 2032. The amortization period for the remaining balance of the unfunded liability was extended to June 30, 2047.

Rather than continuing with these two parcels of unfunded liability, the Agreement before you merges them so the "as of 1984 accrued unfunded liability" portion is merged with the current balance of the unfunded liability with all of it to be fully funded by 2047.

This Agreement implements the savings assumed in the biannual budget that was passed by this General Assembly in Public Act 19-117. It reduces the General Fund SERS contribution requirements by approximately \$115 million dollars in Fiscal Year

2020 and \$121.2 million in Fiscal Year 2021. Similar savings are anticipated each year through Fiscal Year 2032, with a leveling of the Actuarial Determined Employer Contribution from 2023 through 2047 as demonstrated by the attached chart. While we are committed to phasing in a level dollar method to address the structural deficit, in order to avoid tax rate increases the transition to level dollar is occurring over a longer period of time or, stated a different way, the re-amortization period is being extended for the entire unfunded liability. It is important to note that the Agreement does not change the 2047 date for full funding that currently exists.

I am available to respond any questions.

SENATOR OSTEN (19TH): Greg, do you have anything to add?

GREG MESSNER: No. [Laughter].

SENATOR OSTEN (19TH): Are there any comments or questions? Representative Lavielle.

REP. LAVIELLE (143RD): Thank you very much, Madam Chair. Two quick questions just for clarification. Good Morning.

S. RAE BROWN-BREWSTER: Good Morning.

REP. LAVIELLE (143RD): This is to be sure I get it properly. This is the legacy portion of what we usually call the Legacy Portion.

S. RAE BROWN-BREWSTER: Yes.

REP. LAVIELLE (143RD): Second, this was the. This is the 2019 Agreement, right?

S. RAE BROWN-BREWSTER: The parties met and what we're.

REP. LAVIELLE (143RD): We're referring to the 2019 Agreement, no the 2017?

S. RAE BROWN-BREWSTER: Right. I spoke of the 2017 Agreement as a backdrop to show you how we arrived at the current agreement.

REP. LAVIELLE (143RD): Okay, it's all a blur now, you know, it was just a few years. Okay, so this is the 2019 Agreement, this is not the one that was in the bipartisan budget?

S. RAE BROWN-BREWSTER: It is one upon which the savings was built in the bipartisan budget.

REP. LAVIELLE (143RD): No, the other one was.

S. RAE BROWN-BREWSTER: Excuse me, the enacted budget.

REP. LAVIELLE (143RD): Right, the one that we're in now.

S. RAE BROWN-BREWSTER: Yes.

REP. LAVIELLE (143RD): Okay. Thank you and the final question any change in the original Agreement that happened in 2019? Is there any change in this Memorandum of Understanding or is everything?

S. RAE BROWN-BREWSTER: There is some phraseology changing but no substantive, no real substantive change.

REP. LAVIELLE (143RD): Okay, thank you very much. Thank you, Madam Chair.

SENATOR OSTEN (19TH): Thank you. Senator Formica.

SENATOR FORMICA (20TH): Thank you very much, Madam Chair and Good Morning.

S. RAE BROWN-BREWSTER: Good Morning.

SENATOR FORMICA (20TH): Thank you for being here and making your report. Just to clarify, this ended up in the budget that we're in.

S. RAE BROWN-BREWSTER: Yes.

SENATOR FORMICA (20TH): We finished Session and then negotiations continued with you and the union representatives after session was out?

S. RAE BROWN-BREWSTER: That's correct.

SENATOR FORMICA (20TH): And so we didn't have an opportunity to vote on those changes and those saving represent annually about \$160 million, \$164.2 million dollars in budgetary savings in the short-term for the Fiscal Years beginning 2032 which was the original ending of the agreement. Through you, Madam Chair.

S. RAE BROWN-BREWSTER: I am going to defer to Greg Messner from the Budget Division.

GREG MESSNER: Yes, I think that's accurate. The General Fund portion of that is a little smaller but in aggregate that's correct.

SENATOR FORMICA (20TH): Okay, yeah, the \$164 would probably include SDO and General Fund, right?

GREG MESSNER: Correct.

SENATOR FORMICA (20TH): All right, thank you. And then the negotiations continued for the period 32 to 47 which is the 15 year extension that was agreed on and that is gonna have a cost to the taxpayer of

\$3.3 additional billion dollars as the cost to extend the financing forward. Is that accurate to say?

GREG MESSNER: That's right, we'll be paying somewhat less between now and 2032 and somewhat more between 2032 and 2047.

SENATOR FORMICA (20TH): Okay. Thank you very much. And then the reason we're here is that this was, and I may have missed the opening statements so I apologize if I am repeating. The reason we are here now in March is that as a result of that agreement being discussed after session it was to be put forth the first, early in this session, is that correct?

GREG MESSER: Correct.

SENATOR FORMICA (20TH): And you had about ten days to do that and for some reason that deadline was missed?

S. RAE BROWN-BREWSTER: We had ten days to submit according to Statute and then the parties, like I said, made some changes and so we had to withdraw the original agreement that was submitted back in July of 2019 and resubmit.

SENATOR FORMICA (20TH): All right, thank you very much. So the parties made some change as a result of missing the ten day filing period or they made changes in negotiations to the June Agreement?

S. RAE BROWN-BREWSTER: We made the ten day filing period but we made subsequent changes to the negotiated July 2019 Agreement.

SENATOR FORMICA (20TH): Great. Thank you. And so therefore we had to make a small change in this, in this document in order to fit the timeline that we

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are today, right? It was a line about the "spirit of compromise" is that what changed?

S. RAE BROWN-BREWSTER: Excuse me, I would say that is accurate.

SENATOR FORMICA (20TH): You say that's accurate?

S. RAE BROWN-BREWSTER: Yes.

SENATOR FORMICA (20TH): Thank you very much. Sorry, somebody spoke next to me, I couldn't quite hear. Okay, thank you very much. That gets me to the timeline. I appreciate your hard work. Thank you, Madam Chair.

SENATOR OSTEN (19TH): Are there any other comments or questions? Seeing none, thank you very much. UP next is Dan Livingston on the same two resolutions.

DAN LIVINGSTON: Good Morning Chairman Osten and Members of the Appropriations Committee. I am going to try to keep this brief. You have my full written testimony. I am the Chief Negotiator for SEBAC which is the State Employees Bargaining Agent Coalition. You've already heard about the 2017 Agreement which was a critical agreement to undo the balloon funding that had been insisted upon by then Governor John Rowland and put the SERS Plan on a sound fiscal footing. I think you all understand those details. I won't go over them.

In 2019 when Governor Lamont approached the SEBAC Coalition and asked for a small modification in the 2017 Agreement, we publicly stated that, well first we checked with our actuaries. Our actuaries were neutral about it. The primary difference you already heard about was seeing to reamortize the entire debt instead of leaving a small portion of

the debt to be paid off by 2032. Our actuaries were neutral about the proposal. They felt it was still true to what he had achieved in 2017 which was the critical level dollar funding that we had been fighting for since 2000. We said publicly that the critical thing to us was that the balloon debt that was looming over everyone's head in the teachers retirement system needed to be dealt with on behalf of both our brothers and sisters in the teachers unions and the public and so we said if that is dealt with in the biennial budget we're happy to do what the governor has requested with respect to SERS. As you know the final budget did deal with the balloon funding in the teachers retirement system. We had given our word that if that happened we would agree to what the governor proposed. We keep our word and we're here today to keep our word and urge you to pass the two Resolutions that are before you. So that's all I wanted to say up front and I'm happy to answer any questions.

SENATOR OSTEN (19TH): Thank you very much, Attorney Livingston and is there any questions or comments? Seeing none. Do you have any questions? Representative? No, okay. [Laughter] Thank you very much, appreciate it.

DAN LIVINGSTON: Thank you.

SENATOR OSTEN (19TH): Is there anybody else that would like to speak to this, on this Public Hearing? Seeing none, the Public Hearing is closed. We will be going directly into a Committee Meeting. If you could please announce, Brandon, that we are having a Committee Meeting and all Members of the Appropriations Committee must come into the room 2C.