

Higher Education and Employment Advancement Committee

JOINT FAVORABLE REPORT

Bill No.: HB-5115

AN ACT CONCERNING THE UNFUNDED PENSION LIABILITY PORTION OF THE FRINGE BENEFIT COST FOR EMPLOYEES OF THE CONSTITUENT

Title: UNITS OF THE STATE SYSTEM OF HIGHER EDUCATION.

Vote Date: 3/10/2020

Vote Action: Joint Favorable

PH Date: 2/20/2020

File No.:

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SPONSORS OF BILL:

Higher Education and Employment Advancement Committee

REASONS FOR BILL:

This bill mandates the state comptroller to fund the unfunded pension liability portion of constituent unit employees' fringe benefits that are currently paid outside of the institutions' General Fund block grant using resources appropriated for the State Comptroller-Fringe Benefits. The intent of the bill is to provide funding for said fringe benefit costs, which are currently unfunded.

RESPONSE FROM ADMINISTRATION/AGENCY:

[Kevin Lembo, State Comptroller, Office of the State Comptroller](#): Comptroller Lembo writes that the unfunded pension liability in the State Employee Retirement System (SERS) has grown for decades and created budget problems through the state, citing that all the state's funding sources currently help to make the full pension contribution for SERS. His office estimates an additional \$93.8 million would need to be appropriated into the General Fund SERS appropriation for FY 2021. He recommends that the General Assembly consider that any reforms or changes should honor the State's commitment to fully fund the SERS pension fund as calculated by the SERS actuary and that reductions in unfunded liability costs for higher education units will require a commensurate increase in costs to the State's General Fund.

[Ben Barnes, Chief Financial Officer, Connecticut State Colleges and Universities](#): Mr. Barnes writes that this bill would provide much needed financial relief for the unfunded pension liability component of CSCU's fringe benefits and would have a positive fiscal impact

on the Connecticut State Universities, UConn, and UConn Health Center. He cites that the state universities and community colleges have had to raise tuition in order to keep up with the growing fringe rates.

Scott Jordan, Chief Financial Officer, University of Connecticut: Mr. Jordan submitted testimony in support of the bill on behalf of UConn and UConn Health. They feel that the unfunded pension liabilities must be funded to provide financial relief for UConn and that this bill proposes a commonsense and sustainable solution to the growing legacy costs. They believe that UConn Health is a valuable asset of the state economy which provides first-rate education, develops a highly-skilled workforce, and stimulates and supports research. They cite that UConn has had to significantly raise tuition and cut department funding due to the financial burden imposed by the unfunded pension system. They express concern about the unfunded pension system causing a decrease in the institution's research and clinical competitiveness because they must cut spending on research grants, research dollars, and technologies. They propose adding language to the bill that would specify that the fringe benefit recovery rates charged by the state to public higher education institutions do not exceed normal retirement costs.

NATURE AND SOURCES OF SUPPORT:

Greg Crerar, President, SUOAF/AFSCME: Mr. Crerar submitted testimony in support of the bill on behalf of SUOAF/AFSCME Local 2836. They feel that the unfunded pension liability of the CSCU fringe benefits is an unfair burden on the students and faculty. They believe that this bill will ease the financial burden on placed on the CSCU and will free up additional resources that will benefit the students. They also opine that the cost of paying these unfunded pension liabilities should not be passed on to the students through tuition increases as has happened.

Bill Garrity, President, University Health Professionals AFT Local 3837: Mr. Garrity submitted testimony in support of the bill. He feels that the State legislature, by not funding or underfunding the SERS pension system for decades, has not kept its side of the contract. He cites the comptroller in saying that the State has saved \$1.7 billion as of 2019 because the state employees working at UConn Health and all other state employees adjusted their retirement plans in 2017 in order to give back to the SERS retirement plan fund. He feels that the State must honor its side of the contract and fund the unfunded SERS pension system.

Dr. Stephen M. King, Professor of Biology, University of Connecticut Health: Dr. King submitted testimony in support of the bill. He feels that the unfunded pension system puts UConn faculty at a competitive disadvantage when they apply for federal or other grants. He notes that the number of people that can be actively working on a project in the laboratory is much lower than at other institutions of higher education, including in Connecticut and the northeastern United States. He urges the state legislature to reduce the unfunded fringe liability charged to research grants because it will have a direct impact on UConn Health's ability to perform ground-breaking biomedical research and will enhance future grant funding prospects.

Dr. Bruce J. Mayer, Professor of Genetics and Genome Sciences, University of Connecticut Health: Dr. Mayer submitted testimony in support of the bill. He cites that his

laboratory at UConn Health has found obtaining funding for research grants more difficult in recent times due to the high fringe rates and legacy costs associated with the unfunded pension and retirement healthcare liabilities. He expresses concern that the difficulty in obtaining such funding has led to his laboratory being less productive than laboratories at other institutions of higher education and not being able to hire an adequate number of high-tech workers. He believes it is unfair to impose the cost of the unfunded pension liability on UConn researchers.

[Dr. Thomas J. Peters, Professor of Mathematics and Comp. Science, University of Connecticut](#): Dr. Peters submitted testimony in support of the bill. He expresses concern that economic restraints, like the unfunded pension system, can affect his ability to be awarded federally funded research grants for his field of science. He believes this bill provides a remedy on the economic side of improving the chances of UConn being awarded research grants.

[Cindy Polinsky, Executive Director, UCHC-AAUP](#): Ms. Polinsky submitted testimony in support of the bill. She feels that UConn Health is an invaluable science hub that provides high quality healthcare to its patients and receives \$100 million in extramural research grants and contracts annually. However, she expresses concern about the tenuous nature of the unfunded legacy costs and the high fringe rate approaching 74% this year for their scientists seeking research grant funds. She notes that the average fringe rates at all laboratories nationally is about 40%. She states that UConn Health and its researcher may only realize its full potential if the financial burden of the unfunded pension system, legacy costs, and high fringe rates are eliminated.

[Dr. Annabelle Rodriguez-Oquendo, Professor of Cell Biology, University of Connecticut Health](#): Dr. Rodriguez-Oquendo submitted testimony in support of the bill. She expresses concern about the negative effects that high fringe rates have had on her research efforts at UConn Health, stating that she has pivoted towards conducting research that does not require use of lab technicians because the high fringe rates have rendered funding such positions unfeasible. She believes the State of Connecticut needs to have fringe rates closer to 40% to be able to fairly compete with other institutions for research grants that come from the National Institute of Health.

The following individuals submitted similar testimony in support of the bill, expressing concern for the high fringe rates and the affect they have or could have on the research at UConn Health in their respective fields of science:

- **[Dr. Patrick A. Murphy, Assistant Professor, University of Connecticut Health](#)**
- **[Dr. Daniel W. Rosenberg, Professor of Medicine, University of Connecticut Health](#)**
- **[Penghua Wang, Assistant Professor, University of Connecticut Health](#)**

NATURE AND SOURCES OF OPPOSITION:

[Isabel Blank, Senior Manager External Affairs, Yankee Institute for Public Policy](#): Ms. Blank submitted testimony in opposition to the bill. She expresses the view that exempting university funding sources from have to pay any portion of the unfunded pension liability

would merely rearrange the unfunded liability burden and not achieve real reform. She proposes the following alternative solutions to the unfunded pension liability problem:

- (1) Change the formula for cost-of-living adjustments, (2) adopt a cap on pensionable salaries, and (3) reform discount rate determination.

Leonard A. Fasano, Senate Republican Leader, Connecticut General Assembly:

Senator Fasano submitted testimony in opposition to the bill. He expresses the view that there has been scarce thoughtful deliberation on how salary and hiring decisions at UConn and UConn Health effect the state's finances. He also expresses concern about UConn continuing to add costly staff to their rosters during and despite these financial troubles. He believes the state and its taxpayers should not continue to fund the costly pension system of these institutions because it costs too much and would only worsen the situation by allowing these institutions to continue to rely on taxpayers' money. He opines that funding the SERS pension system is an unaffordable burden for the state. He suggests that other solutions be sought, such as a public-private partnership or ending the state's ownership of UConn Health.

Reported by: Justin Boutin, Assistant Clerk

Date: March 11, 2020