

# Appropriations Committee JOINT FAVORABLE REPORT

**Bill No.:** SB-405

AN ACT CONCERNING THE TEACHERS' RETIREMENT BOARD AND

**Title:** VALUATIONS OF THE TEACHERS' RETIREMENT SYSTEM.

**Vote Date:** 4/7/2022

**Vote Action:** Joint Favorable Substitute

**PH Date:** 3/18/2022

**File No.:**

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## SPONSORS OF BILL:

Appropriations Committee

## REASONS FOR BILL:

The bill moves the Teachers' Retirement Board to the Office of the State Comptroller (OSC), for administrative purposes only. This proposed change was intended to provide the TRB with additional administrative support, thereby aiding the agency in efforts to be more responsive to legislators' concerns. In addition, the bill changes the Teachers' Retirement System valuation from being performed on a biennial basis to an annual basis. Having this information on an annual basis will assist the Appropriations Committee in appropriating the proper amount for the TRS.

## Substitute Language

The substitute language omits the requirement that the TRB be under the OSC for administrative purposes only.

## RESPONSE FROM ADMINISTRATION/AGENCY:

[Sean T. Wooden](#), State Treasurer, State of CT Treasurer's Office – Mr. Wooden testified to clarify certain legalities relative to previous agreements made by the State to certain covenants in statute and in the TRS Pension Obligation Bonds. He explains that according to statute, no public or special act of the General Assembly shall diminish the actuarial determined employer contribution (ADEC) unless certain conditions are met. Therefore, a budget adjustment that reduces the contribution to the biennium, even if based on a new valuation, would violate the bond covenant. Alternatively, a budget adjustment that increases the contribution would not. Mr. Wooden states that while this bill does not directly reduce the Fiscal Year 23 ADEC included in the FY 22/23 Budget, it does not, on its face, violate the covenant. However, if the result of this new annual valuation requirement is a reduction in the ADEC, and the legislature were to make a mid-term budget adjustment reflecting this, the bond covenant would be violated.

**Helen Sullivan, Administrator, Teachers Retirement Board** – The TRB opposes this bill as they conclude that the requirement of biennial valuations is in concurrence with the biennial budgeting process. She explained that by requiring annual valuations, it limits the usefulness of the report but doubles the expense, also adding approximately \$60,000 to each biennial budget for increased administration. Ms. Sullivan argued that the requirement is not in line with industry standards. TRB also opposes the proposal of merging with the OSC divisional structure as it will actually increase the administrative burden. She attested that the TRB has been able to optimize internal processes efficiently, resulting in cost saving projects. However, she did concede that the TRB could benefit from other enhancements to operate more effectively, which include appropriate staffing levels to manage the \$2 billion dollars in annual payments and to migrate the current TRB Pension Administration Software system, which is over twenty-two years old, to CORE-CT to mirror both the State Employee and the Municipal Employee Retirement Systems (SERS/MERS).

#### **NATURE AND SOURCES OF SUPPORT:**

**Catherine D'Agostino and Sandra P. Bove, Legislative Co-Chairs, Association of Retired Teachers of CT** – Ms. D'Agostino and Ms. Bove submitted testimony in support of this bill, however, they did also suggest statutory changes to add an additional elected retired teacher to the TRB. They explain that the current law pertinent to the ratio of active teachers to retired teachers, was last mandated in 1991, when the ratio was 3:1. Today, given the ratio is 4:3, they argue that the board would be more fairly balanced with retired teacher representation if one more retired teacher board member.

**Paula Bacolini, Retired CT Educator** – Ms. Bacolini submitted testimony to support the bill, but also to suggest additional adjustments to the language without proposing specific language. However, she did elaborate that the legislation should include a pathway that would allow retired teachers to provide input to the TRB regarding their experiences with the healthcare plans that are provided by the TRB. She hopes that this would encourage a productive, two-way conversation with input from retired teacher groups. As this is not allowed at current TRB meetings, with restrictions to three minute comments from retirees and no discussion allowed, she hopes this legislation can address these outstanding issues.

**Walt Ciplicki, Retired CT Educator** – Mr. Ciplicki testified in support of this bill but also asked the committee to consider adding an additional two retired teacher seats to the TRB. He explained that by giving the OSC a seat on the TRB creates imbalance as state agencies will then hold four seats, and with active teachers holding another four seats and retired teachers only having two, an additional two would be appropriate. Additionally, Mr. Ciplicki expressed that moving TRB under the Comptroller will result in increased transparency on the part of TRB. With only one member on the TRB being an enrollee of a TRB health insurance plan, the remaining members do not experience the impact of their choices. He stated that the current established arrangement creates a disconnect that can be resolved by creating a constructive pathway that allows retired teachers to bring their real-world experience with the health plans back to the board.

**Rosemary Powers, Retired CT Educator** – Ms. Powers submitted testimony supporting SB 405 in that hope that this will result in transparency and easier access to TRB information about health insurance plans. Also, she asks that the committee consider her concerns to allow for retired teacher input before final TRB decisions are made.

#### **NATURE AND SOURCES OF OPPOSITION:**

**Robyn Kaplan-Cho, Retirement Specialist, CT Education Association** – CEA testified in opposition of this bill. They stated that TRB continues to do an excellent job administering the pension

and retiree health programs and their administrative cost per member continues to be one of the lowest in the country. CEA does not necessarily oppose the change to merge TRB with the OSC as long as this change does not run contrary in any way to the bond covenants or result in a change to the spirit of those covenants which is to ensure that the Actuarially Determined Employer Contributions (ADEC) is met. They also concur with the request to upgrade the agency's outdated software to the CT-CORE system being a reasonable and cost-efficient means to address their current systemic needs, rather than merging them into an agency that administers an entirely different pension system.

**Bill Murray, President, Connecticut Education Association Retired** – Mr. Murray urged the committee to consider the ramifications of passage of this bill, and suggested the committee defer to the Treasurer's Office and the TRB actuary prior to taking legislative action.

**Reported by: Taylor Hyde**

**Date: April 19<sup>th</sup>, 2022**