

Teachers' Retirement Board

TRB77500

Permanent Full-Time Positions

Fund	Actual FY 15	Actual FY 16	Appropriation FY 17	Governor Recommended		Legislative	
				FY 18	FY 19	FY 18	FY 19
General Fund	27	27	27	27	27	27	27

Budget Summary

Account	Actual FY 15	Actual FY 16	Appropriation FY 17	Governor Recommended		Legislative	
				FY 18	FY 19	FY 18	FY 19
Personal Services	1,671,275	1,686,764	1,691,365	1,606,365	1,606,365	1,606,365	1,606,365
Other Expenses	342,412	378,944	490,868	480,060	480,060	468,134	468,134
Other Than Payments to Local Governments							
Retirement Contributions	984,110,000	975,578,000	1,012,162,000	882,785,617	911,476,189	1,290,429,000	1,332,368,000
Retirees Health Service Cost	13,675,316	14,566,860	14,566,860	25,354,500	29,075,250	14,554,500	14,575,250
Municipal Retiree Health Insurance Costs	5,154,045	5,392,897	5,392,897	4,644,673	4,644,673	4,644,673	4,644,673
Nonfunctional - Change to Accruals	20,217	-	-	-	-	-	-
Agency Total - General Fund	1,004,973,265	997,603,465	1,034,303,990	914,871,215	947,282,537	1,311,702,672	1,353,662,422

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19

Policy Revisions

Adjust Funding to Provide Full Pension Contribution

Retirement Contributions	(407,643,383)	(420,891,811)	-	-	407,643,383	420,891,811
Total - General Fund	(407,643,383)	(420,891,811)	-	-	407,643,383	420,891,811

Background

The June 30, 2106 actuarial valuation set the Actuarially Determined Employer Contribution (ADEC) for the Teachers' Retirement System (TRS) of \$1,290,429,000 in FY 18 and \$1,332,368,000 FY 19. Payment of the full contribution is required by both statute (CGS 10-183z) and the Bond Covenant for the Pension Obligation Bonds, issued pursuant to PA 07-186.

Governor

Reduce funding by \$407,643,383 in FY 18 and \$420,891,811 in FY 19 to reflect the requirement that towns contribute one-third of the cost of the municipal share of the ADEC for the Teachers' Retirement System.

Legislative

Maintain full state funding for the TRS retirement contribution. PA 17-2, JSS Section 586 increases the teachers' mandatory regular contribution by 1% point from 6% to 7% on and after January 1, 2018. The teachers' mandatory contributions are deposited to the Teachers' Retirement Fund. Section 587 requires the Teachers' Retirement Board to: (1) request a revised actuarial valuation establishing the state's annual required contribution for FY 18 and FY 19 based on the 1% point increase in the mandatory contribution required in Section 586 and (2) certify to the General Assembly the revised retirement contribution for FY 18 and FY 19. Savings of \$18 million in FY 18 and \$38 million in FY 19 associated with this provision have been reflected in the FY 18 and FY 19 budget as "targeted savings" lapse. The revised actuarial valuation, completed in November, resulted in a state retirement contribution savings of \$19.4 million in FY 18 and \$40.1 million in FY 19. The revised actuarial valuation results in additional savings over the budgeted targeted savings by \$1.4 million in FY 18 and \$2.1 in FY 19.

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19

Reduce State Share of Retiree Health Service Cost

Retirees Health Service Cost	(8,451,500)	(9,691,750)	(19,251,500)	(24,191,750)	(10,800,000)	(14,500,000)
Total - General Fund	(8,451,500)	(9,691,750)	(19,251,500)	(24,191,750)	(10,800,000)	(14,500,000)

Background

The Teachers' Retirement Board (TRB) is required to offer one or more health plans to retired Teachers' Retirement System members who are participating in Medicare. The TRB health plan is funded on a self-insured basis. CGS Sec. 10-183t provides a cost sharing arrangement which requires that retirees, the state, and the TRB health fund each pay one-third of the total cost for the basic plan. The TRB health fund is funded through active teachers' 1.25% contributions. For FY 16 and FY 17 the state share of the municipal subsidy was reduced to the FY 15 level of appropriation. This resulted in a state share of approximately 17% in FY 16.

Governor

Reduce funding by \$8,451,500 in FY 18 and \$9,691,750 in FY 19 for the Retirees Health Service Cost account to reflect a state share of 25%.

Legislative

Reduce funding by \$18,951,000 in FY 18 and \$24,191,750 in FY 19 for the Retiree Health service Cost account to reflect a state share at approximately the FY 17 level.

Reduce State Share of Health Insurance Subsidy

Municipal Retiree Health Insurance Costs	(1,548,224)	(1,548,224)	(1,548,224)	(1,548,224)	-	-
Total - General Fund	(1,548,224)	(1,548,224)	(1,548,224)	(1,548,224)	-	-

Background

The municipal subsidy is provided to those retirees and dependents with health insurance through their last employing board of education. The amount that eligible retirees receive is statutorily set at \$110 per month for most members and \$220 per month for members who are 65 or older, not Medicare eligible and paying more than \$220 per month for health insurance. The state is required to pay one-third of the cost of the subsidy according to CGS Sec.10 - 183t. For FY 16 and FY 17 the state share of the municipal subsidy was reduced to the FY 15 level of appropriation. This resulted in a state share of approximately 29% in FY 16.

Governor

Reduce funding by \$1,548,224 in both FY 18 and FY 19 to reflect a state contribution equal to 25%. The balance of the subsidy (75%) is paid from the TRB health fund.

Legislative

Same as Governor

Annualize FY 17 Holdbacks

Personal Services	(54,657)	(54,657)	(54,657)	(54,657)	-	-
Other Expenses	(10,808)	(10,808)	(10,808)	(10,808)	-	-
Total - General Fund	(65,465)	(65,465)	(65,465)	(65,465)	-	-

Background

The Governor implemented FY 17 holdbacks totaling \$149.5 million. The Governor's FY 18 and FY 19 Budget annualizes \$81.7 million of FY 17 holdbacks in FY 18 and \$81.8 million in FY 19 across various agencies.

Governor

Reduce funding by \$65,465 in both FY 18 and in FY 19 to annualize FY 17 holdbacks.

Legislative

Same as Governor

Eliminate Funding for Vacant Position

Personal Services	(30,343)	(30,343)	(30,343)	(30,343)	-	-
Total - General Fund	(30,343)	(30,343)	(30,343)	(30,343)	-	-

Governor

Reduce funding by \$30,343 in both FY 18 and FY 19 to reflect the elimination of funding for one position that is currently vacant.

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19

Legislative

Same as Governor

Annualize FY 17 Rescissions

Other Expenses	-	-	(11,926)	(11,926)	(11,926)	(11,926)
Total - General Fund	-	-	(11,926)	(11,926)	(11,926)	(11,926)

Background

The Governor implemented General Fund rescissions totaling \$70.5 million across state agencies.

Legislative

Reduce funding by \$11,926 in both FY 18 and FY 19 to partially annualize the FY 17 rescissions.

Current Services

Fully Fund Pension at Actuarially Determined Level

Retirement Contributions	278,267,000	320,206,000	278,267,000	320,206,000	-	-
Total - General Fund	278,267,000	320,206,000	278,267,000	320,206,000	-	-

Background

The Teachers' Retirement System (TRS) is funded on an actuarial basis and requires full funding of the annual required contribution. Based on the 6/30/16 valuation, the system has assets of \$16.7 billion and liabilities of \$29.8 billion resulting in an unfunded liability of \$13.2 billion and a funded ratio of 56%.

Governor

Provide funding of \$278,267,000 in FY 18 and \$320,206,000 in FY 19 to fully fund the state's annual required contribution to the TRS.

Legislative

Same as Governor

Adjust Operating Expenses to Reflect Current Requirements

Retirees Health Service Cost	19,239,140	24,200,140	19,239,140	24,200,140	-	-
Municipal Retiree Health Insurance Costs	800,000	800,000	800,000	800,000	-	-
Total - General Fund	20,039,140	25,000,140	20,039,140	25,000,140	-	-

Governor

Provide funding of \$20,039,140 in FY 18 and \$25,000,140 in FY 19 in the TRB health accounts to reflect anticipated expenditure requirements. These costs reflect projected healthcare costs, enrollment trends, and the statutory requirement of a 33% state share.

Legislative

Same as Governor

Totals

Budget Components	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19
FY 17 Appropriation - GF	1,034,303,990	1,034,303,990	1,034,303,990	1,034,303,990	-	-
Policy Revisions	(417,738,915)	(432,227,593)	(20,907,458)	(25,847,708)	396,831,457	406,379,885
Current Services	298,306,140	345,206,140	298,306,140	345,206,140	-	-
Total Recommended - GF	914,871,215	947,282,537	1,311,702,672	1,353,662,422	396,831,457	406,379,885

Positions	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19
FY 17 Appropriation - GF	27	27	27	27	-	-
Total Recommended - GF	27	27	27	27	-	-

Other Significant Legislation

PA 17-2 JSS, An Act Concerning the State Budget for the Biennium Ending June 30, 2019

Section 59 establishes the Teachers Retirement System (TRS) Viability Commission and charges it with developing and implementing a plan to maintain the system's financial viability. The commission membership consists of the members of the Teachers' Retirement Board and requires OPM or OLM, within available appropriations, to contract with a global consulting firm with significant experience. The commission, in developing the plan, is required to give significance to the state's financial capability, which includes the state's: (1) fiscal health; (2) Budget Reserve Fund balance; (3) long and short-term liabilities, including the ability to meet minimum funding levels required by law, contract, or court order; (4) initial budgeted revenue vs. actual revenue received for the last five fiscal years; (5) revenue projections; (6) economic outlook; and (7) access to capital markets. Within 90 days after a contract is entered with the consulting firm, the commission must submit the plan and any proposed legislation to the Appropriations and Education committees.

Holdbacks

PA 17-2 JSS, An Act Concerning the State Budget for the Biennium Ending June 30, 2019

Sections 12 - 16 contain provisions that allow the Secretary of the Office of Policy and Management (OPM) to allocate specific lapses to state agencies in the three branches of government (these are typically called holdbacks). The agency's FY 18 appropriation levels will be reduced by the amounts shown in the table below to achieve the lapses included in PA 17-2 JSS and amended in PA 17-4 JSS. This includes a Hiring Reduction Savings of \$3,536, a Labor Concessions Savings of \$60,676, and a Targeted Savings of \$23,407. See the FY 18 Holdbacks schedule in Section V of this document for a further description of these statewide savings targets.

Account	Appropriation \$	Reduction Amount \$	Net Remaining \$	% Reduction
Personal Services	1,606,365	(64,212)	1,542,153	4.0%
Other Expenses	468,134	(23,407)	444,727	5.0%