

Teachers' Retirement Board TRB77500

Position Summary

Account	Actual FY 14	Governor Estimated FY 15	Governor Recommended		Legislative	
			FY 16	FY 17	FY 16	FY 17
Permanent Full-Time - GF	27	27	27	27	27	27

Budget Summary

Account	Actual FY 14	Governor Estimated FY 15	Governor Recommended		Legislative	
			FY 16	FY 17	FY 16	FY 17
Personal Services	1,402,831	1,695,911	1,784,268	1,801,590	1,784,268	1,801,590
Other Expenses	398,588	568,221	539,810	539,810	532,707	539,810
Equipment	0	1	0	0	0	0
Other Than Payments to Local Governments						
Retirement Contributions	948,540,000	984,110,000	975,578,000	1,012,162,000	975,578,000	1,012,162,000
Retirees Health Service Cost	11,431,255	14,714,000	14,714,000	14,714,000	14,714,000	14,714,000
Municipal Retiree Health Insurance Costs	5,198,872	5,447,370	5,447,370	5,447,370	5,447,370	5,447,370
Nonfunctional - Change to Accruals	11,799	8,996	0	0	0	0
Agency Total - General Fund	966,983,344	1,006,544,499	998,063,448	1,034,664,770	998,056,345	1,034,664,770

Account	Legislative				Difference from Governor Recommended			
	FY 16		FY 17		FY 16		FY 17	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount

Current Services

Adjust Funding to Reflect Wage & Compensation Related Costs

Personal Services	0	88,357	0	105,679	0	0	0	0
Total - General Fund	0	88,357	0	105,679	0	0	0	0

Governor

Provide funding of \$88,357 in FY 16 and \$105,679 in FY 17 to reflect current services wage-related adjustments such as annual increments, general wage increases, overtime, annualization, turnover, and other compensation-related adjustments.

Legislative

Same as Governor

Adjust Operating Expenses to Reflect Current Requirements

Retirees Health Service Cost	0	13,994,000	0	16,786,000	0	0	0	0
Municipal Retiree Health Insurance Costs	0	1,390,640	0	1,390,640	0	0	0	0
Total - General Fund	0	15,384,640	0	18,176,640	0	0	0	0

Governor

Provide funding of \$15,384,640 in FY 16 and \$18,176,640 in FY 17 in the TRB health accounts to reflect FY 16 and FY 17 anticipated expenditure requirements. These costs reflect healthcare costs, enrollment trends and statutory requirements.

Legislative

Same as Governor

Account	Legislative				Difference from Governor Recommended			
	FY 16		FY 17		FY 16		FY 17	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount

Fully Fund Retirement Contribution

Retirement Contributions	0	(8,532,000)	0	28,052,000	0	0	0	0
Total - General Fund	0	(8,532,000)	0	28,052,000	0	0	0	0

Background

The Teachers' Retirement System (TRS) is funded on an actuarial basis and requires full funding of the actuarial required contribution. Based on the 6/30/14 valuation, the system has assets of \$15.5 billion and liabilities of \$26.3 billion resulting in an unfunded liability of \$10.8 billion and a funded ratio of 59%.

Governor

Reduce funding by \$8,532,000 in FY 16 and provide funding of \$28,052,000 in FY 17 to fully fund the state's actuarial required contribution to the TRS.

Legislative

Same as Governor

Apply Inflationary Increases

Other Expenses	0	13,176	0	29,979	0	0	0	0
Total - General Fund	0	13,176	0	29,979	0	0	0	0

Background

Applying inflationary factors to current year expenditures provides an estimate of the cost of continuing services into the next year.

Governor

Increase funding for Other Expenses by \$13,176 in FY 16 and an additional \$16,803 in FY 17 (for a cumulative total of \$29,979 in the second year) to reflect inflationary increases.

Legislative

Same as Governor

Policy Revisions

Reduce State Share of Retiree Health Service Costs

Retirees Health Service Cost	0	(13,994,000)	0	(16,786,000)	0	0	0	0
Total - General Fund	0	(13,994,000)	0	(16,786,000)	0	0	0	0

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. The statutory cost sharing arrangement 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. CGS 10 - 183t governs TRB health insurance. For FY 13 through FY 15, the state reduced its contribution from 33% to 25% and increased the TRB health fund share from 33% to 42%.

Governor

Reduce funding by \$13,994,000 in FY 16 and \$16,786,000 in FY 17 to reflect a state contribution at the FY 15 funding level.

Legislative

Same as Governor

Reduce State Share of Municipal Health Subsidy

Municipal Retiree Health Insurance Costs	0	(1,390,640)	0	(1,390,640)	0	0	0	0
Total - General Fund	0	(1,390,640)	0	(1,390,640)	0	0	0	0

Account	Legislative				Difference from Governor Recommended			
	FY 16		FY 17		FY 16		FY 17	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount

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 statute pursuant to CGS 10 - 183t. For FY 13 through FY 15, the state share of the municipal subsidy was reduced from 33% to 25%. The balance of the subsidy is paid from the TRB health fund and the fund's share increased from 66% to 75%.

Governor

Reduce funding by \$1,390,640 in both FY 16 and FY 17 to reflect a state contribution at the FY 15 funding level.

Legislative

Same as Governor

Reduce Other Expenses

Other Expenses	0	(35,514)	0	(28,411)	0	(7,103)	0	0
Total - General Fund	0	(35,514)	0	(28,411)	0	(7,103)	0	0

Governor

Reduce funding for Other Expenses by \$28,411 in both FY 16 and FY 17 to achieve savings.

Legislative

Reduce funding for Other Expenses by \$35,514 in FY 16 and by \$28,411 in FY 17 to achieve savings.

Eliminate Inflationary Increases

Other Expenses	0	(13,176)	0	(29,979)	0	0	0	0
Total - General Fund	0	(13,176)	0	(29,979)	0	0	0	0

Governor

Reduce the Other Expenses account by \$13,176 in FY 16 and \$29,979 in FY 17 to reflect the elimination of inflationary increases.

Legislative

Same as Governor

Obtain Equipment through the CEPF

Equipment	0	(1)	0	(1)	0	0	0	0
Total - General Fund	0	(1)	0	(1)	0	0	0	0

Background

The Capital Equipment Purchase Fund (CEPF) is used by most executive branch agencies to purchase or lease equipment with a life span of at least five years. The state funds these purchases by issuing GO bonds with maturities of up to five years. The CEPF is authorized by CGS Sec. 4a-9 and administered by the Office of Policy and Management.

Governor

Remove funding for the purchase of various equipment items for the agency from the General Fund and provide funding for these items through the CEPF (Bond Funds).

Legislative

Same as Governor

Account	Legislative				Difference from Governor Recommended			
	FY 16		FY 17		FY 16		FY 17	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount

Consolidate Funding for GAAP

Nonfunctional - Change to Accruals	0	(8,996)	0	(8,996)	0	0	0	0
Total - General Fund	0	(8,996)	0	(8,996)	0	0	0	0

Governor

Reduce funding by \$8,996 in both FY 16 and FY 17 to reflect the consolidation of GAAP funding within the Office of the State Comptroller - Miscellaneous Accounts.

Legislative

Same as Governor

Totals

Budget Components	Legislative				Difference from Governor Recommended			
	FY 16		FY 17		FY 16		FY 17	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Governor Estimated - GF	27	1,006,544,499	27	1,006,544,499	0	0	0	0
Current Services	0	6,954,173	0	46,364,298	0	0	0	0
Policy Revisions	0	(15,442,327)	0	(18,244,027)	0	(7,103)	0	0
Total Recommended - GF	27	998,056,345	27	1,034,664,770	0	(7,103)	0	0

Other Significant Legislation

PA 15-5 JSS, An Act Implementing Provisions Of The State Budget For The Biennium Ending June 30, 2017 Concerning General Government, Education And Health And Human Services

Sections 97-98 remove the annual cap of \$150,000 on the amount the Teachers' Retirement Board (TRB) may spend for outside professional fees from the Teachers' Health Insurance Premium account (also referred to as the Retiree Health Fund - a non-appropriated, non-lapsing account). This change allows the TRB greater flexibility to engage necessary healthcare consulting services. The TRB utilizes a healthcare consultant to maintain benefits and control plan costs. It is anticipated that the TRB will spend approximately \$350,000 in FY 16 for outside professional fees from the account. This includes \$150,000 for a health plan consultant and \$200,000 for a prescription plan claims audit. This is an increase of \$200,000 over the amount allowed under current law. In FY 17, the agency will only have the annual health plan consultant expense which may exceed the current \$150,000 cap. The cost for healthcare consulting has been paid from the Retiree Health Fund since 2010. The FY 14 year-end fund balance was approximately \$109 million.

PA 15-244, An Act Concerning the State Budget for the Biennium Ending June 30, 2017, and Making Appropriations Therefor, and Other Provisions Related to Revenue, Deficiency Appropriations and Tax Fairness and Economic Development

Sections 10, 11, 12, 38 and 41 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 16 appropriation levels will be reduced by the amounts shown in the table below to achieve the lapses included in PA 15-244 and PA 15-5 JSS. This includes a General Lapse of \$6,926, a General Employee Lapse of \$3,510, and Overtime Savings of \$520. See the FY 16 Holdbacks schedule in Section V of this document for a further description of these statewide savings targets.

PA 15-5 JSS, An Act Implementing Provisions of the State Budget for the Biennium Ending June 30, 2017, Concerning General Government, Education, Health and Human Services and Bonds of the State

Section 156 contains 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 16 appropriation levels will be reduced by the amounts shown in the table below to achieve the lapses included in PA 15-244 and PA 15-5 JSS. This includes a Targeted Savings of \$7,990. See the FY 16 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	1,784,268	(9,361)	1,774,907	0.52%
Other Expenses	532,707	(9,585)	523,122	1.80%