Retired Teachers of Connecticut
Pension and Health Insurance Crisis

ARTC
ASSOCIATION OF RETIRED TEACHERS OF CONNECTICUT

Pension Fund

- **Our pension is under attack!** The State has established a Commission on Pension Sustainability. Office of Policy Management, while looking for State assets to benefit the pension fund, has cautioned the commission members that the State needs to control retirement benefits. Any changes to the defined benefit pension will significantly impact new hires as well as future retirees.
- Active teachers saw an increase of 1% pension contribution in the current biennium budget. They now contribute 7% of their income to the retirement fund.
- The increase in teachers' contributions to the fund is being used to **reduce the State's contributions** to the fund **-** not to increase overall funding of the pension or to reduce the 13 billion unfunded liability.

Health Insurance Fund

- The Teachers' Health Insurance Fund that active and retired teachers pay into is projected to be insolvent by the year 2020 if the state does not contribute its statuary 1/3 amount.
- Because the State has short funded the Health Fund by well over $190 million over past years, the TRB was forced into a Medicare Advantage Plan. This is a temporary fix.
- Coverage and premiums for all retired teachers changed as of July 1, 2018.
- Retired teachers pay all their Medicare premiums and the bulk of their supplemental costs. The intent of the Health Insurance Fund is to defray these costs.

State Income Tax on Pensions

- The State postponed the 50% income tax exclusion bill for retired teachers. Because teachers do not have Social Security, this is a fairness issue. They do not have the choice of paying into Social Security nor are they part of Connecticut Employees State Pension System. They do not have the same tax exclusions as those on the Social Security Retirement System. There is also an economic issue since 26% of retired teachers, about 9000, have chosen to leave the state upon retirement.

Retired Teachers do not have a union. We do not have a contract with the State. We rely on the Legislature to hear our voices and to keep the State's promise.

SPB, D'A 8/18

Health Insurance Premium Account Facts (HIPA)

1989 - 1990 – Insurance costs - 75% paid by HIPA and 25% paid by State, no cost to retiree (Cost $86)

1996 – Solvency of Health Plan in trouble (Due to increased insurance costs and more retirees)

2000 – 25% of insurance costs shifted to the retiree

2003 – Active teacher contributions to HIPA increased to 1.25% from 1%

2004 - State/HIPA/Retiree 1/3 Plan of contributions

2010 – No ⅓ contribution from State to HIPA

2011 – No ⅓ contribution from State to HIPA

2012 – Full Contribution including Medicare reimbursements to HIPA

2012 – Statute passed allowing State to use Medicare reimbursements toward its promised contributions.

2013 & 2014 – State's contribution reduced from ⅓ to ¼. Medicare reimbursements used as part of the State's contribution, reducing the State's contribution to approximately ⅛. HIPA makes up the difference, resulting in no premium increases for retirees, but a significant draw down of HIPA funds

2014 – TRB received approval to create a Teachers Retirement Board Healthcare Trust Fund

2015 & 2018 – State contribution considerably lower than the promised 1/3.

2020 - While teachers continue to contribute, the Insurance Consultant to the TRB projects the Health Care Fund to be insolvent.

Teachers' Retirement System (TRS) Facts

Connecticut's Teachers' Retirement System (TRS) is a "defined benefit plan" administered by the Teachers' Retirement Board. Upon retirement, an eligible teacher participating in TRS will receive a fixed pension benefit that is determined by the number of years the individual taught in Connecticut public schools and the individual's final average salary.

Since 1939, TRS has provided retirement benefits to its members. However, for much of the system's history, the State did not properly save for the retirement benefits promised to teachers. As a result of not adequately contributing, and the following factors, TRS has accumulated more than $13.1 billion in unfunded liabilities.

1. Years of No State Contributions

Prior to 1979, retirement benefits earned by TRS members were completely unfunded by the State. While participating teachers made contributions from their paychecks (and currently contribute 7 percent of their annual salaries), the State did not begin pre-funding TRS until 1982. Although the State began pre-funding 36 years ago, the impacts of its years of no contributions to TRS are still being felt.

2. State Contributions Often Fell Short

Once the State did begin making contributions to TRS, it often did not make its full annually required contribution (ARC). Not only did the State fall short of contributing its scheduled payments multiple times, it failed to make its full ARC until 2008. While the State has made its full ARC every year since 2008, as required according to the pension obligation bonds the Fund remains unfunded.by 13 billion dollars.

3. Assumed Returns Have Been Overly Optimistic in Recent Years

TRS' unfunded liability has also increased over the years as a result of investments made with TRS pension funds failing to meet their assumed rates of return. As a result of these return shortfalls, TRS' unfunded liabilities have increased by billions of dollars.

Information source: *Connecticut's Finances, An initiative of the Connecticut Finance Project*, ctstatefinance.org

SPB & CD'A 12/18