



TEACHERS' RETIREMENT BOARD
165 Capitol Avenue
Hartford CT 06106-1673
1 (800) 504 - 1102

Teachers' Retirement Board Testimony
Appropriations Committee
March 4, 2022

Good morning,

My name is Helen Sullivan, the Administrator for the Teachers' Retirement Board. I want to begin by thanking the Governor and OPM for proposing a budget with full funding for the pension and health benefits for the teachers of the State of Connecticut.

The Connecticut Teachers' Retirement System (CTRS) was established in 1917. Today the staff of twenty-four supports a system of over 100,000 teachers, spouses and beneficiaries with account maintenance and benefits as provided by the statutes governing this system. CTRS has annual expenditures in excess of \$2.2 billion and revenues of over \$1.7 billion. Participation is mandatory for public school teachers of Connecticut employed at least half-time or greater.

The Teachers' Retirement Board (TRB) is a governmental plan with approximately 51,000 active members, 15,000 inactive members, 38,000 retired members and beneficiaries, and 400 persons receiving monthly survivor benefits. The pension plan assets are approximately \$22 billion dollars, all of which are invested by the Treasurer of the State of Connecticut. The retirement plan is a defined benefit plan funded by mandatory teacher contributions, investment earnings and annual appropriations by the State of Connecticut.

The teachers in the State of CT who are members of this pension system **do not contribute into Social Security "old age" benefit**, so the benefits administered by this system are in lieu of Social Security benefits.

The TRB is pleased to continue sponsoring a choice of two comprehensive retiree health benefit programs administered by United Healthcare effective January 1, 2022, including medical, prescription, vision, and hearing, for those members, spouses, surviving spouses, or disabled dependents if there is no spouse who are participating in Medicare Parts A and B. The dental benefit continues to be administered by Cigna.

The TRB is statutorily required to offer a base plan which is the Medicare Advantage plan with Prescription Drug. By combining the medical and prescription drug benefits, we have provided significant savings to the state, eased administrative burdens for members and were able to include a preferred diabetic prescription drug benefit for our members. The base plan is used for purposes of calculating the cost shares of the premium equivalent. The base plan cost is split equally three ways. One-third is paid for by the health plan member, one-third is paid for through State of CT appropriations and one-third is paid for by the active teachers' contribution into the health fund.

The Medicare Supplement plan is offered to members as an alternative option to the base plan.



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Members are responsible for the additional cost share of the Medicare Supplement Program. Currently, the TRB retiree program has approximately 27,000 plan participants in the Medicare Advantage base plan and 4,700 remaining in the Medicare Supplement Program.

Based on the most recent measurement date, the new plan will result in approximately \$1.3 billion in gain (savings/decrease in liability), which is a percentage gain of 42.9% using Total OPEB Liability or 44.4% using Net OPEB Liability.

The agency is seeking a position to assist with administrative needs related to sponsoring the choice of two medical plan options. TRB has been approved for twenty-seven positions and currently maintains a staffing level of twenty-four due to budgetary constraints. With the implementation of IT Centralization, the agency will lose three IT staff who provide multiple functions at the agency. The agency staffing level for FY23 is reduced from twenty-four to twenty-one.

Response to Proposed Questions

Discuss the impact of the IT transfer on the TRB.

The Teachers' Retirement Board (TRB) must adhere to its statutory obligations under C.G.S. 10-183 and the Internal Revenue Code of 1986, as amended (the "Code"). Accordingly, TRB must maintain control and oversight of the day-to-day duties of the current IT staff administering the Teachers' Retirement System, which includes scheduling (payroll) and performance reviews. There are no State of Connecticut agencies outside TRB who provide service or expertise within our Pension Administration Software which was last updated in 1999. The system provides annual payroll benefits in excess of \$2 billion to over 38,000 retired teachers; maintains mandatory contributions for 51,000 CT teachers; administers healthcare benefits for 32,000 retirees; and manages all other pension-related benefits to qualified members. TRB would be better suited to fully participate in the IT Optimization program should CORE-CT be made fully available to TRB in the future. The agency continues to build "work arounds" to compensate for an outdated pension administration system ensuring workflows and processes continue to function so we can provide essential services to our members both active and retired.

Losing three IT positions with critical expertise in outdated technology, along with their associated knowledge of agency internal processes will hamper the agency's ability to move forward on projects to enhance member services and provide efficiencies in plan administration. Especially with a centralized IT expecting to lose a significant number of staff to retirements, the availability of our IT employees to effectively respond to TRB needs will be greatly reduced. With their attention drawn elsewhere to cover staffing shortages statewide, our pension system will be exposed to undue risk of failure.



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What progress has the agency made in upgrading the pension system?

As addressed above, due to the current pandemic and other factors such as IT optimization, the CORE-CT project has not had the opportunity to move forward. There have been additional discussions surrounding the software system upgrade.

TRB currently maintains a Pension Administration software system purchased in 1999 to administer the benefits for its 100,000+ member population. TRB had been in the information gathering phase of a multiyear transition to the State of Connecticut CORE-CT software program prior to the pandemic. The agency met with the CORE-CT staff as well as the CORE-CT Director and Deputy Comptroller to discuss implementation strategies and cost estimates for the product roll out. Meetings were scheduled in early March 2020 with the Office of Policy and Management, Office of the State Comptroller, and TRB to further determine the overall costs associated with the project. It is imperative the agency upgrade its software to ensure benefits are paid to the members of the system in a timely and correct manner. The existing software system is obsolete and no longer performs efficiently. As the database increases in size, access to the data has become drastically slowed due to its architecture design which has been magnified during the pandemic and staff operating remotely. This has resulted in inhibiting the agency in providing services to its members. The precarious nature of this software leaves retirees exposed to undue risk when many in this population may have critical medical needs, live paycheck to paycheck, or may not have corresponding Social Security benefits to rely on if their state pension was delayed.

Pension Benefit Administration Software Concerns
Originally implemented over 20 years ago
Backend database 3 generations behind the latest version
Difficulties operating with recent Windows 10 upgrade
Database queries take up to 1 min in office and 5 minutes while teleworking
Inefficiency has shifted agency focus to creating supporting applications in Excel/Access/Web

The agency relocated to the State Office Building last year. How has the transition been?

The agency moved in June 2020 in the height of the pandemic. Through the support of OPM we were provided funds to digitize agency records and purchase software to maintain them. The agency surplused all office equipment from our previous location and updated its retention record policies with the state library. The transition has been very successful, the relocation



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team, building maintenance, and security were very supportive during our transition and made it seamless for staff as they returned to the office as needed. The agency was able to provide much needed updates for both a phone system and office equipment such as laptops. The agency was able to use federal funds to purchase plexi-glass to maintain social distancing as staff was in the office as needed.

Provide an update on the coverage under the TRB health plans, effective January 1, 2022, include state cost for the base plan and the number of participants in each plan over the last three years (FY 20, FY 21, and est. FY 22). Also provide monthly member costs.

State Contribution Fiscal Year	
Plan Years	
2020	\$24,063,941.00
2021	\$24,405,387.00
2022	\$17,826,744.40

Monthly Member Cost Calendar Year		
Plan Years	Medicare Advantage/Base Plan	Medicare Supplement
2020	\$130	\$239
2021	\$125	\$238
2022	\$80	\$319

*-Includes vision and hearing benefits for medical plans.

*-Rates include dental. Members must take complete package upon enrollment.

Membership Enrollment based on January Calendar Year			
Plan Years	Medicare Advantage/Base Plan	Medicare Supplement	Total Enrollment
2020	24,165	5,575	29,740
2021	25,456	5,746	31,202
2022	26,779	4,854	31,633



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Explain the TRB municipal health subsidy program, include the state cost and number of participants over the last three years.

Sec. 10-183t. Health insurance: Plans maintained by Teachers' Retirement Board and boards of education; state payment of premiums on behalf of members; use of one per cent voluntary contributions.

The \$110 monthly subsidy program was introduced in September 1990 to provide assistance in the monthly premium for members who by statute may elect to remain on their last employing districts for health benefits until becoming Medicare eligible.

In 2008, a \$220 monthly subsidy program started for those members who are not Medicare eligible and elected to continue coverage with the district in which they retired. Such members follow the active teacher contracts.

Members who are covered on a dental only plan receive a subsidy up to \$100 based on district premiums.

<u>FY 20</u>	<u>Member</u>	<u>Dependent</u>	<u>Total</u>	<u>Subsidy</u>	<u>State Cost</u>
Single \$110	5466	2444	7910	\$10,842,150.00	\$3,614,050.00
Double \$220	1012	49	1061	\$2,887,500.00	\$962,500.00
Less than \$110	869	742	1611	\$754,142.74	\$251,380.91
	7347	3235	10582	\$14,483,792.74	\$4,827,930.91

<u>FY 21</u>	<u>Member</u>	<u>Dependent</u>	<u>Total</u>	<u>Subsidy</u>	<u>State Cost</u>
Single \$110	5280	2378	7658	\$10,345,830.00	\$3,448,610.00
Double \$220	965	44	1009	\$2,712,600.00	\$904,200.00
Less than \$110	858	722	1580	\$1,106,533.24	\$368,844.41
	7103	3144	10247	\$14,164,963.24	\$4,721,654.41

<u>FY 22 Estimate</u>	<u>Member</u>	<u>Dependent</u>	<u>Total</u>	<u>Subsidy</u>	<u>State Cost</u>
Single \$110	5235	2355	7590	\$10,018,800.00	\$3,339,600.00
Double \$220	939	42	981	\$2,589,840.00	\$863,280.00
Less than \$110	856	705	1561	\$765,600.00	\$255,200.00
	7030	3102	10132	\$13,374,240.00	4,458,080.00

**The Subsidy amounts are the actual Annual amounts.

**For the FY22 Estimate the counts are from December 2021.

**Member counts are based in June the end of the fiscal year.

State cost is calculated as 1/3rd of the Subsidy payment