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TESTIMONY OF ROBYN KAPLAN-CHO, RETIREMENT SPECIALIST

CONNECTICUT EDUCATION ASSOCIATION (CEA)

H.B. No. 6439 (COMM) AN ACT CONCERNING THE STATE BUDGET FOR THE BIENNIUM ENDING JUNE THIRTIETH, 2023, AND MAKING APPROPRIATIONS THEREFOR.

RELATED TO

THE STATE TEACHERS' RETIREMENT BOARD (STRB)

BEFORE THE APPROPRIATIONS COMMITTEE

MARCH 9, 2021

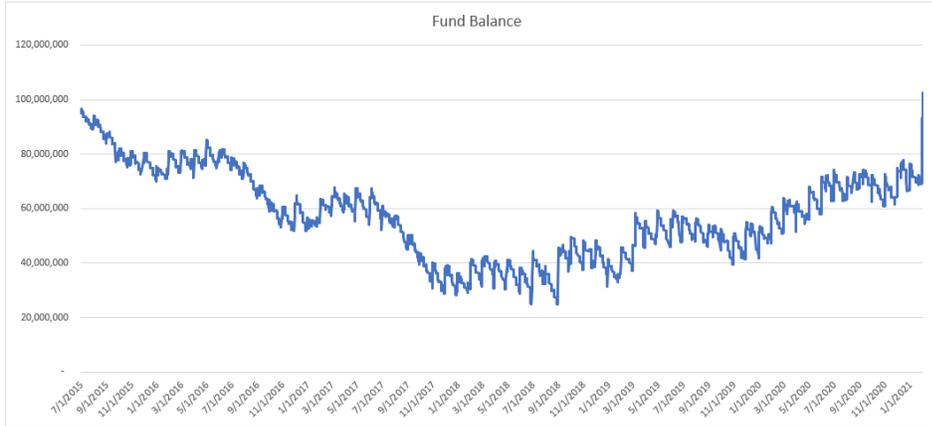
Good afternoon, Senator Osten, Representative Walker, and members of the Appropriations Committee. My name is Robyn Kaplan-Cho, and I am the Retirement Specialist for CEA, representing active and retired teachers across the state of Connecticut who are members of the State Teachers' Retirement System.

CEA strongly supports the Governor's proposed budget, which appropriates the full required funding to both the teachers' retirement fund (TRF) and the retired teachers' health insurance fund. As you know, this is critically important to ensuring the long-term solvency of these two funds, on which our active and retired teachers rely for their retirement security.

The reamortization plan for the TRF that the legislature passed in 2019 accomplished two critically important objectives – it reduced the state's annual payments to a more manageable level (and minimizes the anticipated spike in payments as we approach 2032), while also allowing the assumed rate of investment return to be lowered from 8% to 6.9%. This, combined with the appropriation of the full actuarially recommended amount, allows the TRF to remain on its path to full funding.

The retired teacher health fund is also in better financial health than it has been in decades due in large part to the full required appropriations being included in recent budgets. The health fund was originally set up to be sustained primarily by contributions from active and retired teachers along with a committed appropriation from the state. The reality is that active teachers have contributed the lion's share to this fund, and their contributions have never wavered. In fact, over 40 percent of the cost of the retiree health insurance program is borne by active teachers' contributions. Despite the retiree health fund being significantly underfunded in previous budgets for years, the Teachers' Retirement Board has managed to run a quality but cost-efficient health program for retired teachers. But without the legislature's commitment to allocating the statutorily required funding, this would not be possible much longer as the health fund had been on the verge of insolvency just a few years ago. Due to the full

required funding being appropriated over the past several years, combined with recent changes to the Medicare and prescription drug programs instituted by the TRB, the health fund has finally achieved some stability, which had been lacking over the past few decades. This chart shows the fund's balance from 2015 to 2021 and clearly depicts the positive trajectory it has finally taken.



Please support the Governor's recommended appropriations to the pension and retired teacher health funds in order to maintain the stability both funds critically need. Thank you for your time and consideration.