



CT TEACHERS' RETIREMENT BOARD

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March 11, 2015

2:00 pm

The meeting of the Teachers' Retirement Board was called to order at 2:07 pm by Vice-Chairperson William Myers on Wednesday, March 11, 2015 at 765 Asylum Avenue, Hartford, CT.

BOARD MEMBERS PRESENT:

William Myers, Teacher Member
Rosalyn Schoonmaker, Teacher Member
Maureen Honan, Teacher Member
Al Bredehorst, Teacher Member
Clifford Silvers, Public Member
Jonathan Johnson, Public Member
Lee Ann Palladino, Designee (Office of the State Treasurer)
Gregory Messner, Designee (Office of Policy and Management)
Charles Higgins, Public Member
Michael Freeman, Teacher Member

BOARD MEMBERS NOT IN ATTENDANCE:

Clare Barnett, Teacher Member
Kathy Demsey, Designee (State Department of Education)
Elaine Lowengard, Public Member

STAFF PRESENT:

Darlene Perez, TRB Administrator
Mark Aronowitz, OPM Consultant
Mike Janusko, OPM Consultant
Charlene Hill, Administrative Assistant

OTHERS PRESENT:

Dr. Joseph Fields, PhD., Bargained Plans, LLC
Tom Singleton, Association of Retired Teachers of Connecticut
Richard Follman, Association of Retired Teachers of Connecticut
Christina Gellman, Office of Fiscal Analysis
Karen Nolan, Office of Policy and Management
James Stirling, CEO, Stirling Benefits, Inc.
Dean Stirling, Stirling Benefits, Inc.
June Pitkin, HFT-R
Rita Schor, HFT-R

Open meeting – Vice Chairperson, William Myers

1. Agency Report:

Census Testing:

The census testing involves having an accounting firm go out to the five biggest school districts in the State to check whether or not the data they are reporting to us (which we in turn provide to the actuaries) is correct. After a second request, we did not receive a response to our invite to submit pricing from the Minority Business Enterprise (MBE) accounting firm that is under contract with DAS. Since we did not receive a response, we have written to the other two accounting firms that are under the DAS contract to try to avoid an RFP process. We are hoping to hear responses from these firms by the end of the month.

Annual Health Plan Open Enrollment:

Annual open enrollment information has been mailed out to everyone in our health plan. This is their opportunity to change their health plan and also effective January 1, 2015, the Board did vote to approve, if a member is new to the health plan, they will be enrolling in all aspects of the health plan which means the Supplement to Medicare A, the Supplement to Medicare B, the dental, vision and hearing. However, those who were not already enrolled in the dental, vision and hearing, would not be required to enroll in it, they would be grandfathered out of it if they so choose.

Member statements:

The active teacher member statements were sent out in January to approximately 55,000 people.

1099-Rs:

1099-R tax forms were sent out to anyone who received a distribution from the system during 2014, approximately 40,000 people. Virtually, every person we either have an account for or are getting a benefit from us, received some kind of mail from us over the past several months. There has been a percentage of fallout as a result of the mass mailings because members have not received a return email or a return phone call within five minutes and in other more reasonable cases, 24 hours. In extreme cases, members have contacted their Legislator. There are a certain number of elevated cases because we do have benefits, accounts and entitlement programs for over 100,000 people.

EGWP:

Joe Fields discussed the new Employee Group Waiver Plan (EGWP) effective January 1, 2015. The prior authorization process is a little bit more extensive with the EGWP than what was in place with Caremark. Each time someone has a prior authorization it is determined whether it was on a reasonable basis or not and how it's affecting the members. We try not to make programmatic changes that negatively impact the members. The finding is that the usage is not consistent with

what the FDA has approved the drugs to be used for. Joe Fields provided examples excluding the names of the members. There have not been any Part B denials of cancer drugs that have been brought to our attention.

In the program there are two adjustments that are made to the premium that people receive. One is for low income, individuals who make less than \$23,000 a year. The deductible and coinsurance is waived for these individuals. High income standards are \$160,000 minimum to \$450,000 maximum. Higher income members are taxed the additional amount which is done by the Federal Government. However, there are financial incentives that are going to help members, for example the donut hole is going to move up to 80% paid, which will reduce the co-payments the members make, the catastrophic drug in fiscal year 2016 will pay 80% of the cost of their drugs, which is over \$7,100 per member per year.

William Myers advised that the adjustment is not specific to CT teachers, it is done on all EGWP plans; it's nationwide because it's a Federal Program.

2. Consideration and approval of the Administrator's Legislative package.

The 2015 Legislation package was resubmitted because there was no action taken on the package last year. The three (3) components include:

- a. To cease crediting interest on non-vested inactive members after 10 years.
- b. Remove the limit on professional services that can be paid for out of the health insurance fund.
- c. Allow the retention of Plan D Co-participant option for certain retired members upon divorce.

A motion was made and seconded to approve the Administrator's Legislative package. All members voted in favor and the motion was passed.

3. Approval of the November 12, 2014 Meeting Minutes.

A motion was made and seconded to approve the November 12, 2014 meeting minutes. All members voted in favor with two abstentions (Charles Higgins and Michael Freeman) and the motion was passed.

4. Consideration and Approval of the Administrator's Actions regarding:

- a. Granting of service retirement benefits for the months of November and December, 2014 and January and February, 2015.
- b. Survivor benefits for the months of November and December, 2014 and January and February, 2015.
- c. Reports & recommendations of the Medical Review Committee regarding applications for Disability Payments as presented to the Medical Review Committee at the November and December, 2014 and the January and February, 2015 meeting.

A motion was made and seconded to approve the granting of service retirement, survivor benefits and applications for a disability allowance for the months of November and December, 2014 and January and February, 2015. All members voted in favor and the motion was passed.

5. Consideration and Approval of the recommendation from the Vendor Selection Sub-Committee for the Vendor to administer the Medical, Vision, and Hearing benefits.

William Myers advised that an RFP was put out and there were four (4) bidders. After reviewing each of the bidders' proposals, the Sub-Committee recommended to the Board that Stirling Benefits be selected and reapproved to continue as the vendor.

Joe Fields stated that Stirling Benefits was on a three (3) year contract plus an extension. Stirling Benefits was the lower bid which was a substantive reduction of the unit costs, although the units have gone up fairly dramatically. There are several items that Stirling Benefits has added to their services that will be provided to the TRB including an extra 2 ½ hours of telephone time for members to call later in the afternoon, also there have been updates to data security and physical security that has been added.

Jonathan Johnson asked about the number of Stirling staff dedicated to TRB.

Joe Fields responded that there was an initial discrepancy between what was proposed and what was being done. However, that has been addressed and there is a number of dedicated people and cross training that is taking place which is the assertion in the current proposal that was made.

There was a discussion about the electronic payment process. Joe Fields stated that CMS requires an electronic payment option which is up and running now. The expectation is that the majority of what was formerly done as checks will now be done as electronic payments.

A motion was made and seconded to approve the Vendor Selection Sub-Committee's recommendation to award a three (3) year contract to Stirling Benefits. All members voted in favor with one (1) abstention (Cliff Silvers, as his daughter is employed at Stirling Benefits) and the motion was passed.

6. Consideration and Approval of the 2015 COLA:

3% cost-of-living adjustment (COLA) for those who retired prior to September 1992.

A motion was made and seconded to approve and adopt the increase. All members voted in favor and the motion was passed.

7. Update on Audit Recommendations provided by Mark Aronowitz:

Staffing:

An accountant and two assistant accountants have recently been hired. DAS and OPM were very helpful in helping to expedite the hiring process. The opening for an Accounting Manager was just recently posted. Two employees left recently, one retired in February and the other employee resigned in November. Those two positions were filled by the two new assistant accountants.

Training:

Two intermediate/advanced level excel classes were held recently that were taught by the staff at Core-CT. There was also a Core-CT training session on the general ledger was held recently. There will be additional Core-CT training sessions in the areas of accounts receivable, electronic document attachment. In addition, employees from the State Comptroller's Office and the State Treasurer's Office are going to be conducting hands on training here in the areas of general ledger, accounts receivables, deposits, journal vouchers, cash flow, etc.

Health Fund Ledger:

Mike Janusko examined fiscal years 2012, 2013, and 2014. He has some proposed adjustments. The current fiscal year will be examined next, then the three (3) years prior to the years audited will be examined.

Additional activities:

The day to day operations are being examined. Some changes have been made to streamline the operation in the areas of contracts, purchase orders, creating vendors in Core-CT and the payment process.

Auditors Report:

The citing in the auditor's report regarding TRB being deficient in collecting receivables for deceased teachers, estates and beneficiaries has been resolved. TRB is getting information from Social Security and also a private firm that advises TRB when these teachers pass away. It is recommended that these receivables be set up in Core-CT.

Mark is planning to meet with the auditor's regarding the towns and school districts being delinquent in sending in electronic data and funds to TRB to determine if these should be booked to Core-CT or if a direct journal process should be used.

The disability compliance issue has been resolved. TRB is now doing audits and utilizing tax returns to confirm if members have income outside of their pensions. Mark is considering making a recommendation to us an IRS form to confirm that person's tax return was received by the IRS for the same amount as provided to the TRB by the member.

MATTERS FOR THE BOARD INFORMATION:

Retirement Statistics for the months of November and December, 2014 and January and February, 2015.

COMMENTS FROM OBSERVERS:

June Pitkin asked, “What is the latest percentage that will be received from the Governor towards the health care?”

William Myers responded that, “at the current state of the budget, the percentage is 15%.”

A discussion followed.

Richard Follman congratulated the Board on selecting Stirling Benefits as 100% of the members were in support of the vendor. He asked if there is no unpaid liability on the HIPAA account coming from the State, because it’s not like a retirement fund, is the money gone?

Gregory Messner responded that the fund has grown somewhat over the last few years, and the cost of the program has been decreasing, the expectation is for the fund to grow again over the biannual.

A discussion followed.

James Stirling introduced his brother and business partner, Dean Stirling and thanked the Board for the trust and faith that is put in them as a vendor for TRB.

Darlene Perez announced that a Board member, Eugene Cimiano has resigned. The Governor’s office will need to appoint a new public member to sit on the Board.

ADJOURNMENT – 3:18 PM