



STATE OF CONNECTICUT
TEACHERS' RETIREMENT BOARD
765 ASYLUM AVENUE HARTFORD, CT 06105

Minutes of Meeting
June 24, 2009

The regular meeting of the Teachers' Retirement Board was called to order at 10:08 a.m. by Chairperson Clare Barnett on Wednesday, June 24, 2009 at 765 Asylum Avenue, Hartford, Connecticut.

Board Members Present:

Clare Barnett, Teacher Member
Astread Ferron-Poole, representing Commissioner Starkowski, Dept. of Social Services
Marion Jewell, Teacher Member
Jonathan Johnson, Public Member
Eric Judge, Public Member
Elaine Lowengard, Public Member
Brian Mahoney, representing Commissioner McQuillan, State Board of Education
William Murray, Teacher Member
Mary Nicholas, Teacher Member
Rosalyn Schoonmaker, Teacher Member
William Myers, New Board Member as of 7/1/2009

Board Members not in attendance:

Eugene Cimiano –
Thomas Knox, MD –

Staff present:

Darlene Perez, TRB Administrator
Leanne Appleton, TRB Assistant Administrator
Jean Ouellette, TRB Administrative Assistant

Speakers:

John Garrett, Cavanaugh Macdonald Consulting, LLC
Edward Mcdonald, Cavanaugh Macdonald Consulting, LLC
James Stirling, Stirling Benefits

Others present:

Leslie Cook, TRB Information Technology
Dr. Joseph Fields, Corporate Benefit Consultants, LLC
Richard Follman, ARTC
Deborah Freedman, Past Board Member
Robyn Kaplan-Cho, CEA
Lou Laccavole, TRB Fiscal Administrative Supervisor
Richard LaRonde, TRB Benefits Unit
Vaishali Muzumdar, IT Supervisor
Karen Nolen, OPM
Raymond Powell, CAPSS

AGENCY REPORT

Administrator Perez asked Leanne Appleton, Assistant Administrator, to present a summary of the budget and staff situation to the Board. Ms. Appleton stated that the last mitigation package eliminates the proposal for the state contribution to the retiree health service costs and the municipal retiree health insurance costs for the next two fiscal years. An analysis of the effects was provided to the Office of Policy and Management (OPM) and Office of Fiscal Analysis, (OFA) projecting an ending balance of approximately \$43 million in the fund as of June 30, 2011.

Information has been provided to OPM on our Retirement Incentive Program (RIP) Personnel Services for their review and proposed refills. There are five staff members taking advantage of the RIP. Barbara Jiantonio, Benefits Unit; Beverly Johnson, Administration; Jean Ouellette, Administration; and Karen Dowdell, Accounting Unit, will retire as of June 30, 2009. Linda Hanson, Benefit Unit, retired as of May 31, 2009.

Administrator Perez reported that the new Federal tax deduction tables that resulted from the Federal Economic Stimulus Package were implemented. This reduced the amount of federal tax that is deducted from the monthly benefit payments. However, the tax obligation does not change. In May the federal government stated that the old tax tables could be used. Because of the costs that the agency would incur (printing of notices, postage, etc.) it was decided to stay with the new tables. Also, many TRB members had already requested that their deductions be adjusted to the old figures. Information was provided to members through a notation on the cost of living letter stating that we were required to implement new tables and that the member needs to insure that sufficient taxes are being withheld. This notice will be repeated with the July benefit payment. If an adjustment is needed to the tax deduction the retiree needs to submit a new Federal Tax Deduction Form which can be found on our website or by calling the office for a form. Mary Nicholas asked that the message insure that the retirees know that this change to their deduction will affect their tax obligation.

Administrator Perez stated that the state does not want to contribute towards the health program. They want to count one-third of the federal subsidy that TRB receives for sponsoring a retiree drug program for people on Medicare as the state's contribution towards the health programs. OFA asked that we obtain a legal definition of "plan sponsor." Our outside counsel will be providing us with the definition as to who the "plan sponsor" is, i.e., the State of Connecticut, the Teachers' Retirement Board or a combination.

A change in the process for purchase of service credit invoices is being made because of the reduced staff and need for a reduction in the use of paper and postage. In the past several reminder notices were mailed and phone calls made. Now a notice is stapled to the invoice stating that this is the only notice and that it is the member's responsibility to ensure that payment for additional service credit is received by the effective date of their retirement or they will forfeit the right to purchase the credit.

MATTERS FOR BOARD ACTION

Item 1. Motion to approve the February 11, 2009 meeting minutes was made by Mary Nicholas and Seconded by Rosalyn Schoonmaker. All members voted in favor and the motion was passed.

Item 2. a. Motion to approve the granting of service retirement benefits for January, February, March, April, and May, 2009 was made by Mary Nicholas. Seconded by Rosalyn Schoonmaker, all members voted in favor and the motion was passed.

Item 2. b. Motion to approve the granting of survivorship benefits for January, February, March, April, and May, 2009 was made by Rosalyn Schoonmaker. Seconded by Mary Nicholas, all members voted in favor and the motion was passed.

Item 2. c. Motion to approve the reports and recommendations of the Medical Review Committee for January, February, March, April, and May, 2009 was made by Rosalyn Schoonmaker. Seconded by Mary Nicholas, all members voted in favor and the motion was passed.

Item 3. Motion to approve the interest to be credited to member's mandatory and voluntary accounts as of June 30, 2009 was made by Rosalyn Schoonmaker and Seconded by Mary Nicholas. Chairman Barnett introduced John Garrett and Edward Macdonald from our new actuary firm, Cavanaugh Macdonald Consulting, LLC. John Garrett explained the process used to obtain the interest rates. The interest credited on mandatory contribution balances using a 10-year smoothed market rate is 3.7%. The interest rate on

voluntary contribution balances is -20.9%. The Board members were provided a handout which contained the full calculation spreadsheet. In answer to Bill Murray's question, John Garrett explained that the April 30 market value and an estimated cash flow for May and June figures were used to base their numbers on. The State Treasurer's Office provided the market value and expected dividend figures to TRB. All members voted in favor of approving the interest rates and the motion passed.

Item 4. Administrator Perez explained that for the pre September 1992 retirees the COLA is based on the Consumer Price Index (CPI-W). As of May this was a negative number therefore it is defaulted to the minimum of 3%. The post 1992 group receives the same COLA as the Social Security providing the fund performs at a certain level. Because of the fund's performance the maximum cola will be 1.5% for the post 1992 group.

She also confirmed with Edward McDonald that noise about there being no cola increase for Social Security is just talk at this point and is based on CPI projections. It is more of a warning that this could happen. This would mean that if Social Security did not pay a cola in the future, TRB would not pay one either even if the fund did well.

Motion to approve the COLA of 3.0% for pre-September 1992 retirees and 1.5% for on or after September 1992 retirees was made by Rosalyn Schoonmaker. Seconded by Mary Nicholas, all members voted in favor and the motion passed.

Item 5. Administrator Perez reviewed the four appeals that were heard by the Appeals Sub-committee.

Appeal 1 was a request to use outdated Plan D reduction tables to calculate retirement benefits. The Sub-committee recommended that the appeal be denied on the basis of CGS, Section 10-183ff requiring TRB to correct errors that would result in incorrect payment to a member.

Appeal 2 was a request to purchase service credit for a Chapter 1 Tutor position that did not require certification. The Sub-committee recommended that the appeal be denied on the basis of CGS, Section 10-183b (26) which states that eligibility to participate or contribute requires a person to hold a valid certificate for the assignment. As the position did not require a certificate it did not meet eligibility requirements.

Appeal 3 was a request to purchase five additional years of service credit for a Technology Staff Development and Coordinator position that did not require certification. The Sub-committee recommended that the appeal be denied on the basis of CGS, Section 10-183b (26) which states that eligibility to participate or contribute requires a person to hold a

valid certificate for the assignment. As the position did not require a certificate it did not meet eligibility requirements.

Appeal 4 was a request to adjust the retirement date to February 1, 2009 even though the complete application, including all required documents, was not received until February 3, 2009. The Sub-committee recommended that the appeal be denied on the basis of CGS, Section 183g (g) which states that no benefits . . . shall become effective until the end of the calendar month of the filing by the member with the board of a complete formal application for retirement . . .

Administrator Perez noted that this last appeal was requested to have this situation brought to the Board's attention. The Sub-committee's recommendation was to deny the request because there is no statutory basis to do anything else. It was suggested that Administrator Perez research what other systems do in granting some latitude in submitting a retirement application and then present her findings to the Board for further action if necessary.

Mary Nicholas commented that during the years of service in question for Appeal 3 the member was contributing to Social Security.

Mary Nicholas made motion to accept the recommendations of the Appeals Sub-committee for each of the four appeals. Seconded by Rosalyn Schoonmaker, all members voted in favor and the motion passed.

Item 6. Chairperson Barnett commented that due to the economy there will be no increase in the remuneration to the Medical Review Committee. Rosalyn Schoonmaker questioned why some cases are reviewed when complete information has not been provided to the Committee. Administrator Perez noted that the application and process is being revamped making it clearer for both the member and their doctors as to what information is needed. A cleaner review process before an application is allowed on the agenda is being instituted. The member will be asked to provide a list of their doctors that we should receive a report from. This will also reduce the consumption of paper. Rosalyn Schoonmaker made motion to approve the Resolution regarding the composition and remuneration of the Medical Review Committee. Seconded by Mary Nicholas, all members voted in favor and the motion was passed.

Item 7. Motion was made by Mary Nicholas and Seconded by Rosalyn Schoonmaker to accept the Resolution renewing the Board's authorization for the Secretary (Administrator) and Assistant Secretary (Assistant Administrator) to execute contracts and warrants for the payment of benefits and to otherwise conduct the business of the Board. All members voted in favor and the motion was passed.

Item 8. Administrator Perez stated that accounts with no activity for 25 years and over is listed on the website. Certified letters have been sent to each of these members notifying them that their account will no longer earn interest in accordance with CGS, Section 10-183ee; and that they can claim their contributions at any time. On Motion by Mary Nicholas, Seconded by Rosalyn Schoonmaker, the Board voted unanimously to approve the transferring of abandoned account funds to the pension reserve account.

Item 9. Mary Nicholas made motion to approve the proposed Policy on Purchasing Out of State Teaching Credit that was provided to the Board for their review. Rosalyn Schoonmaker Seconded the motion. Administrator Perez explained that a policy is needed to require a member wishing to purchase a portion of their out of state teaching service to work a minimum two full time years in Connecticut and to receive bills in a minimum of one year increments until there are only partial years remaining to be purchased. This will eliminate numerous requests to purchase a few months of service at a time which causes a backlog for the Benefits Unit. This Policy would be effective upon Board approval. All members voted in favor to accept the policy and the motion passed.

Item 10. Mary Nicholas made motion to approve the proposed Policy on Service Purchase With Supplemental Account that was provided to the Board for their review. Rosalyn Schoonmaker Seconded the motion. Administrator Perez explained that the proposal would allow a member to transfer funds in their supplemental account for the purchase of additional service credit at anytime to be consistent with the provision to purchase additional service credit at anytime in the member's career. It had only been past practice that restricted the use of the supplemental account for purchase of service credit to the time of retirement not statutes. This Policy would be effective as of January 1, 2010. All members voted in favor to accept the policy and the motion passed.

Item 11. Chairman Barnett added a proposal from Stirling Benefits to the agenda. In response to Gov. Rell's request to vendors, James Stirling explained his proposal to reduce Stirling's contracted fees for the 2009 - 2010 policy year. The Basic Plan with Prescriptions will be reduced from \$8.22 to \$8.12. The Basic Plan with Prescription, Vision and Hearing will be reduced from \$8.50 to \$8.38. Recognition and appreciation of Stirling Benefits' substantive efforts were expressed. All members voted in favor to accept Stirling Benefits' proposal to reduce the contracted fees.

MATTERS FOR BOARD INFORMATION

Item 1. Chairperson Barnett reminded the Board that the Retirement Statistics Report for the months of January, February, March, April, and May, 2009 were mailed to them for their review.

OLD MATTERS

There were no old matters for discussion.

NEW MATTERS FOR BOARD DISCUSSION

Administrator Perez confirmed for Bill Murray that there is no provision for a retired teacher who returns to teaching to pay into the system. TRB does not have any statistics on the number of teachers who do return to teaching and the amount of money that could be lost to the retirement system. This has been a criticism of the auditors of public records. This is considered an illegal activity by the employers for their failure to report the reemployment of retired teachers. Reminders are sent out annually. The Attorney General says TRB does not have the authorization to investigate. In the past we did take retirement benefits from teachers who were reemployed. However, this created a liability to the state because four times the amount was then paid out in the form of an annuity. Now, they will retire under the same plan provision with no survivorship protection for them, and with any cost of living increases that occurred during their reemployment. Although the reemployed teachers are not contributing to the fund, increased benefits are not being created.

Chairperson Barnett asked if the Legislative and Healthcare Sub-committees could assemble after the meeting to set up a summer meeting date. Planning for the possible loss of revenue to the retired teachers' healthcare plan is necessary. The fund is in good shape now but planning is needed to preserve the fund. Work study committees are needed to review the flexibility of the medical coverage and the return to work issue.

Administrator Perez asked CavMac to comment on what the anticipated result of the economy might have on the Annual Required Contribution (ARC). John Garrett stated that based on a 5 year smoothing TRB will recognize 20% over 5 years which will equal 4% of assets going into the unfunded actual liability. What was 15.2% will be much higher. TRB should consider looking at where the 2010 valuation results might be. Edward McDonald stated that depending on the economy there could be as much as an 80% increase in required contributions incrementally over several years. The Bond issuance reestablished a promise to pay the ARC. The impact would be tough if the state did not follow through. The next valuation will be done for June 30, 2010 and is due to the legislature in December, 2010.

COMMENTS FROM OBSERVERS

Dr. Joseph Fields commented that the Obama administration contends that the administrative cost for individual health plans is at 24% and Medicare's is 4.5%. TRB administrative cost is 3.1%. The plan is in good shape and will be for a couple of years if the state should take away its funding.

Administrator Perez clarified for Ray Powell that if members requested a refund of their voluntary funds prior to May 31, 2009 they will receive a refund as of June 30. If they applied in June they will be refunded at the end of July with the -20.9% market rate of return.

Ray Powell questioned if the final percentage rate could be determined in December or February. Administrator Perez stated that members and financial advisors can follow the performance of the fund through the State Treasurer's website. Edward McDonald stated that determination of the final percentage should not be made sooner because figures can change dramatically over a few months. As many actuals or real numbers as possible need to be used in determining the final percentage thus April figures are used with estimates for only May and June.

Dr. Fields provided information regarding the health care fund in answer to questions posed by Rick Follman, ARTC. Models are run every June. In October the model was adjusted making economic assumptions cutting expected teacher salaries, the number of teachers employed, etc. The \$274 million was adjusted down to \$178 million for a 10 year estimate. When the first legislative proposals were coming in the models were again adjusted taking away two sources of funds: the drug stipend from Medicare Part D and all support from the state. The new models show the fund will not go bankrupt in the next two year period. If the state's one-third contribution is removed the third year could be problematic.

Rick Follman questioned what the Board's responsibility is to keep the state's money in the fund. Chairperson Barnett stated the Board will seek legal options using the TRB's pension attorney. The Board will form a committee to decide how to approach this situation.

Chairperson Barnett presented Board members Deborah Freedman and Mary Nicholas with proclamations from Governor M. Jodi Rell recognizing their many years of service to the Board and State of Connecticut.

ADJOURNMENT

Rosalyn Schoonmaker made Motion for the Board to adjourn. Seconded by Mary Nicholas, all members voted in favor and the meeting adjourned at 11:31 a.m.

Respectfully submitted,

Jean Ouellette, Administrative Assistant

June 29, 2009

Date Submitted

Attest:

Darlene Perez, Administrator

September 9, 2009

Date Approved