



CT TEACHERS' RETIREMENT BOARD

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September 3, 2014

2:00 pm

The meeting of the Teachers' Retirement Board was called to order at 2:03 pm by Chairperson Clare Barnett on Wednesday, September 3, 2014 at 765 Asylum Avenue, Hartford, CT.

BOARD MEMBERS PRESENT:

Clare Barnett, Teacher Member
William Myers, Teacher Member
Rosalyn Schoonmaker, Teacher Member
Maureen Honan, Teacher Member
Al Bredehorst, Teacher Member
Clifford Silvers, Public Member
Jonathan Johnson, Public Member
Eugene Cimiano, Public Member
Lee Ann Palladino, Designee (Office of the Treasurer)
Elaine Lowengard, Public Member
Charles Higgins, Public Member
Michael Freeman, Teacher Member

BOARD MEMBERS NOT IN ATTENDANCE:

Gregory Messner, Designee (Office of Policy and Management)
Kathy Demsey, Designee (State Department of Education)

STAFF PRESENT:

Darlene Perez, TRB Administrator
Charlene Hill, Administrative Assistant

OTHERS PRESENT:

Tom Danehy, Connecticut Association of Public School Superintendents
Dr. Joseph A. Fields, TRB Benefit Consultant, Bargained Plans, LLC
Richard Follman, Association of Retired Teachers of Connecticut
Christina Gellman, Office of Fiscal Analysis
Robyn Kaplan-Cho, Connecticut Education Association
Tom Lally, Bargained Plans, LLC
Karen Nolan, Office of Policy Management
June Pinkin, Hartford Federation of Teachers - Retired
Tom Singleton, Association of Retired Teachers of Connecticut
James Stirling, CEO, Stirling Benefits, Inc.

Open meeting – Chairperson

Chairperson, Clare Barnett

1. Agency Report.

Staffing:

There has been some staffing activity in the agency recently. An Assistant Accountant position was filled by Anne Scanlon, our former Administrative Assistant and her vacant position was filled with an internal candidate Charlene Hill, a former Office Assistant in our Accounting Division.

We are working on filling the vacant Office Assistant position, an Accountant position and two financial clerk positions.

Retirement Counts:

Our retirement “season” is over and we ended up within a one person differential in retirements from last July to this July, and an increase in August retirements. The reports will be provided at our next meeting.

EGWP:

We’re having weekly implementation conference calls with our new prescription vendor Express Scripts. Joe Fields and Tom Lally have scheduled numerous workshops throughout the state to educate our membership on the new prescription program. If you represent a group who has not yet scheduled a meeting, reach out to us and one will be scheduled.

Health Insurance Trust Fund:

We sought advice from the Attorney General’s Office regarding the Trust fund for the Teachers’ Retirement Health Fund followed by a meeting last week. This week we received approval to create the Trust, indicating no legislative change is required to do so. Legislation may be required to allow for management fees to be allocated proportionately to the Trust Fund just as they are for the Pension Fund. The Treasurer’s Office will assist, as they have many other Trusts they already manage and may have existing language we can use.

State Wide Mandated Accounting System (aka CORE):

The Teachers’ Retirement Board met with some staff from the Office of the State Auditors, the Treasurer’s Office, and the Comptroller’s Office and the Office of Policy and Management regarding concerns with discrepancies between our internal health fund control document and CORE. This was primarily caused by our staffing level coupled with our inexperience in CORE. Following the meeting we received several e-mails from a staff member at the Office of the Comptroller’s providing us with some CORE assistance that will further our ability to reconcile our balances in CORE to our internal control document.

New GASB Requirements:

The State Auditors have brought to my attention the Board's responsibility to arrange for some census data testing, which is a new requirement established by the Governmental Accounting Standards Board (GASB). As such, I'll be making those arrangements.

APPEAL:

We recently reported to you on an appeal with respect to a retiree exceeding the allowable earnings. We held an appeal and the Board upheld the Appeals Subcommittee's decision. The Statute provides for other than a priority school district or in a subject shortage area you can go back to work in your field in a position that requires certification (unless you're in a college in which case certification is not a requirement) and earn up to 45% of the maximum salary for the job assignment. This retiree's earnings exceeded the earnings limit. The excess earnings are to be recovered by the TRB. The member doesn't agree with the Board's decision and has requested another meeting. I'll make the necessary arrangements for the next step.

Clare Barnett, Chairperson: Basically we already have the finding in this case, but a declaratory ruling is a right. The person appealing has the right to say, "Well, I want to resubmit this case to the entire Board." Then whatever the Board's decision is can be taken to court. In that case, the Attorney General will represent us, that's our Attorney here. Remember this appeal has been heard but this a right that an individual has that they can also ask that the whole Board to vote on it not just accept the recommendation from our appeals subcommittee. Sometimes a person appealing will submit just written testimony and sometimes it's verbal. After receiving the testimony, the Board will vote on whether to reaffirm our own decision or not.

The Chairperson summarized the process for the Board members.

A motion was made and seconded to approve moving the Board meeting to 1:00 PM on October 29, 2014.

2. Approval of the June 18, 2014 Meeting Minutes.

There was one adjustment to the "Recovery of overpayments to unreported deceased members." In the last sentence before the second item, there were three words that were carried on from a previous paragraph. The sentence should end in year.

A motion was made and seconded to approve the June 18, 2014 minutes. All members voted in favor with 2 abstention (Elaine Lowengard and Michael Freeman).

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

- a. Regarding the granting of service retirement benefits for the months of June and July, 2014

- b. Survivor benefits for the months of June and July, 2014
- c. Reports & recommendations of the Medical Review Committee regarding applications for Disability Payments as presented to the Medical Review Committee at the July, 2014 meeting.

Motion was made and seconded to approve the granting of service retirement and survivor benefits for the months of June and July, 2014, and applications for a disability allowance for the month July, 2014. All members voted in favor and the motion was passed.

4. Consideration and Approval of:

The Cost of Living Adjustments (COLA) granted for July, 2014. The rate for pre September 1992 retirees is 3% and the rate for those who retired on or after September 1, 1992 is 1.5%.

Clare Barnett, Chairperson: Legislation was passed in 1992 that changed the COLA. Before then retired teachers got a guaranteed COLA of a minimum of 3% and a maximum of 5%. Those who did not retire by July 1, 1992 are under a different COLA formula and therefore they will receive a 1.5% COLA.

Motion was made and seconded to approve The Cost of Living Adjustments (COLA) granted for July, 2014. All members voted in favor and the motion was passed.

5. Consideration and Approval of:

A Declaration of Trust.

The Chairperson recommended we call the health fund trust the “Teacher Retirement Board Healthcare Trust Fund.” We’ve been involved in this for a long time. We are the State of Connecticut.

Everyone agreed.

The declaration of trust was drafted by Catherine LaMarr, General Counsel for State Treasurer Denise Nappier. She is in fact the architect of the trust that was drafted and passed for state employees other post employment benefit trust fund. She used that as the template to craft the TRB Health Care Trust Fund declaration of Trust. Everyone here I think has had an opportunity to review it. We already passed it. We passed the EGWP. We passed the concept of having the Trust at the April Board meeting. Since that time we now have the approval from the AG. You now have a real document. It’s not enough for the Board to pass a concept about a Trust there has to be a ruling document that in fact talks about all areas about the Trust. It mostly replicates what the State employees have but it is particular to us in a few unique ways. I would say that a large portion of the credit really goes to the Treasurer’s Office, in particular Catherine LaMarr. Many other people were party to this. Many other people got to look at this document, got to make comments on it from Joe Fields who consults with us, to our unions, to our active and retired employees. I met with them about the EGWP plan and talked with them as well about the Trust at the time. I think we had a significant amount of input. This has been on the docket for our teachers for a year and a half at least, perhaps longer. The final piece of action for this Board to approve the actual working document. The only person who can change this document would be the people around the

table. This document can be changed by you. But this in fact is the prevailing and working document that will define how this Trust is managed and how these assets are collected and how these assets are paid and who is allowed to do anything in the Trust. Nothing can be done by the Trust unless it's for the exclusive benefit of the retired teachers who in fact are the recipients of the funds that will be in the Trust. The decisions made about everything from contributions to everything else are made by the people in in this room. The only thing that is probably different than anything you've had is that any fees that are associated with the management of the Trust will of course be charged against the Trust.

Lee Ann Palladino: The Office of the Treasurer will utilize the declaration of trust document to begin an asset and liability study that will ultimately determine a long term asset allocation for the TRB Health Care Trust Fund. There will be costs associated with the TRB Health Care Trust Fund such as management fees, salaries, consultant fees, actuarial fees which will be prorated according to the assets under management.

Jonathan Johnson: Do you have a rough estimate of these fees based on the other plans and trusts?

Lee Ann Palladino: No, not yet. But, I would be happy to share that with this Board when the information is available and depending upon the asset allocation.

Clare Barnett: We don't know how much money will actually end up in the Trust. Our goal is to put as much money in there as we can. I think a year from now we'll have a better idea because that study will have been done and we'll know from the modeling of anticipated cash flows where we might be in terms of assets.

Jonathan Johnson: This refers to the Trustee, is that the Treasurer that this is referring to?

Clare Barnett: Yes, the Treasurer is the sole Trustee of the Trust.

Jonathan Johnson: Will she or her group also be doing the administration of the Trust?

Clare Barnett: No, that's actually under this Board. We actually administer the Healthcare program. We hire Joe to advise us and we hire others as well when we need to.

Charles Higgins: Do you know what kind of return you expect to get?

Lee Ann Palladino discussed the investment experience of the State employees but cautioned that the asset allocation for the TRB Health Care Trust Fund will be determined based on its unique circumstances, its time horizon and the funding policy.

Charles Higgins: From a retiree standpoint is there a difference to what their expectations would be? Is this more form than substance in terms of change?

Lee Ann Palladino: The Office of the Treasurer manages the Teachers' Retirement pension plan, the TRB Health Care Trust will be approached similarly.

Clare Barnett: I think the security is sustainable. The retirees wouldn't have to worry every time someone doesn't put enough money into the State Healthcare Fund.

Charles Higgins: It seems like a completely positive fund.

Darlene Perez: Are you asking if there is an immediate impact to the health benefit design or member cost?

Charles Higgins: Yes, It doesn't seem like a real material change, just making sure there's not something I'm missing.

William Myers: Most would not be aware. It just protects the monies and lets us earn more than the .001.

Lee Ann Palladino: The Office of the Treasurer believes this is a financially sound step to take for the Teachers' Retirement Board to shore up the funding policy for the Health Care Trust Fund over the long-term horizon. Reports are prepared regularly and can be presented to the Board upon request.

Lee Ann Palladino: The studies on the investment side are done every five years for all of the plans and Trusts so it's business as usual.

A motion was made and seconded to accept the Trust. All members voted in favor and the motion was passed.

6. Consideration and Approval of:

The Board's Benefit Consultant's health plan premium changes to become effective January 1, 2015; as recommended and presented by Dr. Joe Fields.

This is the third year in a row where we're actually having a decrease in what the premium is going to be. Last year the base plant plan premium multiplied by one third required a \$97.00 contribution by the member this year it's being reduced to \$91.00 that reflects lower costs with regard to the new health plan prescription drug program. The medical plan actually went up in cost slightly but was offset by the prescription drug decreases. Again, most of the actual level of the decrease in the prescription plan is not going to be in calendar year 2015. It's actually going to be in calendar year 2016. So the reduction here from \$97.00 down to \$91.00 which is \$6.00 multiplied by three because the retiree only pays a third of it is an \$18.00 reduction in the overall premium. The vision and hearing is going to be reduced from \$5.00 to \$4.00. The dental is going up from \$44.00 to \$45.00. One of the things that we do here is we always want to add even numbers so no number is actually \$4.00 it's really \$4.24. We also make sure that whatever the premium is can be divisible by three. While the numbers appear to be very precise they always do end with .00 and as we know no number actually ends with .00. Some of the considerations were modest increases in the medical plan. The medical plan administrator had their medical plan extended for one additional year part of that was an 8% reduction in the fee that was paid to the medical plan administrator per unit as part of that process that goes into the rate. The applied trends were 3% for the drugs 4% and 5% for the other items. The hold back period was actually 17

months and is not really multiplied by 4% it's really multiplied by a number plus 6% but the rates are down for the third year in a row. Given reasonable experience over the upcoming year and the nature of the cash flows we're probably looking at a pretty good year for next year as well.

Rosalyn Schoonmaker commended Dr. Joseph Fields on the presentation he did explaining the new insurance plan to the Association of Retired Teachers of Connecticut.

A motion was made and seconded to approve the premium changes to become effective January 1, 2015; as recommended and presented by Dr. Joe Fields. All members voted in favor and the motion was passed.

MATTERS FOR THE BOARD INFORMATION:

Retirement Statistics for the months of June and July, 2014.

COMMENTS FROM OBSERVERS

Richard Follman asked Lee Ann Palladino to compare the state employees post employment trust fund to the teacher's program. She described the experience to date and how the program worked from an investment perspective. She reiterated that the research has not been done yet on the TRB Health Care Trust fund to compare and contrast to two programs. Richard Follman also asked if the Trust requires the State to put in their share of money each year like the 1/3, 1/3 that we have into the state employees Trust. Lee Ann Palladino advised that the State's plan is set up a little differently the State of Connecticut made an initial deposit of 25 million dollars. State employees deductions are contributed to the healthcare fund. The State also makes contributions. Al Bredehorst asked if there is a requirement for the State to pay the 1/3 for TRB for the HIPA account. Clare Barnett advised that any monies that are not used for paying current expenses at the end of the year will go into this Trust and over time this Trust will be able to handle any stormy weather that comes our way.

James Stirling complimented the Board, the staff, the Associations, and Dr. Fields for getting the word out on the change in the prescription plan in a very consistent manner. We have not had the volume of calls we feared coming into Stirling Benefits that could change when the mailings go out in October but people who have talked to us about the prescription benefits seemed well informed and I think that's an effort due in part to the consistency of the message that went out and that has worked out really well for us as vendors. He also thanked the Board for their confidence in Stirling Benefits by extending their contract for another year and said that they appreciate the opportunity to serve retired teachers in the State.

ADJOURNMENT – 2:58 PM