



## **CT TEACHERS' RETIREMENT BOARD**

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“An Affirmative Action/Equal Opportunity Employer”

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**Wednesday, September 11, 2013**

**2:00 pm**

The regular meeting of the Teachers' Retirement Board was called to order at 2:10 pm by Chairperson Clare Barnett on Wednesday, September 11, 2013 at 765 Asylum Avenue, Hartford, CT.

### **BOARD MEMBERS PRESENT:**

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

### **BOARD MEMBERS NOT IN ATTENDANCE:**

Kathy Demsey, Designee (State Department of Education)  
Eugene Cimiano, Public Member

### **STAFF PRESENT:**

Darlene Perez, TRB Administrator  
Lou Laccavole, Fiscal Administrative Manager  
Suzan Chasse  
Latoya Edwards  
Javiel Resto  
Anne Scanlon

### **OTHERS PRESENT:**

Karen Nolen, Office of Policy and Management  
Robyn Kaplan-Cho, Connecticut Education Association  
Christina Gellman, Office of Fiscal Analysis  
James Stirling, CEO, Stirling Benefits, Inc.  
Richard Follman, Association of Retired Teachers of Connecticut

Clare Barnett, Chairperson requested a moment of silence in memory of the lives lost September 11<sup>th</sup>.

Al Bredehorst was welcomed as a new member to the Board

AGENCY REPORT: Presented by Darlene Perez, Administrator:

Staffing – We promoted two staff members, leaving two vacancies to back fill, plus were asked by the Department of Administrative Services (DAS) to attend LEAN training prior to requesting refills. Both Lou and I have now attended LEAN training and will be evaluating our needs and making appropriate refill requests at our earliest opportunity.

Lease - Our work space lease has expired. The Governor sent over a team of staff from DAS to collapse the lease, meaning find space for us at another location. After several additional visits, it was determined that there is no space available for us at the intended address. For the time being, we will remain at our current location.

Due Dates - Effective September, 2013, due dates for the purchase of credit will be the last day of the month with no extensions and no grace period. We will accept post marks dated no later than the due date. Funds being sent to us for the purchase of annuity will follow the same rules with the due dates being the last day of the month prior to the effective date of retirement.

Cliff Silvers asked how the members were notified of due dates under present procedures and new procedures, Lou explained. Clare stated on the annuity side this will help to prevent problems with IRS by not accepting monies after the retirement date.

#### MATTERS FOR BOARD ACTION

1. A motion was made and seconded to approve the June 26, 2013 minutes. All members voted in favor and the motion was passed.
2. Ratification, Consideration and Approval of the Administrator's actions regarding:
  - a. The granting of retirement benefits for the months of July and August, 2013.
  - b. The granting of survivor benefits for the months of July and August, 2013.
  - c. The reports and recommendations of the Medical Review Committee regarding applications for disability payments as presented to the Medical Review Committee at the July and August, 2013 meetings.

A motion was made and seconded to approve the service retirement benefits, survivor benefits for the months of July and August, 2013 and applications for a disability allowance for the months of July and August, 2013. All members voted in favor and the motion passed.

Discussion: Clare Barnett, Chairperson and Darlene Perez, Administrator explained the Medical Review Committee recommendations procedure for the benefit of the newest Board member, Al Bredehorst.

3. Health Care Update, presented by Clare Barnett, Chairperson:

We have been continually struggling to find the necessary resources to keep what we think is the most efficient, successful program the State runs in this business. In the future it will require some capital infusion to keep this fund healthy and moving forward. We have been meeting with the Treasurer and her staff to examine the feasibility of creating a Trust for this fund. We use a separate fund, because, of course, we take 1.25% from active teacher's contributions, and we also receive funds from retiree premiums and state contributions. Not sure if we have the authority to create this trust. It is currently a concept and would be a prudent move to secure funding in the future. Will need to examine concept further. We are very happy that the Treasurer has a keen interest in this fund as she is the sole Fiduciary of this and all funds for all state employees and teachers. Looking for a sense that we can move forward with this, Darlene and Lou will receive information and advise the Board. The Treasurer's Office does have the staff, attorneys and experience to move forward. Lee Ann Palladino, Office of the Treasurer, stated that the Treasurer is interested in helping in any way she can in doing whatever Board wants to promote it to be financially sound and stable. She stated that they (the Treasurer's Office) do have access to outside legal counsel and other consultants (investment professionals) experienced in putting together Trusts. The Treasurer's office will help in any way it can and support whatever this Board chooses to do.

A motion was made and seconded that the Board support the concept of establishing a Trust Fund for the TRB Health Fund. All members voted in favor and the motion passed.

Discussion: Greg Messner asked for clarification as to what was being approved, the concept or exploring the concept of establishing a Trust. William Myers stated it was to support the concept of establishing a Trust for the TRB Health Care Fund. Clare stated that this may require some type of Legislation, but the Board would want to be on the record supporting this concept. Elaine Lowengard inquired if there are such funds in other states. Clare stated other states have health funds in place, state, local, etc., the Trust is a fairly new concept used to protect these funds. Lee Ann Palladino stated this type of fund (Trust) would be different than that of other state employees on a legal perspective – the benefits are handled differently – After the Board decides how this is to be set up, the Treasurer's Office figures how to implement the Trust. Lee Ann Palladino advised that in setting up other Trusts, after a collective bargaining with unions, it was received in the Treasurers' Office and it took approximately 6 (six) months to implement the Trust.

4. Consideration and Approval of the Board's Benefit Consultant's recommended health plan premium changes to become effective January 1, 2014; as recommended and presented by Darlene Perez, Administrator, for Joe Fields:

Premium reductions:

Basic plan from \$117 per month to \$97

Basic plan & Dental from \$160 per month to \$141

Basic plan & Dental, Vision & Hearing from \$165 per month to \$146

A motion was made and seconded to approve the Board's Benefit Consultant's recommended health plan premium changes to become effective January 1, 2014. All members voted in favor and the motion passed.

5. Consideration and Approval of the Health Insurance Sub-Committee recommendations to:
  - a. Continue the Auto Renewal Program, and
  - b. Continue the Auto Refill Program, and
  - c. Change the Refill Threshold from 70% used to 85%, and
  - d. Hold off on the Maintenance Drugs at Retail Program

Presented by Darlene Perez, Administrator:

**Auto Renewal:** Pharmacy Benefits Manager will automatically renew the prescription when it expires (confirm with physician when current prescription expires).

**Auto Refill** – automatically sends out refills.

**Change the Refill Threshold:** Plan sponsor ships when 70% of prescription is/should have been used (63 pills out of a 90 day supply). Members complain they are receiving too many drugs, the threshold is too low. The 85% threshold is being suggested to help reduce cost. If member is out of town and unable to access the mail order delivery, they may have the physician send a prescription to a Caremark retail pharmacy for a “bridge supply” to provide limited amount of the medication until the member obtains the mailed prescription.

As an alternative to signing up to the automatic refill or renewal program, the member can be responsible for requesting your own prescriptions. The member would be notified either by email or voice mail that their prescription is going to be shipped, and at that time would then be able to stop the shipment if they had a “surplus” of medicine. The downfall to this option, due to HIPPA regulations, is that the pharmacist cannot mention name of drug, they must reference the NBC # on the prescription bottle. Since average age of our members is between 75 and 76, this procedure is not working well for some (multiple medications, difficulty identifying which one to needs to be reordered).

**Maintenance (Mail Order) at Retail** – Caremark (CVS) sends members to the drug store to pick up prescriptions (not convenient for all members). Caremark is the only PBM which owns their pharmacy, thus the CVS Caremark ID Card.

We would prefer they fix their mail order program. Real mail order *does* work well for older members who do not have the option to drive to the drug store to pick up their prescriptions.

In response to our lack of satisfaction in the program, our account executive sent out a customer/member satisfaction survey (limited to 5 categories) which came back with an overall rating of 99% satisfaction rating. Based on the survey results, it calls into questions the reports they have supplied us with. In a report provided to TRB from the account executive the company “wants to push members into generic drugs” stating it would generate a 1.7 million dollar savings. On another page of the report it was indicated that most of our members are already using generic drugs. As these drugs go generic, we would realize these savings anyway. In yet another report it was stated that

we were not interested in saving 1.7 million dollars, which we are going to save without them doing any “pushing” or “nudging”.

Darlene Perez stated she has concerns about these reports and being told these are no-brainer concepts. Due to our frustration, we have asked for and received a new account executive. We will see if this makes a difference, if not it may be the company, and, if that is the case we will need to take appropriate action.

The plan does allow a name brand drug over a generic if the member’s physician insists.

Efficiency:

Increasing the threshold could result in savings by shipping every 2 ½ months instead of every 2 months. This would be a cost effective change.

Holding off on the Maintenance Drugs at Retail as we want the company to fix the mail order.

The auto renewal should be okay since we are changing the threshold from 70% to 85%.

The Open Enrollment packages will be updated with the new information within 2-3 weeks and will be effective January 1, 2014.

A motion was made and seconded to approve the Health Insurance Sub-Committee recommendations. All members voted in favor and the motion passed.

6. Consideration and Approval of the recommendations from the Appeals Sub-Committee on accepting rollover money after effective date of retirement.

The member’s rollover company never sent the annuity money and she was asking us to accept funds after the retirement due date. The Appeals Sub-Committee decided to uphold the staff decision to not accept the money.

A motion was made and seconded to approve the Appeals Sub-Committee recommendation. All members voted in favor and the motion was passed

7. Consideration and Approval of the recommendations from the Appeals Sub-Committee on accepting rollover money for purchase of service and voluntary annuity after effective date of retirement.

Member was purchasing service and voluntary annuity with rollover money at the time of retirement. The due date for the service purchase was after the effective date of retirement, due date for voluntary annuity was prior to the effective date of retirement. The Appeals Sub-Committee voted to uphold the member’s request to resubmit money for the annuity stating our due dates were unclear, and the communication pieces were weak.

8. Consideration and Approval of the recommendation from the Appeals Sub-Committee on effective date of retirement.

Member submitted a retirement application dated June 28, 2013 on July 1, 2013. Our policy is that all retirement applications be complete and received or postmarked prior to the date of retirement. The member neglected to include a birth certificate, which is an application requirement. The member stated that she didn't believe this requirement applied to her. She then filed an appeal based on the statute referencing the clause of extenuating circumstances due to illness. She provided a case where her daughter in law was ill. This clause is specific to the member's illness. Since the application was not complete (missing the birth certificate) on the effective date of retirement, the Appeals Sub-Committee recommended to uphold the staff decision not to accept the application for a July 1<sup>st</sup> retirement. The effective date of retirement would be the following month (August 1, 2013).

A motion was made and seconded to approve the Appeals Sub-Committee recommendation. All members voted in favor and the motion was passed.

9. A motion was made and seconded to amend the Agenda to include the Legislative package as item #9. All members voted in favor and the motion was passed.

Items included in the 2014 Legislation Package:

1. To make our Plan D co-participant plan optional upon divorce. We administer court orders which the courts use to divide a pension which is treated as a marital asset upon the event of divorce. Our Plan D becomes void upon death or divorce which doesn't always work out due to the division of assets per Connecticut State Law. Requesting that we either remove the pop-up provision for divorce, or make it optional upon court order.

A motion was made and seconded to include item 1 of the 2014 Legislation Package. All members voted in favor and the motion was passed.

2. Regarding the list of teachers on the Annuity Reserve list (inactive for 25 or more years). We have reached out to and received no response from the inactive teachers on the Annuity Reserve list. We are requesting a reduction of the numbers of years we allow teachers to be inactive. This would apply to non-vested members only. Non-vested accounts would cease earning interest after 10 years which increases our ability to reach out and advise them and have the monies moved somewhere else. It is an expense to the State to try and locate them after 25 years and then again when they turn age 70 due to the mandatory distribution rule under the IRS code.

A motion was made and seconded to include item 2 of the 2014 Legislation Package. All members voted in favor and the motion was passed.

3. Liberalize the dollar amount of professional services allowed to be paid out of the health fund for, as an example, claims audits (which are typically a net positive) so we don't have to continually count on that money being part of our general fund budget. We do have money right now in the general fund budget for the audit, thus, liberalizing the dollar amount will allow us to repurpose the

general fund budget for the attorney we have needed for so long. It would typically cost less for an attorney than a claims audit which would lead to some overall savings for the State.

A motion was made and seconded to include item 3 of the 2014 Legislation Package. All members voted in favor and the motion was passed.

#### MATTERS FOR BOARD INFORMATION.

Retirement statistics for the months of July and August 2013.

ADJOURNMENT – 3:17 PM.