



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

TESTIMONY OF S. FAE BROWN-BREWTON

UNDERSECRETARY FOR LABOR RELATIONS
OFFICE OF POLICY AND MANAGEMENT

BEFORE THE JOINT COMMITTEE ON APPROPRIATIONS OF THE GENERAL ASSEMBLY
WEDNESDAY, MARCH 11, 2020

SR 6 and HR 8 Resolutions proposing approval of an Agreement between the STATE OF CONNECTICUT and the state employee bargaining agent coalition.

Distinguished members of the Appropriations Committee, my name is Fae Brown-Brewton, Undersecretary for Labor Relations. I am here today seeking your approval of Senate Resolution 6 and House Resolution 8 concerning an Agreement Between the State of Connecticut and the State Employees Bargaining Agent Coalition regarding Pension Funding.

You may recall that this body approved the February 2017 SEBAC Agreement which basically accomplished the following:

- computed the unfunded State Employees Retirement System (SERS) pension liability using "Entry Age Normal" as the actuarial cost methodology
- changed the pension funding method from a level percent of payroll to a level dollar method with a five (5) year phase in.

The prior level percent of payroll methodology resulted in a back-weighting of the state's repayment schedule and required ever-increasing contributions through FY 2047. The level dollar methodology results in required payments that are initially higher, but that remain constant over the entire repayment period. The current schedule is for that transition in methodology to take place over the five years, which results in General Fund increases of approximately \$100 million per year between FY 2019 and FY 2023 before becoming level from FY 2023 through FY 2047.

The February 2017 Agreement also reset the amortization period for only a portion of the unfunded liability. The unfunded liability that had accrued as of 1984 maintained the amortization payoff period to June 30, 2032. The amortization period for the remaining balance of the unfunded liability was extended to June 30, 2047. Rather than continuing with these two parcels of unfunded liability, the Agreement before you merges the "as of 1984 accrued unfunded liability" portion with the current balance of unfunded liability; with all of it to be fully funded by 2047.

This Agreement implements the savings assumed in the biannual budget that was passed by this General Assembly in P.A. 19-117. It reduces the General Fund SERS contribution requirements by approximately \$115 million in FY 2020 and \$121.2 million in FY 2021. Similar savings are anticipated each year through FY 2032, with a leveling of the Actuarial Determined Employer Contribution (ADEC) from 2023 through 2047 as demonstrated by the attached chart. While we are committed to phasing in a level dollar method to address the structural deficit, in order to avoid tax rate increases the transition to level dollar is occurring over a longer period of time or, stated a different way, the re-amortization period

is being extended for the entire unfunded liability. It is important to note that the Agreement does not change the 2047 date for full funding that currently exists.

I am available to answer any questions.