STATE OF CONNECTICUT

GOVERNOR DANNEL P. MALLOY

GOV. MALLOY AND COMPTROLLER LEMBO ANNOUNCE $13.3-BILLION REDUCTION IN RETIREE HEALTH CARE LIABILITIES

Malloy: We're Saving Taxpayers Billions of Dollars

(HARTFORD, CT) –Governor Dannel P. Malloy and Comptroller Kevin Lembo announced a dramatic reduction – by approximately $13.3 billion -- in the state's future unfunded state employee and retiree health care liabilities, according to a finalized actuarial report released today.

The final updated OPEB report (other post-employment benefits) reduces the state's projected unfunded actuarial accrued liability (UAAL) from $31.2 billion (as of June 30, 2011) to $17.9 billion – a $13.3-billion reduction from the expected level for this year's valuation.

This significant change resulted from several collaborative health care cost control initiatives implemented across state government over the last few years, including changes related to the state's agreement with the State Employees Bargaining Agent Coalition (SEBAC) and initiatives by the Office of the State Comptroller and Health Care Cost Containment Committee (HCCCC).

"Today's announcement is further proof that the tough decisions we're making are having a real impact on our state's finances," said Governor Malloy.   "By planning for the long term, we can make sure that future generations won't find themselves in a situation where they have to choose between critically important services and obligations to state employees."

Lembo said, "This future savings is extraordinary, resulting from partnership among state agencies and state unions in controlling costs, while maintaining quality services. This report reveals that creativity and collaboration, all accomplished in remarkably short time, will save us billions. This is a powerful incentive to continue these efforts to reduce costs for Connecticut."

The report indicates that several recent health care changes and initiatives – implemented following the last OPEB actuarial report in 2008 – are responsible for the future cost reduction, including changes to the state's health care plan design, administration, and funding of the State Employee and Retiree Health Care Plan.

This $13.3-billion reduction is due to several factors:

- $6.20 billion reduction is attributable to multiple collaborative initiatives between the HCCCC, the Office of the State Comptroller, and the state and SEBAC to establish and fund an OPEB trust fund.

- $4.94 billion in reduction has resulted from changes in plan design and funding methodologies. That includes changes in benefit design, eligibility requirements, and contribution requirements for employees and retirees; the introduction of a Health Enhancement Program; and the conversion of the Medicare-age prescription drug program to an Employer Group Waiver Program introduced by the HCCCC and the Office of the State Comptroller.

- $2.12 billion reduction is due to recently negotiated increases in employee and State contributions, which are expected to accumulate rapidly under this new arrangement.

Later-than-average retirement ages are very likely in the future, due to additional plan design changes that will increase health insurance costs and lower pensions for early retirees. These likely later retirement ages may further reduce this liability, but those potential additional savings are not reflected in this valuation. The Office of the State Comptroller will work with its actuaries over the next year to conduct a study of the impact of these changes and will incorporate the findings of this study in next year's OPEB report.

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