



## Senate

General Assembly

February Session, 2002

**File No. 51**

Senate Bill No. 59

*Senate, March 18, 2002*

The Committee on Labor and Public Employees reported through SEN. PRAGUE of the 19th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

**AN ACT ELIMINATING SOCIAL SECURITY OFFSETS UNDER THE UNEMPLOYMENT COMPENSATION SYSTEM.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (g) of section 31-227 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective*  
3 *October 1, 2002*):

4 (g) With respect to benefit years beginning on or after October 1,  
5 1981, for any week with respect to which an individual is receiving a  
6 pension, which shall include a governmental or other pension,  
7 retirement or retired pay, annuity, or any other similar periodic  
8 payment, under a plan maintained or contributed to by a base period  
9 employer, the weekly benefit rate payable to such individual for such  
10 week shall be reduced by the prorated weekly amount of the pension.  
11 [Where] If contributions were made to the pension plan by the  
12 individual, the prorated weekly pension amount shall be reduced by  
13 the proportion [which] that such individual's contributions bear to the

14 total of all payments for such individual into the plan, except that if the  
15 pension is paid under the Social Security Act, the individual's  
16 contributions to the plan shall reduce the prorated weekly pension  
17 amount by one hundred per cent. If, as a result of the reduction made  
18 under the provisions of this subsection, the individual's weekly benefit  
19 rate is not a whole dollar amount, the weekly benefit rate payable to  
20 such individual shall be the next lower whole dollar amount. No  
21 reduction shall be made under this subsection by reason of the receipt  
22 of a pension, except in the case of pensions paid under the Social  
23 Security Act or the Railroad Retirement Act of 1974, if the services  
24 performed by the individual during the base period for such employer,  
25 or remuneration received for such services, did not affect the  
26 individual's eligibility for, or increase the amount of, such pension,  
27 retirement or retired pay, annuity, or similar payment.

This act shall take effect as follows:	
Section 1	<i>October 1, 2002</i>

**LAB**      *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

### **OFA Fiscal Note**

#### **State Impact:**

Fund-Type	Agency Affected	Current FY \$	FY 03 \$	FY 04 \$
SF - Cost	Labor Dept.	0	1,227,000	1,636,000
GF - Cost	Unemployment Compensation	0	12,270	16,360

Note: SF=Special Fund (Non-appropriated); GF=General Fund

#### **Municipal Impact:**

Effect	Municipalities	Current FY \$	FY 03 \$	FY 04 \$
Cost	All Municipalities	0	27,000	36,000

#### **Explanation**

The bill results in an annual cost of \$1,636,000 to the Unemployment Compensation Fund (UCF) with the elimination of the social security offset for individuals receiving unemployment compensation. The UCF is a non-General Fund that is financed by employer contributions. Currently, Connecticut offsets an individual's weekly unemployment benefit by 50% of pro-rated weekly Social Security pension benefit. This is based on a total of 2,419 claimants covering 17,587 weeks at an average unemployment compensation benefit offset of \$93 per week.

The bill would also result in a cost of \$16,360 annually to the State of Connecticut's Unemployment Compensation account.<sup>1</sup> Former state employees make up about 1% of the unemployment compensation fund pool.

The bill results in an aggregate cost of \$32,720 per year for all

<sup>1</sup> The state's Unemployment Compensation account is a miscellaneous appropriation to the Comptroller in the General Fund.

municipalities in the state. Former municipal employees make up about 2% of the unemployment compensation fund pool.

**OLR Bill Analysis**

SB 59

***AN ACT ELIMINATING SOCIAL SECURITY OFFSETS UNDER THE UNEMPLOYMENT COMPENSATION SYSTEM*****SUMMARY:**

This bill eliminates the Social Security pension offset for individuals receiving unemployment compensation. Currently, Connecticut reduces an individual's weekly unemployment benefit by 50% of his pro-rated weekly Social Security pension benefit.

EFFECTIVE DATE: October 1, 2002

**BACKGROUND*****Federal Law***

The Federal Unemployment Tax Act (FUTA) requires states to reduce a claimant's weekly unemployment compensation amount by the amount the person receives in "governmental [including Social Security] or other pension, retirement or retired pay, annuity, or any other similar periodic payment which is based on the previous work of such individual" (26 USC § 3304(a)(15)). But, FUTA allows states to limit the amount of any such reduction by taking into account contributions made by the employee to his pension (26 USC § 3304(a)(15)(B)). According to the U.S. Department of Labor, states may reduce the amount deducted from unemployment compensation by any amount, including 100%, as long as the state law specifies that the offset is being reduced because the individual has contributed to the pension plan.

**COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable Report

Yea 10      Nay 4

