



# House of Representatives

General Assembly

**File No. 702**

*January Session, 2003*

Substitute House Bill No. 6696

*House of Representatives, May 14, 2003*

The Committee on Appropriations reported through REP. DYSON of the 94th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

**AN ACT CONCERNING THE REEMPLOYMENT OF RETIRED TEACHERS, THE PURCHASE OF ADDITIONAL CREDITED SERVICE IN THE TEACHERS' RETIREMENT SYSTEM, THE EXCESS EARNINGS ACCOUNT, CREDIT FOR SERVICE WITH CERTAIN BARGAINING ORGANIZATIONS, AND PAYMENT FOR ADDITIONAL CREDITED SERVICE PURCHASED BY BOARDS OF EDUCATION.**

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

1 Section 1. Section 10-183v of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2003*):

3 (a) Except as provided in subsection (b) of this section, a former  
4 teacher receiving retirement benefits from the system may not be  
5 employed in a teaching position receiving compensation paid out of  
6 public money appropriated for school purposes except that such  
7 former teacher may be employed temporarily in such a position and  
8 receive no more than forty-five per cent of the [entry-level salary]  
9 maximum salary level for the assigned [subject area for such  
10 compensation] position. Any former teacher who receives in excess of

11 such amount shall reimburse the board for the amount of such excess.  
12 Temporary employment means employment for less than a school  
13 year. Notice of such employment shall be sent [monthly] semi-  
14 annually on January thirty-first and June thirtieth to the board by the  
15 employing officials and by the retired teacher at the end of each  
16 assignment.

17 (b) A former teacher receiving retirement benefits from the system  
18 may be reemployed by a local board of education or by any constituent  
19 unit of the state system of higher education [if such employment is  
20 authorized by the Teachers' Retirement Board upon certification to  
21 such board that such reemployment is in the best interests of the local  
22 or regional school system. Such certification shall be made by the local  
23 or regional board of education, if the employer is to be a local or  
24 regional board of education, or the Board of Governors of Higher  
25 Education, if the employer is to be a constituent unit of the state  
26 system of higher education] in a position designated by the  
27 Commissioner of Education as a subject shortage area for the school  
28 year in which the former teacher is being employed. Such employment  
29 may be for up to one full school year but may, with prior approval by  
30 the board, be extended for an additional school year. Such request for  
31 approval shall be made in writing to the Teachers' Retirement Board  
32 prior to the reemployment of such former teacher and shall include a  
33 statement indicating the type of assignment to be performed, the  
34 anticipated date of rehire and the expected duration of the assignment.

35 (c) The employment of a former teacher under subsection (b) of this  
36 section shall not be considered as service qualifying for continuing  
37 contract status under section 10-151 and the salary of such teacher shall  
38 be fixed at an amount at least equal to that paid other teachers in the  
39 same school system with similar training and experience for the same  
40 type of service. Upon approval by the board of such employment, such  
41 former teacher shall be eligible for the same health insurance benefits  
42 provided to active teachers employed by such school system. No  
43 benefits shall be paid under section 10-183t while such former teacher  
44 is employed by such system.

45 (d) No person shall be entitled to survivor's benefits under  
46 subsection (f) of section 10-183f as a result of reemployment under this  
47 section.

48 [(e) Retirement benefits to a former teacher reemployed under  
49 subsection (b) of this section shall terminate on the first day of the  
50 month of such reemployment. Retirement benefits shall resume on the  
51 first day of the month after reemployment ceases.]

52 [(f)] (e) The same option plan of retirement benefits in effect prior to  
53 reemployment shall continue for a reemployed teacher during  
54 reemployment, [and upon subsequent retirement.]

55 [(g) Any former teacher reemployed under subsection (b) of this  
56 section may elect upon completion of not less than six months  
57 continuous service to make contributions to the system from such date.  
58 The employer of such electing reemployed teacher shall thereafter treat  
59 such teacher with respect to the system in the same manner as any  
60 other member of the system except that such employer shall deduct  
61 only six-sevenths of the amount that would be deducted from the  
62 salaries of other members.

63 (h) Any reemployed teacher electing to make contributions to the  
64 system under subsection (g) of this section may also elect to obtain  
65 retirement credit for service during the period from the beginning of  
66 reemployment to the date of such election by contributing to the  
67 system within six months of the date on which such teacher makes  
68 such election under said subsection (g), six per cent of the salary paid  
69 such teacher during such period together with credited interest from  
70 the time such salary was paid until such contribution is made to the  
71 system.

72 (i) Upon the subsequent retirement of an electing reemployed  
73 teacher, the retirement benefits payable to such retired teacher shall be  
74 increased by triple the amount that would be payable based solely  
75 upon contributions of such teacher made during the period of  
76 reemployment plus credited interest thereon.]

77 (f) The provisions of this section in effect on June 30, 2003, revision  
78 of 1958, revised to January 1, 2003, shall be applicable to any person  
79 making contributions to the Teachers' Retirement System on June 30,  
80 2003, in accordance with said provisions.

81 Sec. 2. Subsection (c) of section 10-183e of the general statutes is  
82 repealed and the following is substituted in lieu thereof (*Effective*  
83 *October 1, 2004*):

84 (c) Additional credited service must be purchased by a member (1)  
85 [at] prior to the time of retirement, [or] (2) at the time a surviving  
86 spouse elects benefits under the provisions of subsection (d) of section  
87 10-183h, or (3) at the time benefits commence [under an optional  
88 payment form pursuant to section 10-183j. Any purchase of service  
89 shall be accomplished by the member paying to the board an amount  
90 equal to one-half of the actuarial present value, determined according  
91 to actuarial tables adopted by the board, of the difference between the  
92 retirement benefit which the member is entitled to receive based upon  
93 his or her service apart from such purchased service and the benefit  
94 which he or she is entitled to receive including such service] as  
95 provided under sections 10-183g, as amended by this act, and 10-183jj,  
96 as amended by this act. Any purchase of such service shall be  
97 accomplished by the member paying to the board an amount  
98 determined on the basis of actuarial factors adopted by the board  
99 which reflect the present value of one-half of the full actuarial cost of  
100 the benefit increase that will be derived by the purchase of such  
101 service. Such factors shall consider the member's age at the time of  
102 purchase, actual or projected salary, and the earliest date on which the  
103 member would be eligible for a normal retirement allowance.  
104 Payments for additional credited service may be made in a lump sum  
105 by transfer of funds from the member's accumulated one per cent  
106 contributions withheld prior to July 1, 1989, with credited interest and  
107 accumulated voluntary contributions with credited interest plus such  
108 other amounts as may be required to complete the purchase.

109 Sec. 3. Subsection (m) of section 10-183g of the general statutes is

110 repealed and the following is substituted in lieu thereof (*Effective July*  
111 *1, 2003*):

112 (m) If the plan actuaries have certified in accordance with  
113 subsection (n) of this section that the amount of the [excess earnings  
114 account] cost of living adjustment reserve account which is available  
115 for payment of a cost of living allowance is insufficient to fund the full  
116 amount determined under subsection (l) of this section, each person  
117 eligible for an annual cost of living allowance under said subsection (l)  
118 shall be eligible for a cost of living allowance reduced proportionately  
119 to a percentage that is actuarially supported by the amount so  
120 certified, in lieu of the cost of living allowance provided under said  
121 subsection (l), provided no cost of living allowance shall exceed six per  
122 cent and provided further, if the total return earned by the trustees on  
123 the market value of the pension assets for the preceding fiscal year is  
124 less than eight and one-half per cent, any cost of living allowance  
125 granted shall not exceed one and one-half per cent.

126 Sec. 4. Subsection (n) of section 10-183g of the general statutes is  
127 repealed and the following is substituted in lieu thereof (*Effective July*  
128 *1, 2003*):

129 (n) To administer cost of living allowances provided under  
130 subsections (l) and (m) of this section, there is established the [excess  
131 earnings account] cost of living adjustment reserve account which shall  
132 be a separate account established within the Teachers' Retirement  
133 Fund. For the calendar year commencing January 1, 1995, and each  
134 subsequent calendar year, the [excess earnings account] cost of living  
135 adjustment reserve account shall be credited by an amount equal to  
136 that portion of the total return earned by the trustees on the market  
137 value of the pension assets for the preceding fiscal year which is a total  
138 return in excess of eleven and one-half per cent. The [excess earnings  
139 account] cost of living adjustment reserve account shall be reduced  
140 each year by the actuarial value of any cost of living allowance  
141 awarded. On May first, annually, the plan actuaries shall determine  
142 how much of the [excess earnings account] cost of living adjustment

143 reserve account balance is available for payment of a cost of living  
144 adjustment determined in accordance with the provisions of this  
145 section and shall certify their determination to the trustees of the  
146 Teachers' Retirement Fund. If the plan actuaries determine that there  
147 are no funds available in the [excess earnings account] cost of living  
148 adjustment reserve account for the payment of a cost of living  
149 allowance, no cost of living allowance shall be paid.

150 Sec. 5. Subsection (e) of section 10-183jj of the general statutes is  
151 repealed and the following is substituted in lieu thereof (*Effective July*  
152 *1, 2003*):

153 (e) For each year of additional credited service purchased pursuant  
154 to this section, the local or regional board of education shall pay an  
155 amount specified by the Teachers' Retirement Board equal to the  
156 actuarial present value, determined according to actuarial tables  
157 adopted by the Teachers' Retirement Board, of the difference between  
158 the retirement benefit which the member is entitled to receive based  
159 upon [his or her] the member's service apart from such purchased  
160 service and the benefit which [he or she] the member is entitled to  
161 receive including such service. Payments shall be made in accordance  
162 with rules adopted by the Teachers' Retirement Board. Such payments  
163 must be received not later than thirty days following the date payment  
164 is requested or interest shall be assessed from the date on which such  
165 payment was due to the date on which such payment was received.  
166 When a board of education purchases additional credited service for a  
167 member pursuant to this section, the Teachers' Retirement Board shall  
168 notify the member in writing. Payment for additional service credit  
169 purchased pursuant to this section may be made in equal annual  
170 installment payments, including interest, not to exceed the number of  
171 years being purchased by the local or regional board of education. Late  
172 payments and outstanding obligations from a prior year's purchase or  
173 late payment of monthly mandatory contributions shall be paid in full  
174 prior to the initiation of a new early retirement incentive plan or such  
175 amounts shall be included as part of the cost of the new early  
176 retirement incentive plan. Interest shall be assessed on installment

177 payments and late payments as provided by subsection (b) of section  
178 10-183n. Any additional credited service purchased for any such  
179 member shall be in addition to any credited service purchased  
180 pursuant to section 10-183e, as amended by this act.

181 Sec. 6. Subsection (g) of section 10-183e of the general statutes is  
182 repealed and the following is substituted in lieu thereof (*Effective July*  
183 *1, 2003*):

184 (g) Any member who has been elected to a full-time or part-time  
185 position in an organization which has been duly designated as the  
186 teachers' representative or who has been elected to a full-time or part-  
187 time position in [the] a state-wide, national or international bargaining  
188 organization [with which the local bargaining organization is  
189 affiliated, under the provisions of section 10-153b,] may, during the  
190 time [he] such member so serves, continue [his] membership and may  
191 make, or have made for [him] such member, payments of [his]  
192 contributions for such time, provided the organization which such  
193 [teacher] member represents shall pay the full actuarial cost that would  
194 otherwise be incurred by the state for the time such [teacher] member  
195 serves in excess of one year. If payment is made during such periods or  
196 at any time before retirement, such member shall receive credit for  
197 such service and shall be considered as serving as a public school  
198 teacher in the state for the purpose of computing length of service, and  
199 for the purpose of computing average annual salary, and shall be  
200 considered by the retirement board as though [he] such member were  
201 remaining in [his] such member's latest teaching position.

202 Sec. 7. Subsection (e) of section 10-183jj of the general statutes is  
203 repealed and the following is substituted in lieu thereof (*Effective from*  
204 *passage*):

205 (e) For each year of additional credited service purchased pursuant  
206 to this section, the local or regional board of education shall pay an  
207 amount specified by the Teachers' Retirement Board equal to the  
208 actuarial present value, determined according to actuarial tables  
209 adopted by the Teachers' Retirement Board, of the difference between

210 the retirement benefit which the member is entitled to receive based  
 211 upon [his or her] the member's service apart from such purchased  
 212 service and the benefit which [he or she] the member is entitled to  
 213 receive including such service. [Payments shall be made in accordance  
 214 with rules adopted by the Teachers' Retirement Board.] Payment may  
 215 be made in equal annual installments, with a nine per cent annual  
 216 fixed rate of interest, over a period of years not to exceed three times  
 217 the number of years of service being purchased. When a board of  
 218 education purchases additional credited service for a member  
 219 pursuant to this section, the Teachers' Retirement Board shall notify  
 220 the member in writing. Any additional credited service purchased for  
 221 any such member shall be in addition to any credited service  
 222 purchased pursuant to section 10-183e.

This act shall take effect as follows:	
Section 1	<i>July 1, 2003</i>
Sec. 2	<i>October 1, 2004</i>
Sec. 3	<i>July 1, 2003</i>
Sec. 4	<i>July 1, 2003</i>
Sec. 5	<i>July 1, 2003</i>
Sec. 6	<i>July 1, 2003</i>
Sec. 7	<i>from passage</i>

**APP**      *Joint Favorable Subst.*

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:**

<b>Agency Affected</b>	<b>Fund-Type</b>	<b>FY 04 \$</b>	<b>FY 05 \$</b>
Teachers' Retirement Bd.	GF - Savings	Potential Minimal	Potential Minimal

Note: GF=General Fund

#### **Municipal Impact:**

<b>Municipalities</b>	<b>Effect</b>	<b>FY 04 \$</b>	<b>FY 05 \$</b>
Various Municipalities	Eliminates Savings	Potential Minimal	Potential Minimal

### **Explanation**

The bill makes changes to the statutes governing the Teachers' Retirement Board (TRB) most of which have no fiscal impact to the TRB.

Section 1 of the bill makes various technical changes to the provisions governing the re-employment of retirees. It specifies that re-employed retired teachers in designated shortage areas are to be eligible for the same health insurance benefits provided to active teachers. Currently, re-employed retired teachers receive health insurance coverage or a health care subsidy through the TRB. This change may result in a savings to the TRB health insurance accounts that is expected to be minimal based upon the small number of current re-employed retired teachers. Conversely, the minimal savings municipalities now experience if they choose to hire retired teachers whose health insurance benefits are provided by the TRB will be eliminated under the bill.

Section 2 allows for the purchase of additional credited service in the Teachers' Retirement System (TRS) prior to the time of retirement.

Since the bill specifies that members must pay the TRB an amount determined on the basis of actuarial factors adopted by the TRB, there is no fiscal impact associated with this change in the timing of the purchases. This section will have a significant, positive administrative impact on the TRB as an agency. Currently, they must process a very large volume of service purchases from July to mid-August because 85% of teachers retire on July 1st.

Sections 3 & 4 re-name the excess earnings account to the cost of living adjustment reserve account. This change more accurately reflects the account's function and has no fiscal impact.

Section 5 codifies the existing TRB rules regarding payments of early retirement incentive plans by local boards of education.

Section 6 allows an elected teachers' representative in a state-wide, national or international bargaining organization to receive credit for such service if the full actuarial cost incurred by the system is paid to the TRB.

Section 7 allows a board of education (BOE) to pay for an early retirement incentive over a longer period of time. Currently, if a BOE purchases 2 years of service it must pay for it over 2 years. Under the bill, a BOE could pay for a purchase over a period of years of service not to exceed three times the number of years of service being purchased. Since the installment payments are adjusted to reflect the longer payment period there is no fiscal impact to Teachers' Retirement system resulting from the change.

**OFA Bill Analysis**

sHB 6696

**AN ACT CONCERNING THE REEMPLOYMENT OF RETIRED TEACHERS, THE PURCHASE OF ADDITIONAL CREDITED SERVICE IN THE TEACHERS' RETIREMENT SYSTEM, THE EXCESS EARNINGS ACCOUNT, CREDIT FOR SERVICE WITH CERTAIN BARGAINING ORGANIZATIONS, AND PAYMENT FOR ADDITIONAL CREDITED SERVICE PURCHASED BY BOARDS OF EDUCATION.**

**SUMMARY:**

The bill makes technical and administrative changes to the statutes governing the Teachers' Retirement Board. This bill:

1. changes the current post retirement earnings limits for re-employed retired teachers and eliminates it for such teachers in designated subject shortage areas;
2. allows for the purchase of additional credited service in the Teachers' Retirement System (TRS) prior to the time of retirement;
3. re-names the excess earnings account to the cost of living adjustment reserve account;
4. establishes payment dates and interest charges for additional credited service purchased on behalf of a member by a board of education under an early retirement incentive program;
5. allows an elected teachers' representative in a state-wide, national or international bargaining organization to receive credit for such service if the full actuarial cost incurred by the state is paid to the Teachers' Retirement Board (TRB); and
6. allows for a longer payment period for additional credited service purchased on behalf of a member by a board of education under an early retirement incentive program.

EFFECTIVE DATE: July 1, 2003, except that section 2 is effective October 1, 2004 and section 7 is effective from passage.

**COMMITTEE ACTION**

Appropriations Committee

Joint Favorable Substitute

Yea 46    Nay 0