



# House of Representatives

General Assembly

**File No. 11**

*January Session, 2005*

Substitute House Bill No. 6552

*House of Representatives, March 3, 2005*

The Committee on Labor and Public Employees reported through REP. RYAN, K. of the 139th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT CONCERNING CREDIT IN THE STATE EMPLOYEES RETIREMENT SYSTEM FOR PRIOR STATE SERVICE.**

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

1 Section 1. (NEW) (*Effective from passage*) Notwithstanding any  
2 provision of chapter 66 of the general statutes, any former member of  
3 the state employees retirement system who (1) was previously  
4 employed by the state, (2) left state service for a period longer than the  
5 tenure of such member's employment with the state, and (3) is  
6 employed by the state as of the effective date of this section, shall be  
7 entitled to retirement credit for such earlier period of service, provided  
8 such member applies to the Retirement Commission for such credited  
9 service. On or before one year after the effective date of this section,  
10 any such member who is a member of tier I or tier IIa may return  
11 withdrawn contributions and interest paid on such contributions  
12 under section 5-167 of the general statutes, plus interest at the rate of  
13 five per cent per year to the date of such purchase, and purchase

14 retirement credit for such period. On or before one year after the  
 15 effective date of this section, any such member who is a member of tier  
 16 II may apply to the Retirement Commission for such credited service.  
 17 Upon the return of such withdrawn contributions and interest or  
 18 making application to the Retirement Commission, as the case may be,  
 19 the member shall be eligible for vested retirement income under  
 20 subsection (a) of section 5-166 of the general statutes or subsection (a)  
 21 of section 5-192o of the general statutes, as applicable, by operation of  
 22 this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section

**LAB**      *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:

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**OFA Fiscal Note**

**State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 06 \$</b>	<b>FY 07 \$</b>
State Comptroller - Fringe Benefits	Various - Cost	Potential Significant	Potential Significant

**Municipal Impact:** None

**Explanation**

The bill provides a window for eligible state employees to either purchase or receive additional credited service in the State Employees Retirement System (SERS). The exact number of state employees who qualify for additional pension benefits as a result of the bill and the subsequent impact to the unfunded liability of SERS is not known at this time. This information must be calculated by the SERS consulting actuary. It is also anticipated that the additional credited service will result in increased eligibility for retiree health insurance. The number of such employees and the associated costs are not available at this time.

The Retirement and Benefits Services Division of the Office of the State Comptroller (OSC) has indicated, based on discussions with the consulting actuary, that the impact to the SERS unfunded liability and the retiree health insurance plan is approximately \$100 - 150 million. Additionally, there would be indeterminate overtime costs to the OSC resulting from the administration of the purchase provisions.

**Background**

**State Employees Retirement Fund**

(6/30/04 Valuation)

Assets: \$8.2 billion

Liability: \$15.1 billion

Unfunded Liability: \$6.9 billion

Average Annual Member Benefit: \$24,000

**Retiree Health Insurance**

FY 05 Average Cost Per Capita: \$8,600

**OLR BILL ANALYSIS**

sHB 6552

***AN ACT CONCERNING CREDIT IN THE STATE EMPLOYEES RETIREMENT SYSTEM FOR PRIOR STATE SERVICE*****SUMMARY:**

This bill permits state employees with a break in state service that is longer than their initial state service, to purchase retirement credit for their initial service time. It would apply in cases where the employee's initial service is not long enough for him to earn a vested retirement benefit. Under existing law and collective bargaining agreements, employees whose break in state employment is longer than their initial work period cannot purchase retirement time based on the initial period.

EFFECTIVE DATE: Upon passage

**RETIREMENT CREDIT PURCHASES**

The bill requires Tier I and Tier IIA employees to pay for the credit. The cost equals (1) any retirement contributions returned to the employee upon his break in state service, plus interest earned on those contributions during that initial service and (2) 5% interest per year on that amount to the date of the retirement credit purchase. By law, members of Tier II do not make retirement contributions, and, under the bill, they are not required to make contributions to get retirement credit for previous service.

To be eligible for the credit purchase, the bill requires a state employee to (1) be employed by the state on the bill's effective date (upon passage); (2) apply to the state Retirement Commission for the credit; and (3) pay, when applicable, for the credit within one year of the bill's effective date.

**RETIREMENT BENEFIT LEVELS**

The bill gives different levels of retirement benefits to the Tier I and Tier II employees who buy back earlier service. It specifies that the Tier I employees are only eligible for a retirement benefit under an existing

law that provides for a reduced benefit for employees with at least 10 years of service, who are at least age 55 but retire before 65. The Retirement Commission will determine a reduced actuarial benefit.

The bill gives the Tier II employees the option of receiving (1) the reduced benefit described above, or (2) a normal Tier II retirement benefit upon reaching age 65. Tier IIA employees follow the same benefit plan as Tier II, except they must contribute to their retirement.

**BACKGROUND**

***Retirement Benefits and Collective Bargaining***

State employee pensions are a mandatory subject for collective bargaining and, by law, state employee contract provisions supersede contrary provisions of state law. Since the current pension contract does not expire until July 1, 2017, technically any changes in the law enacted by the General Assembly should not take effect before that date without the consent of the state employees union coalition. Despite this, the legislature and the governor occasionally enact legislation, such as with the 2003 Early Retirement Incentive Program, without first negotiating with the state employees union coalition.

**COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable Substitute  
Yea 10    Nay 1