



Senate

General Assembly

File No. 63

January Session, 2005

Senate Bill No. 1170

Senate, March 24, 2005

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 CONCERNING SOCIAL SECURITY OFFSETS FOR STATE PENSIONS.

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

1 Section 1. Subsection (a) of section 5-163 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2005*):

4 (a) (1) Each member who retires or who has been retired under the
5 retirement system before [he has attained sixty-five years of age]
6 attaining full retirement age under the Social Security Act, as amended
7 from time to time, shall receive additional temporary monthly
8 retirement income payable until he or she reaches [sixty-five years of
9 age] full retirement age under said Social Security Act, or, if earlier, the
10 date on which [he] such member would be eligible for a Social Security
11 disability insurance benefit. (2) The amount of such temporary income
12 shall be determined by the Retirement Commission so that the total
13 retirement income payable to the member during the temporary

14 period shall equal that payable under the provisions of the retirement
15 system in effect immediately before February 21, 1958, modified to the
16 extent that the three highest-paid years rather than the five highest-
17 paid years shall be used in determining the retirement income.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>October 1, 2005</i>	5-163(a)
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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:

Agency Affected	Fund-Effect	FY 06 \$	FY 07 \$
State Comptroller - Fringe Benefits	State Employees Retirement Fund - Cost	See Below	See Below
State Comptroller - Fringe Benefits	GF - Cost	None	Yes

Note: GF=General Fund

Municipal Impact: None

Explanation

Under current law, Tier I, Plan B retirees in the State Employees Retirement System (SERS) receive an additional monthly benefit until they reach the age of 65. This age used to coincide with the full retirement age for Social Security retirement benefits. Under federal law, the full normal Social Security retirement eligibility age is increasing overtime to 67 and is currently 65 and 6 months.

Tier I, Plan B membership in SERS is closed to new members. The most recent valuation of SERS (6/30/04) indicates that there are 7,528 active Tier 1, Plan B members.

Under the bill, the additional monthly benefit will continue beyond age 65 until the full normal Social Security retirement eligibility age. The exact fiscal impact of this change will have to be calculated by the SERS consulting actuary. However, analysis of the available data indicates that on average, as this group retires, they will receive the additional monthly benefit (\$87) for an additional 15 months. As a result of the bill, it is estimated that there will be a \$10 million increase in the unfunded liability of State Employees Retirement Fund (SERF).

A \$10 million increase in the unfunded liability has a fiscal impact

on the state contribution to SERS during the remainder of the amortization period (26 years). The Retirement and Benefit Services Division of the Office of the State Comptroller has estimated that the FY 07 contribution to SERS would increase by approximately \$574,000 all funds (\$430,500 general fund).

Background**State Employees Retirement Fund**

(6/30/04 Valuation)

Assets: \$8.2 billion

Liability: \$15.1 billion

Unfunded Liability: \$6.9 billion

OLR Bill Analysis

SB 1170

AN ACT CONCERNING SOCIAL SECURITY OFFSETS FOR STATE PENSIONS**SUMMARY:**

This bill changes the age when a Tier I state retiree's pension is reduced due to his old age Social Security benefit from age 65 to the eligibility age for full Social Security retirement benefits (currently 65 years and 6 months). Under federal law, the full normal Social Security retirement eligibility age is increasing by two-month increments each year until it reaches age 66 in 2008. It will stay at age 66 for 11 years, then it gradually increases again until reaching age 67 in 2025. Current state retirement law uses age 65.

EFFECTIVE DATE: October 1, 2005

BACKGROUND***State Employee Retirement System***

The State Employee Retirement System has three tiers. Employees hired before July 1, 1984 are in Tier I, those hired on or after July 1, 1984 through June 30, 1997 are in Tier II, and those hired on or after July 1, 1997 are in Tier IIA. State statutes govern Tier I, but the union contract negotiated between the state and the coalition of state employee unions governs Tier II and Tier IIA.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Report

Yea 13 Nay 0