



Senate

General Assembly

File No. 764

January Session, 2007

Senate Bill No. 1403

Senate, May 7, 2007

The Committee on Appropriations reported through SEN. HARP of the 10th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT MAKING REVISIONS TO THE TEACHERS' RETIREMENT SYSTEM IN ORDER TO REFLECT THE APPLICABILITY OF THE UNITED STATES INTERNAL REVENUE CODE TO CERTAIN PROVISIONS OF SAID SYSTEM.

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

1 Section 1. Subdivision (3) of section 10-183b of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (3) "Annual salary" means the annual salary rate for service as a
5 Connecticut teacher during a school year but not including unused
6 sick leave, unused vacation, terminal pay, coaching or extra duty
7 assignments, unless compensation for coaching or extra duty
8 assignment was included in salary for which contributions were made
9 prior to July 1, 1971. In no event shall annual salary include amounts
10 determined by the board to be included for the purpose of inflating the
11 member's average annual salary. The inclusion in annual salary of
12 amounts paid to the member, in lieu of payment by the employer for

13 the cost of benefits, insurance, or individual retirement arrangements
14 which in prior years had been paid by the employer and not included
15 in the member's annual salary, shall be prima facie evidence that such
16 amounts are included for the purpose of inflating the member's
17 average annual salary. Annual salary shall not (A) include payments
18 the timing of which may be directed by the member, [Annual salary
19 shall not] (B) include payments to a superintendent pursuant to an
20 individual contract between such superintendent and a board of
21 education, of amounts which are not included in base salary, or (C)
22 exceed the maximum amount allowed under Section 401(a)(17) of the
23 Internal Revenue Code of 1986, or any subsequent corresponding
24 internal revenue code of the United States, as from time to time
25 amended. Annual salary shall include amounts paid to the member
26 during a sabbatical leave during which mandatory contributions were
27 remitted, provided such member returned to full-time teaching for at
28 least five full years following the completion of such leave.

29 Sec. 2. Subdivision (7) of section 10-183b of the general statutes is
30 repealed and the following is substituted in lieu thereof (*Effective from*
31 *passage*):

32 (7) "Contributions" means amounts withheld pursuant to this
33 chapter and paid to the board by an employer from compensation
34 payable to a member. Prior to July 1, 1989, "mandatory contributions"
35 are contributions required to be withheld under this chapter and
36 consist of five per cent regular contributions and "one per cent
37 contributions". From July 1, 1989, to June 30, 1992, "mandatory
38 contributions" are contributions required to be withheld under this
39 chapter and consist of five per cent regular contributions and one per
40 cent health contributions. From July 1, 1992, to June 30, 2004,
41 "mandatory contributions" are contributions required to be withheld
42 under this chapter and consist of six per cent "regular contributions"
43 and one per cent health contributions. On or after July 1, 2004,
44 "mandatory contributions" are contributions required to be withheld
45 under this chapter and consist of six per cent regular contributions and
46 one and one-fourth per cent health contributions. "Voluntary

47 contributions" are contributions by a member authorized to be
48 withheld under section 10-183i. On and after January 1, 2007,
49 voluntary contributions shall be subject to the limitation imposed
50 under Section 415(c) of the Internal Revenue Code of 1986, or any
51 subsequent corresponding internal revenue code of the United States,
52 as from time to time amended.

53 Sec. 3. Subsection (a) of section 10-183g of the general statutes is
54 repealed and the following is substituted in lieu thereof (*Effective from*
55 *passage*):

56 (a) The normal retirement benefit shall be two per cent times the
57 number of years of full-time credited service and a proportional
58 fraction of two per cent times the number of years of credited service at
59 less than full-time multiplied by average annual salary. In no event,
60 however, shall such benefit exceed seventy-five per cent of such salary
61 or the maximum limits [mandated] imposed by Section 415(b) of the
62 Internal Revenue Code, or be less than three thousand six hundred
63 dollars.

64 Sec. 4. Section 10-183i of the general statutes is repealed and the
65 following is substituted in lieu thereof (*Effective from passage*):

66 A member may make voluntary contributions to the system and
67 may, no more than once, withdraw such voluntary contributions from
68 the system under rules of the board. On and after January 1, 2007,
69 voluntary contributions shall be subject to the limitation imposed
70 under Section 415(c) of the Internal Revenue Code of 1986, or any
71 subsequent corresponding internal revenue code of the United States,
72 as from time to time amended. Such contributions shall earn credited
73 interest. Upon retirement such member shall elect to receive the
74 accumulated contributions plus credited interest either in a lump sum
75 or in the form of an actuarially equivalent annuity for life. Such lump
76 sum or annuity shall be paid or commenced to be paid when the first
77 payment of such member's other retirement benefit is made. If such
78 member dies before the effective date of his or her retirement, the
79 accumulated contributions plus credited interest shall be paid to such

80 member's designated beneficiary.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	10-183b(3)
Sec. 2	<i>from passage</i>	10-183b(7)
Sec. 3	<i>from passage</i>	10-183g(a)
Sec. 4	<i>from passage</i>	10-183i

APP *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 chamber thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill amends the Teachers' Retirement Statutes to reflect the salary, benefit and contribution limits defined within the Internal Revenue Code and has no fiscal impact.

OFA Bill Analysis**SB 1403*****AN ACT MAKING REVISIONS TO THE TEACHERS' RETIREMENT SYSTEM IN ORDER TO REFLECT THE APPLICABILITY OF THE UNITED STATES INTERNAL REVENUE CODE TO CERTAIN PROVISIONS OF SAID SYSTEM.*****SUMMARY:**

The bill amends the Teachers' Retirement Statutes to reflect the salary, benefit and contribution limits defined within the Internal Revenue Code.

EFFECTIVE DATE: Upon passage

Teachers' Retirement System***Plan Document***

The statutes governing the Connecticut Teachers' Retirement System represent the system's "plan document". Members of the pension system rely on the plan document to define the benefit provisions and plan rules of the system. By incorporating the Internal Revenue Code references into the statutes, this information regarding the system is available to members in the plan document.

BACKGROUND***Internal Revenue Code Limits***

Compensation limit: The maximum annual salary for the calendar year that can be used in the calculation of benefits is \$225,000.00, in accordance with IRS Section 401(a)(17). This amount is subject to an annual increase by IRS.

Benefit limit: The maximum annual normal retirement benefit for

the calendar year that can be received from this system is \$180,000.00 in accordance with IRS Section 415(b). This amount is subject to an annual increase by IRS.

Contribution limit: Effective January 1, 2007, the amount of after-tax contributions into your Voluntary Account will be subject to IRS Section 415 limits on a calendar year basis. The limit for 2007 is \$45,000.00 (this amount is subject to an annual increase by IRS) but this amount is reduced by the amount of your mandatory (6%) regular contribution into the Teachers' Retirement System. You may wish to consult with a financial advisor for assistance in calculating this amount as it applies to you.

COMMITTEE ACTION

Appropriations Committee

Joint Favorable Report

Yea 50 Nay 0 (04/17/2007)