



Connecticut Association of Boards of Education, Inc.

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**Testimony
Submitted to the
Education Committee**

February 28, 2007

**SB 1281 AN ACT CONCERNING PENSION PORTABILITY FOR SCHOOL SUPERINTENDENTS
AND ADDITIONAL RETIREMENT CREDIT FOR SCHOOL ADMINISTRATORS**

The Connecticut Association of Boards of Education (CABE) supports SB 1281, An Act Concerning Pension Portability for School Superintendents and Additional Retirement Credit for School Administrators.

Certified administrators and superintendents eligible for benefits under the Connecticut teacher retirement system who are hired into Connecticut after serving in other states are at a material financial disadvantage if they wish to retire from Connecticut. Connecticut school districts often are unable to hire certified personnel who have any significant years of out of state service or routinely and predictably lose existing personnel as they approach retirement. The existing statute applying to the purchase of service in the Connecticut system is not adequate to provide an equivalent retirement stipend to that available from other states.

The pool of qualified candidates for administrative and superintendent positions viewed nationwide is very shallow. It should be noted that administrators with an 092 certification are currently on the shortage list and are permitted to work full time after retirement to help mitigate a Connecticut wide shortage of administrative personnel.

Requested legislation

This change would allow certified employee buy in without fiscal impact to the teacher's retirement system and provide retirement equity to all senior certified employees.

Modify certified employee retirement provisions under the teacher's retirement system. Specifically:

- ✓ Remove the 10 year cap on the purchase of additional credited service.
- ✓ Allow one year of out of state service to be purchased for each year of full-time Connecticut teaching service
- ✓ Amend the portable benefit to treat non-Connecticut service as equivalent to Connecticut service.
- ✓ Allow administrators to purchase an additional 2 months of service for each school year in which they worked a 12 month work schedule.

Under all of the proposed provisions it is assumed that the additional cost of each provision beyond that provided under existing statute would be funded by the employee buying in a manner consistent with what he/she would have paid had he/she been employed in Connecticut for the period. The additional dollar amount which would have been contributed by the state had the employee's original service been entirely within the state of Connecticut would be contributed by the State in like fashion.

Challenges

This issue is specific to those towns and regions with personnel who fall into this category and all districts hoping to hire qualified candidates from out of state. Therefore it does not have high visibility.

When raised in the past, people from the Retirement Board have indicated that these provisions have a high cost and apparently suggested that any resolution be combined with and deferred to such time as the overall Retirement System funding. The "costs" associated with the requested provisions apparently relate to the fact that the State must match the employee's contribution and that such a match makes the retirement fund even less viable. Therefore, the state should continue to discourage such qualified personnel from remaining employed by Connecticut districts.

Examples

Administrator A

At time of decision: 17 years in MA; 14 years in CT; 6 more years to work; retire at age 61

Retire in CT

- 20 years of CT service
- Purchase 10 years of MA service (the maximum allowed)
- Assume \$120,000 average salary for top three years
- Annual benefit after maximum allowable buy in = \$72,000 per year
- Work one additional year = \$74,400 per year
- Cost of buy-in = between \$100,000 and \$150,000
- If full service had been in CT = \$95,000 (37 years and age 61)

Retire in MA

- 23 years of MA service
- Purchase 10 years of CT service (all that is needed; could purchase more)
- Assume \$120,000 average salary for top three years
- Retire under Retirement Plus (contribute 11% during last five years)
- Annual benefit = \$88,800 per year (74%)
- Work one additional year = \$96,000 per year (80%)
- Cost of buy-in = \$50,000

Administrator B

At time of decision: 21 years in MA; 11 years in CT; 3 more years to work; retire at age 60

Retire in CT

- 13 years of CT service
- Purchase 6 years of MA service (the maximum allowed)
- Assume \$145,000 average salary for top three years
- Annual benefit after maximum allowable buy in = \$53,500
- Work one more year = \$58,000
- Cost of buy-in = between \$60,000 and \$120,000
- If full service had been in CT = \$101,500 (35 years and age 60)

Retire in MA

- 24 years of MA service
- Purchase 11 years of CT service (all that is needed; could purchase more)
- Assume \$145,000 average salary for top three years
- Retire under regular retirement
- Annual benefit = \$116,000 per year (80%)
- Cost of buy-in = \$55,000

Attached to this testimony is a letter from Dr. Paul Gagliarducci, a former Connecticut superintendent who left the Somers school district and returned to Massachusetts because of the impact Connecticut's retirement portability statute had on his retirement stipend choices.

Administrator C

Is now retired early from Massachusetts and has 11 years Connecticut service. Could buy the 11 years service in Mass and get the stipend increased. In this case, the employee would have to pay between \$325,000 and \$400,000 and then would receive \$116,000 in Massachusetts compared with a combined retirement of \$50,000 per year (\$25,000 from each state).

Data and analysis source

We understand that Christina Gelman from the Office of Fiscal Analysis is familiar with this question.

The legislation is being requested by the Connecticut Association of Boards of Education. It has also been endorsed by the Capitol Region Education Council on behalf of its 35 member school districts and the Connecticut Association of Public School Superintendents.

We appreciate your attention to these issues.



Hampden-Wilbraham Regional School District

To: Dr. David Larson
Executive Director
Connecticut Association of Public School Superintendents

From: Dr. Paul C Gagliarducci
Superintendent of Schools
Hampden/Wilbraham Regional School District
Wilbraham, Massachusetts

Date: February 27, 2007

Re: Retirement issues

Per your request, I am forwarding my thoughts relative to retirement issues for superintendents with-out-state service. As you remember, we had numerous conversations about the dilemma I faced when retirement became an evolving issue for me. Other colleagues, such as Dr. Thomas Y. McDowell, faced similar issues and returned to Massachusetts in 2001 as well. For your information, he has recently announced his retirement from the city of Westfield, Massachusetts, and will retire at the maximum percentage allowed in Massachusetts. (Dr. McDowell had out-of-state service in Vermont and Connecticut and was still able to retire with a suitable benefit package.)

I arrived in Connecticut in 1987 as a 39-year old inexperienced superintendent, excited to practice the skills that I had gained since becoming an educator in 1970. At that time I had no thought about retirement; it simply was not on my radar screen. In time, however, I began to pay more attention to my future and sought out answers to my questions and advice as to the best path I could take. When I completed 10 years as the Superintendent in Somers, I realized that eventually a decision had to be made, sooner rather than later. My options were finally narrowed to three viable options. I will do my best to explain the details of each path that I considered. They were:

Option One:

Stay in Connecticut and retire using the Connecticut retirement system.

Option Two:

Stay in Connecticut and retire using both systems - Massachusetts and Connecticut.

Option Three:

Return to Massachusetts and retire from Massachusetts only.

Option One:

Stay in Connecticut and retire using the Connecticut retirement system.

Although salaries remain higher in Connecticut, I needed to consider in what state I would be able to reach the highest retirement percentage factor. The maximum retirement percentage I could have reached at age 60, the age that I would have completed 20 years, would have been 60%. Once I reached 20 years, I would qualify for purchasing the maximum out-of-state service years, which was 10 years. I had estimated the cost of this option would have been well over \$100,000. Based on my salary in Somers, this would have resulted in a retirement of approximately \$72,000, with the election of the non-beneficiary option. However, since I had to consider my wife's financial future if I predeceased her, this number would have been significantly reduced. The option of retiring from Connecticut was not only costly, but clearly at a level that would not be sufficient for my retirement income requirements.

Option Two:

Stay in Connecticut and retire using both systems - Massachusetts and Connecticut.

Selecting this option would have meant that I could not purchase any prior years of service. I would just use my 17 years of service in Massachusetts at age 60, as well as my 20 years in Connecticut. My retirement factors would have been about 35% in Massachusetts at the salary when I left Massachusetts, which was about \$45,000. My Connecticut retirement factor would have been 40% of a salary that I estimated would have been approximately \$120,000. The result would have been a combined retirement, again without the beneficiary option, of approximately \$63,000. Again this number fell short of my requirements.

Option Three:

Return to Massachusetts and retire from Massachusetts only.

This option required me to seek employment in Massachusetts. In doing so, I faced the reality that I would have to relocate and I would, therefore, have to forfeit a number of professional accomplishments in Connecticut. For example, I was the second vice president of CAPSS and would have become the organization's president in two years. Additionally, I served on the Governor's Technology Planning Committee, chaired the CAPSS Technology Committee, and was a member of the CBIA Education Advisory Board. All of these were extremely rewarding experiences and difficult to leave behind. Frankly, I was in a position where I was impacting educational policy for the State of Connecticut. The decision to relocate was, as you can see, a difficult one.

Selecting this option, however, was the most economically advantageous for me. First, it required me to work only 5 years to reach the maximum Massachusetts retirement factor of 80%. Next, it required a minimal buy-back of my Connecticut years of service. I lost four years of service time, but the ten years of payment was well below the Connecticut cost; approximately \$50,000. This option also allowed me to invest the remaining amount of my Connecticut retirement refund. Finally, since I was retiring at the maximum allowable rate, I could then select a beneficiary option to protect my wife's financial future.

When all the options were considered, returning to Massachusetts was the best plan. This choice allowed me to retire at a substantially higher annual salary and at an age that would allow me to pursue other professional activities.

My time in Connecticut was extremely rewarding and professionally satisfying. The superintendents that I worked with were some of the finest educators I have met. There were several colleagues faced

with the same retirement dilemma and we discussed our concerns numerous times with members of our organization's executive board. Due to the current restraints in the Connecticut system, however, they too had to make some very difficult decisions. Although, I feel fortunate to have been a superintendent to two outstanding school systems, one in Connecticut and one in Massachusetts, I often contemplate how my retirement options caused me to make a very difficult personal decision. Would I have remained in Connecticut? The answer is obvious to me, a definite yes. Could I have stayed and retired at a fair and well-earned salary, no.

I hope that I have added some personal insight to the issue. Retirement portability should be an incentive to attract future leaders for Connecticut's schools. The retirement system with its current restrictions, however, acts more like a deterrent.

If you need additional information or have any questions, let me know.