



Substitute Senate Bill No. 596

Public Act No. 08-76

AN ACT REVISING STATUTES CONCERNING THE TEACHERS' RETIREMENT SYSTEM TO CONFORM TO THE INTERNAL REVENUE CODE.

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

Section 1. Subdivisions (3) and (8) of section 10-183b of the 2008 supplement to the general statutes are repealed and the following is substituted in lieu thereof (*Effective from passage*):

(3) "Annual salary" means the annual salary rate for service as a Connecticut teacher during a school year but not including unused sick leave, unused vacation, terminal pay, coaching or extra duty assignments, unless compensation for coaching or extra duty assignment was included in salary for which contributions were made prior to July 1, 1971. In no event shall annual salary include amounts determined by the board to be included for the purpose of inflating the member's average annual salary. The inclusion in annual salary of amounts paid to the member, in lieu of payment by the employer for the cost of benefits, insurance, or individual retirement arrangements which in prior years had been paid by the employer and not included in the member's annual salary, shall be prima facie evidence that such amounts are included for the purpose of inflating the member's average annual salary. Annual salary shall not (A) include payments

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the timing of which may be directed by the member, [Annual salary shall not] (B) include payments to a superintendent pursuant to an individual contract between such superintendent and a board of education, of amounts which are not included in base salary, or (C) exceed the maximum amount allowed under Section 401(a)(17) of the Internal Revenue Code for the applicable limitation year, provided in no event shall the limitation under Section 401(a)(17) of the Internal Revenue Code apply to the annual salary of a member whose membership began prior to January 1, 1996, if such limitation would reduce the amount of the member's annual salary below the amount permitted for calculation of the member's retirement benefit under chapter 167a, without regard to the limitation under Section 401(a)(17) of the Internal Revenue Code. Annual salary shall include amounts paid to the member during a sabbatical leave during which mandatory contributions were remitted, provided such member returned to full-time teaching for at least five full years following the completion of such leave.

(8) "Credited interest" means interest at the rate from time to time fixed by the board [which shall be substantially that earned by the funds of the system] consistent with industry standards and practices. Such interest shall be applied to a member's account based on the balance as of the previous June thirtieth. Credited interest shall be assessed on any mandatory contributions which were due but not remitted prior to the close of the school year for which salary was paid.

Sec. 2. Section 10-183b of the 2008 supplement to the general statutes is amended by adding subdivisions (28) and (29) as follows (*Effective from passage*):

(NEW) (28) "Internal Revenue Code" means the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, and any regulations promulgated under or interpretations of said code that

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may affect chapter 167a.

(NEW) (29) "Limitation year" means the twelve-month period beginning each July first and ending each June thirtieth.

Sec. 3. Subsection (a) of section 10-183g of the 2008 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

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

Sec. 4. Section 10-183g of the 2008 supplement to the general statutes is amended by adding subsection (r) as follows (*Effective from passage*):

(NEW) (r) No retirement benefit payable under chapter 167a shall exceed the maximum dollar limit in effect under Section 415(b) of the Internal Revenue Code for the applicable limitation year, as increased in subsequent years pursuant to Section 415(d) of the Internal Revenue Code. A subsequent annual increase shall apply to a member if the increase becomes effective after the member retires or, if such increase becomes effective before a member retires, after the date on which such benefit begins to accrue.

Sec. 5. Section 10-183i of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) A member may make voluntary contributions to the system and may, no more than once, withdraw such voluntary contributions from the system under rules of the board. Voluntary contributions shall be

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subject to the limitations imposed under Section 415(c) of the Internal Revenue Code for the applicable limitation year. Such contributions shall earn credited interest. Upon retirement such member shall elect to receive the accumulated contributions plus credited interest either in a lump sum or in the form of an actuarially equivalent annuity for life. Such lump sum or annuity shall be paid or commenced to be paid when the first payment of such member's other retirement benefit is made. If such member dies before the effective date of his or her retirement, the accumulated contributions plus credited interest shall be paid to such member's designated beneficiary.

(b) For purposes of applying the limitations of Section 415(c) of the Internal Revenue Code under subsection (a) of this section, compensation shall include (1) wages within the meaning of Section 3401(a) of the Internal Revenue Code, for purposes of income tax withholding at the source, (2) amounts that would be included in wages except for elections made under Section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k) or 457(b) of the Internal Revenue Code, and (3) any other payments of compensation to a member by such member's employer for which the employer is required to furnish the member a written statement under Sections 6041(d), 6051(a)(3) and 6052 of the Internal Revenue Code, but such compensation shall not exceed the maximum amount allowed under Section 401(a)(17) of the Internal Revenue Code for the applicable limitation year.

Sec. 6. Section 10-183f of the general statutes is amended by adding subsection (g) as follows (*Effective from passage*):

(NEW) (g) Notwithstanding any provision of chapter 167a, pursuant to Section 401(a)(9) of the Internal Revenue Code, a member shall begin receiving benefits under said chapter no later than April first of the calendar year following the calendar year in which (1) the member attains age seventy and one-half, or (2) if the member retires after age seventy and one-half, the member retires.

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Approved May 27, 2008