



Senate

General Assembly

File No. 649

February Session, 2008

Substitute Senate Bill No. 596

Senate, April 17, 2008

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

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:

1 Section 1. Subdivisions (3) and (8) of section 10-183b of the 2008
2 supplement to the general statutes are repealed and the following is
3 substituted in lieu thereof (*Effective from 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 for the applicable limitation year, provided in
24 no event shall the limitation under Section 401(a)(17) of the Internal
25 Revenue Code apply to the annual salary of a member whose
26 membership began prior to January 1, 1996, if such limitation would
27 reduce the amount of the member's annual salary below the amount
28 permitted for calculation of the member's retirement benefit under
29 chapter 167a, without regard to the limitation under Section 401(a)(17)
30 of the Internal Revenue Code. Annual salary shall include amounts
31 paid to the member during a sabbatical leave during which mandatory
32 contributions were remitted, provided such member returned to full-
33 time teaching for at least five full years following the completion of
34 such leave.

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

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

45 (NEW) (28) "Internal Revenue Code" means the Internal Revenue
46 Code of 1986, or any subsequent corresponding internal revenue code

47 of the United States, as from time to time amended, and any
48 regulations promulgated under or interpretations of said code that
49 may affect chapter 167a.

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

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

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

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

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

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

74 (a) A member may make voluntary contributions to the system and
75 may, no more than once, withdraw such voluntary contributions from
76 the system under rules of the board. Voluntary contributions shall be
77 subject to the limitations imposed under Section 415(c) of the Internal

78 Revenue Code for the applicable limitation year. Such contributions
79 shall earn credited interest. Upon retirement such member shall elect
80 to receive the accumulated contributions plus credited interest either
81 in a lump sum or in the form of an actuarially equivalent annuity for
82 life. Such lump sum or annuity shall be paid or commenced to be paid
83 when the first payment of such member's other retirement benefit is
84 made. If such member dies before the effective date of his or her
85 retirement, the accumulated contributions plus credited interest shall
86 be paid to such member's designated beneficiary.

87 (b) For purposes of applying the limitations of Section 415(c) of the
88 Internal Revenue Code under subsection (a) of this section,
89 compensation shall include (1) wages within the meaning of Section
90 3401(a) of the Internal Revenue Code, for purposes of income tax
91 withholding at the source, (2) amounts that would be included in
92 wages except for elections made under Section 125(a), 132(f)(4),
93 402(e)(3), 402(h)(1)(B), 402(k) or 457(b) of the Internal Revenue Code,
94 and (3) any other payments of compensation to a member by such
95 member's employer for which the employer is required to furnish the
96 member a written statement under Sections 6041(d), 6051(a)(3) and
97 6052 of the Internal Revenue Code, but such compensation shall not
98 exceed the maximum amount allowed under Section 401(a)(17) of the
99 Internal Revenue Code for the applicable limitation year.

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

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

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	10-183b(3) and (8)
Sec. 2	<i>from passage</i>	10-183b
Sec. 3	<i>from passage</i>	10-183g(a)
Sec. 4	<i>from passage</i>	10-183g
Sec. 5	<i>from passage</i>	10-183i
Sec. 6	<i>from passage</i>	10-183f

APP *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 chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect
Teachers' Retirement Bd.	GF - None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes technical changes to conform the Teachers' Retirement System statutes to the Internal Revenue Code and has no fiscal impact.

OFA Bill Analysis**sSB 596*****AN ACT REVISING STATUTES CONCERNING THE TEACHERS' RETIREMENT SYSTEM TO CONFORM TO THE INTERNAL REVENUE CODE.*****SUMMARY:**

The bill makes revisions to sections of the Teachers' Retirement System (TRS) statutes pertaining to: (1) limits on annual salary, (2) the definition of credited interest, (3) limits on voluntary contributions, (4) limits on the maximum annual allowable retirement benefit for teachers who are members of the TRS, (5) the definition of "limitation year", and (6) minimum distribution in order that they conform to the Internal Revenue Code.

EFFECTIVE DATE: Upon passage

COMMITTEE ACTION

Appropriations Committee

Joint Favorable Substitute

Yea 54 Nay 0 (3/28/2008)