STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

WRITTEN TESTIMONY PRESENTED TO THE APPROPRIATIONS COMMITTEE
March 17, 2010

Robert L. Genuario
Secretary
Office of Policy and Management

Regarding:

House Bill 5034, AN ACT CONCERNING THE PURCHASE OF ADDITIONAL CREDITED SERVICE IN THE TEACHERS' RETIREMENT SYSTEM FOR SERVICE IN ANOTHER STATE

House Bill 5069, AN ACT CONCERNING THE PURCHASE OF CREDIT IN THE TEACHERS' RETIREMENT SYSTEM FOR TEACHING SERVICE IN SUMMER SCHOOL AND ALTERNATIVE AFTER-SCHOOL PROGRAMS

House Bill 5401, AN ACT CONCERNING TECHNICAL CHANGES TO THE TEACHERS' RETIREMENT SYSTEM STATUTES

Senator Harp, Representative Geragosian, Senator Debicella, Representative Miner, and distinguished members of the Appropriations Committee, thank you for the opportunity to offer written testimony on five bills related to the Teachers' Retirement Board (TRB).

House Bill 5034 - AN ACT CONCERNING THE PURCHASE OF ADDITIONAL CREDITED SERVICE IN THE TEACHERS' RETIREMENT SYSTEM FOR SERVICE IN ANOTHER STATE allows a teacher to purchase up to three years of additional credited service for service as a teacher in another state. This bill is unnecessary because a teacher can purchase one year of out-of-state service for every two years of in-state service with no limit on the amount of time purchased. However, if the intent is to allow a teacher with less than six years of in-state service to purchase three years of out-of-state service, then we would oppose this bill as the provisions to buy back service time are not cost neutral.

House Bill 5069 - AN ACT CONCERNING THE PURCHASE OF CREDIT IN THE TEACHERS' RETIREMENT SYSTEM FOR TEACHING SERVICE IN SUMMER SCHOOL AND ALTERNATIVE AFTER-SCHOOL PROGRAMS. The Legislature should be aware that under current practices, allowing a teacher to purchase credit in the Teachers' Retirement System is not cost neutral to the state. Teachers only pay one-half of the present value of the full actuarial cost of the benefit increase. Every year allowed to be purchased has a direct impact on the state. Passage of this bill and bills like it increase the state's unfunded liability. As you know the current unfunded liability for the Teachers' Retirement System is $6.5 billion.

HB 5069 proposes allowing members of the teachers' retirement system to purchase credited service in the system for serving as a teacher in a summer school program or an alternative after-school program. The administration is opposed to adding such service as the list of purchasable service has increased each year. While the intent of the legislation to provide an incentive for teachers to work in these programs is laudable, the result of adding additional service has a significant fiscal impact as it increases the unfunded past service liability, which in turn increases the state's required contribution to the pension fund.

House Bill 5401 - AN ACT CONCERNING TECHNICAL CHANGES TO THE TEACHERS' RETIREMENT SYSTEM STATUTES deletes obsolete language from the definition of deferred vested retirement pertaining to the age upon which the benefit shall be payable. The bill also clarifies language pertaining to the timing of a member's payment of credited service under early retirement incentive plans. OPM is in support of this bill.

I would like to again thank the committee for the opportunity to present this written testimony, and I ask that you act favorably on House Bill 5401 and reject House Bills 5034 and 5069.