

State of Connecticut

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**Testimony of State Comptroller Nancy Wyman
Before The Labor & Public Employees Committee
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Good afternoon Senator Prague, Representative Ryan, Senator Guglielmo, Representative Noujaim, and distinguished members of the Labor & Public Employees Committee. For the record, I am State Comptroller Nancy Wyman and I thank you for the opportunity to offer my comments on two bills before you today.

First, I have serious concerns about *Raised House Bill 5203 "An Act Concerning State Service Retirement Credit and Teachers' Retirement Credit."* This bill would permit retirees, who receive an estimate of their future pension benefit from an annual planning document, that later proves to contain a variance of greater than 10% with their final estimate the opportunity to either receive the original higher estimate, or be returned immediately to their previous employment position.

The bottom line is that this bill would unfairly allow a prospective retiree to obtain a greater retirement benefit than what he or she rightfully earned during their employment. This proposal also would place a greater liability on the SERS pension fund, and thereby the taxpayers.

My Retirement Division currently produces an "Annual Statement of Benefits" to every SERS participating state employee. These statements provide an estimate to the employee based on certain future assumptions (continued state service, a projected retirement date, and salary assumptions) and are not intended to give the employee a "total picture" of their retirement benefit calculation.

The statements caution members that additional service credit, breaks in service, leaves without pay, or part-time service will affect the amounts shown. Legislative actions, such as Retirement Incentive Programs, will also affect these benefits. These factors are not included until a prospective employee actually declares their intent to retire.

Our annual benefit statements further caution members that "The amounts shown are intended to familiarize you with the optional forms of payment available at retirement; they do not portray actual benefits.....if you are considering retirement, you should see your agency human resources office or the Retirement Services Division Counseling Services Unit for a more accurate estimate."

It is for these reasons I strongly urge the Committee to take no further action on this proposal.

Secondly, I would like to briefly comment on *Committee Bill 5195 "An Act Concerning The Rehiring of Retired State Employees"*. The language of Committee Bill No. 5195 appears to say that although retired and collecting a SERS retirement benefit, the retired member

can be elected a member of the General Assembly and continue as an active member of SERS by making contributions on the wages that he or she is earning.

As a rule, pension plans are to provide benefits at retirement. Under IRS rules, a qualified pension plan must be established and maintained by an employer primarily to provide systematically for the payment of definitely determinable benefits for employees over a period of years, usually for life, after retirement. If a retiree is collecting a retirement benefit from SERS and allowed to work for the same employer and continue to contribute to the same retirement system (SERS) – then he or she has not “severed employment” and the receipt of a SERS retirement benefit would be considered to be an “in service distribution” by the IRS and place SERS in the position of non-compliance with federal regulations and, potentially, subject to punitive action.

As well as creating a problem with federal compliance, this change would be administratively difficult. Specifically, the calculation of a member’s benefit is based in part on the number of years and months during which the member participated in the plan and the average of their three highest years’ salary. If a member was retired and receiving a monthly benefit and at the same time an active member accruing additional service credit, his or her monthly benefit would need to be recalculated each time he accrued an additional month of service credit.

It is for these reasons that I respectfully urge the Committee to delete lines 19-52 if this proposal moves forward.

Thank you again for the opportunity to testify.