



House of Representatives

General Assembly

File No. 25

January Session, 2013

House Bill No. 5425

House of Representatives, March 5, 2013

The Committee on Higher Education and Employment Advancement reported through REP. WILLIS of the 64th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT ALLOWING ADJUNCT FACULTY MEMBERS OF CHARTER OAK STATE COLLEGE TO WAIVE MEMBERSHIP IN A STATE RETIREMENT PLAN.

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

1 Section 1. Section 10a-80d of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2013*):

3 An adjunct faculty member of a regional community-technical
4 college or Charter Oak State College shall be permitted to irrevocably
5 waive membership in a Connecticut retirement plan not later than
6 sixty days after commencing employment with such regional
7 community-technical college or Charter Oak State College. Once the
8 adjunct faculty member waives membership in a Connecticut
9 retirement plan, such faculty member is no longer eligible to elect to
10 participate in a Connecticut retirement plan in any subsequent part-
11 time employment with the regional community-technical college
12 system, the Board for State Academic Awards, the Board of Regents

13 for Higher Education or any other constituent unit, as defined in
14 section 10a-1.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2013</i>	10a-80d

HED *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 14 \$	FY 15 \$
State Comptroller - State Employees Retirement System	Various - Precludes Cost/Savings	Minimal	Minimal

Municipal Impact: None

Explanation

The bill results in a potential minimal impact to the State Employees Retirement System (SERS) due to: 1) a potential reduction in the state's pension contribution and associated investment interest and 2) the balance of investment interest earned on employee contributions after payouts.¹ The bill permits adjunct faculty members of Charter Oak Community College to waive membership in a retirement plan. Adjunct faculty members at the Charter Oak Community College currently contribute to SERS as membership in a retirement plan is mandatory for all state employees.²

The bill applies to future hires of adjunct faculty as of FY 14, thus the precluded cost or savings to SERS is expected to be minimal. In FY 14, it is anticipated that Charter Oak Community College will hire 35 new adjuncts with a combined payroll of \$376,000. This represents less

¹ SERS currently has an assumed investment rate of return of 8%. Employees not eligible for any retirement benefits (this includes most adjunct faculty due to vesting requirements) may withdraw their retirement contributions, plus 5% annual interest, when leaving state service. Contributions that are not withdrawn revert to the retirement fund 10 years after employees state service ends.

² With the exception of adjunct faculty at: 1) UConn and State University System per collective bargaining agreements and 2) Community Colleges per PA 12-52.

than .01% of the payroll covered under SERS. The annual impact to SERS would be dependent upon the actual investment experience and the number of employees opting out of retirement plan membership each year.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Sources: Charter Oak Community College

OLR Bill Analysis**HB 5425*****AN ACT ALLOWING ADJUNCT FACULTY MEMBERS OF CHARTER OAK STATE COLLEGE TO WAIVE MEMBERSHIP IN A STATE RETIREMENT PLAN.*****SUMMARY:**

This bill allows an adjunct faculty member of Charter Oak State College to irrevocably waive participation in a state employee retirement plan within 60 days of beginning employment. Adjunct faculty members of regional community-technical colleges may already do this under current law.

The waiver remains irrevocable if the faculty member accepts subsequent part-time employment with the regional community-technical college system, Charter Oak State College, the Board for State Academic Awards, the Board of Regents for Higher Education, the University of Connecticut (UConn), or the Connecticut State University system (CSUS). This condition applies under current law to adjunct regional community-technical college faculty who waive participation in a state employee retirement plan. (If the faculty member becomes a full-time employee, he or she can join a state retirement plan at that time.)

Under the bill, Charter Oak State College adjunct faculty members who waive state employee retirement plan participation may still make tax-deductible contributions to individual retirement accounts (IRAs). Depending on a person's filing status, Internal Revenue Service (IRS) regulations may prohibit federal tax deductions for IRA contributions if a person is also covered by an employee retirement plan.

EFFECTIVE DATE: July 1, 2013

BACKGROUND***Retirement Plan Participation***

The State Employees Retirement Act requires that all state employees participate in a retirement plan. Teachers or professional staff members who are first employed after July 1, 1997 are currently covered under the State Employees Retirement System (SERS) unless they elect to participate in either the Teachers Retirement System or the Alternate Retirement Program within six months after commencing employment.

Under Section 414(h)(2) of the Internal Revenue Code, in order for contributions deducted from compensation to be “picked up” by the employer (and excluded from the employee’s taxable income), participation in the retirement plan must be a mandatory condition of employment. IRS rules allow an employee to waive participation in a mandatory retirement program. However, that choice can only be made on a one-time, irrevocable basis. An employee who fails to opt out within a designated period must automatically be enrolled in a mandatory retirement plan. Part-time lecturers employed by Connecticut community colleges, except for those currently employed by Charter Oak State College, can waive participation in a retirement plan.

COMMITTEE ACTION

Higher Education and Employment Advancement

Joint Favorable

Yea 19 Nay 0 (2/19/2013)