



House of Representatives

General Assembly

File No. 638

February Session, 2018

House Bill No. 5430

House of Representatives, April 23, 2018

The Committee on Finance, Revenue and Bonding reported through REP. ROJAS of the 9th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING TEACHERS' RETIREMENT SYSTEM CONTRIBUTIONS.

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

1 Section 1. Subdivision (7) of section 10-183b of the 2018 supplement
2 to the general statutes is repealed and the following is substituted in
3 lieu thereof (*Effective from passage*):

4 (7) "Contributions" means amounts withheld pursuant to this
5 chapter and paid to the board by an employer from compensation
6 payable to a member. [Prior to July 1, 1989, "mandatory contributions"
7 are contributions required to be withheld under this chapter and
8 consist of five per cent regular contributions and "one per cent
9 contributions". From July 1, 1989, to June 30, 1992, "mandatory
10 contributions" are contributions required to be withheld under this
11 chapter and consist of five per cent regular contributions and one per
12 cent health contributions. From July 1, 1992, to June 30, 2004,
13 "mandatory contributions" are contributions required to be withheld
14 under this chapter and consist of six per cent "regular contributions"

15 and one per cent health contributions.] From July 1, 2004, to December
16 31, 2017, "mandatory contributions" are contributions required to be
17 withheld under this chapter and consist of six per cent regular
18 contributions and one and one-fourth per cent health contributions.
19 [On and after] From January 1, 2018, to June 30, 2018, "mandatory
20 contributions" are contributions required to be withheld under this
21 chapter and consist of seven per cent "regular contributions" and one
22 and one-fourth per cent health contributions. On and after July 1, 2018,
23 "mandatory contributions" are contributions required to be withheld
24 under this chapter and consist of six per cent regular contributions and
25 one and one-fourth per cent health contributions. "Voluntary
26 contributions" are contributions by a member authorized to be
27 withheld under section 10-183i.

28 Sec. 2. Subsection (a) of section 10-183z of the 2018 supplement to
29 the general statutes is repealed and the following is substituted in lieu
30 thereof (*Effective from passage*):

31 (a) The retirement system for teachers shall be funded on an
32 actuarial reserve basis. The retirement board shall, on or before
33 December first, annually, certify to the General Assembly the amount
34 necessary, on the basis of an actuarial determination to establish and
35 maintain the retirement fund on such determined actuarial reserve
36 basis and make such other recommendations with regard to the fund
37 and its administration as the board deems necessary. [For the fiscal
38 year ending June 30, 2020, and each fiscal year thereafter, the
39 retirement board shall, in making such actuarial determination,
40 assume that the amount of the contributions required to be withheld
41 under this chapter is six per cent "regular contributions" instead of
42 seven per cent "regular contributions".] On the basis of each
43 evaluation, the retirement board shall redetermine the normal rate of
44 contribution and, until it is amortized, the unfunded past service
45 liability. The General Assembly shall review the board's
46 recommendations and certification and shall appropriate to the
47 retirement fund the amount certified by the retirement board as
48 necessary provided said certification is in compliance with this section.

49 Sec. 3. (*Effective from passage*) Notwithstanding subsections (a) and
 50 (b) of section 10-183z of the general statutes, as amended by this act,
 51 the Teachers' Retirement Board shall, on or before June 1, 2018, (1)
 52 request a revised actuarial valuation for the fiscal year ending June 30,
 53 2019, based on the mandatory contribution percentage for the fiscal
 54 year ending June 30, 2019, required under subdivision (7) of section 10-
 55 183b of the general statutes, as amended by this act, and (2) certify to
 56 the General Assembly for said fiscal year the amount necessary, based
 57 on such revised actuarial valuation, to maintain the Teachers'
 58 Retirement Fund on an actuarial reserve basis.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	10-183b(7)
Sec. 2	<i>from passage</i>	10-183z(a)
Sec. 3	<i>from passage</i>	New section

FIN *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 19 \$	FY 20 \$
Teachers' Retirement Bd.	GF - Cost	40,000,000	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill reduces members' regular contributions to the Teachers' Retirement System (TRS) from 7% to 6%, effective July 1, 2018 and requires a corresponding revised actuarial valuation to set the state's FY 19 Annual Required Contribution (ARC). It is anticipated that this will result in a \$40 million increase in the state's ARC in FY 19.

Current law requires that the state's contribution in FY 20 and annually thereafter be based on a 6% regular contribution instead on the current 7%. Members' additional 1% contributions are to be deposited to the Teachers Retirement Fund (TRF) in addition to (rather than offsetting) the state's ARC. The bill eliminates the additional 1% contribution to the TRF, which precludes future savings through reduced state ARC payments which would have resulted from the additional contributions.

The Out Years

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

OLR Bill Analysis**HB 5430****AN ACT CONCERNING TEACHERS' RETIREMENT SYSTEM CONTRIBUTIONS.****SUMMARY**

Starting July 1, 2018, this bill decreases teachers' regular contribution rate to the Teachers' Retirement System (TRS) from 7% to 6% of their annual salary. By law, teachers' mandatory contributions to TRS consist of their regular contribution rate plus a 1.25% health contribution for retiree health insurance. PA 17-2, June Special Session (§ 586), increased the regular contribution rate from 6% to 7% as of January 1, 2018.

The bill requires the Teachers' Retirement Board (TRB), by June 1, 2018, to (1) request a revised actuarial valuation for FY 19 based on the mandatory contribution percentage for the fiscal year and (2) based on the revised valuation, certify to the legislature the amount needed to maintain TRS on an actuarial reserve basis in FY 19.

It also eliminates a provision requiring the TRB, for FY 20 and each fiscal year after, to assume that teachers' regular contributions are 6%, rather than 7%, when actuarially determining the amount needed to maintain TRS on an actuarial reserve basis.

EFFECTIVE DATE: Upon passage

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 50 Nay 1 (04/05/2018)