



Senate

General Assembly

File No. 328

January Session, 2019

Substitute Senate Bill No. 978

Senate, April 2, 2019

The Committee on Insurance and Real Estate reported through SEN. LESSER of the 9th Dist., Chairperson of the Committee on the part of the Senate, that the substitute 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 general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2019*):

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 December 31, 2019, inclusive,
 20 "mandatory contributions" are contributions required to be withheld
 21 under this chapter and consist of seven per cent "regular contributions"
 22 and one and one-fourth per cent health contributions. On and after
 23 January 1, 2020, "mandatory contributions" are contributions required
 24 to be withheld under this chapter and consist of seven per cent
 25 "regular contributions" and one and one-fourth per cent health
 26 contributions, except that no health contributions shall be required for:
 27 (A) An employee of the Technical Education and Career System
 28 established pursuant to section 10-95 that (i) has completed the vesting
 29 service necessary to receive health benefits provided to retired state
 30 employees, and (ii) does not participate in any group health insurance
 31 plans maintained for retired teachers; or (B) a state employee who (i) is
 32 employed by an executive branch agency of state government, and (ii)
 33 does not participate in the teachers' retirement system. "Voluntary
 34 contributions" are contributions by a member authorized to be
 35 withheld under section 10-183i.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2019	10-183b(7)

INS *Joint Favorable Subst.*

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 20 \$	FY 21 \$
Teachers' Retirement Bd.	Teachers' Retirement Fund (retiree health account) - Revenue Loss	less than \$600,000	less than \$600,000

Municipal Impact: None

Explanation

The bill allows eligible state employee members of the Teachers' Retirement System (TRS) to stop making the 1.25% TRS retiree health contribution. This could result in an annualized revenue loss of less than \$600,000 to the Teachers' Retirement Fund (retiree health account) in FY 20 and FY 21 to the extent that state employee members of the TRS¹ no longer have to make the contribution toward retiree health insurance. The exact number of TRS members who are eligible to stop contributing as a result of the bill is not known at this time.

The bill has no fiscal impact to the Teachers' Retirement Board (TRB) retiree health accounts, which fund the state's one-third share of the TRB retiree health plan and retiree health subsidy. The active teacher contributions of 1.25% fund one-third of the TRB retiree health plan and two-thirds of the retiree health subsidy. The FY 18 total active teacher contribution resulted in \$51.5 million in revenue to the retiree health account. State employees in the TRS represent approximately

¹In FY 18 there were approximately 51,000 TRS active members and less than 1,000 were state employees.

1% of the total active membership and contributed approximately \$600,000 to the retiree health account.

The Out Years

The revenue loss to the retiree health account will continue in the out years subject to the number of TRS members eligible not to make the retiree health contribution and their pensionable salary.

Sources: Core-CT Financial Accounting System

OLR Bill Analysis**sSB 978*****AN ACT CONCERNING TEACHERS' RETIREMENT SYSTEM CONTRIBUTIONS.*****SUMMARY**

This bill exempts certain state employees from paying 1.25% of their salary toward retiree health insurance as part of the mandatory contributions for the state Teachers Retirement System (TRS) (see BACKGROUND). While nearly all state employees are members of the State Employee Retirement System (SERS) and as such pay 3% of salary for 10 or 15 years for SERS retiree health insurance, some are members of the TRS, the state-run retirement system for teachers (who typically work for local boards of education). State employees who are members of TRS are mostly employed at the State Department of Education, the Connecticut Technical Education and Career System (CTECS), and in the Department of Correction's education system for inmates, Unified School District #1.

The bill exempts two types of state employees from paying the 1.25% of salary health contribution into the TRS:

1. CTECS employees who (a) completed the vesting service necessary to receive the health benefits provided to retired state employees (usually 10 years of service), and (b) do not participate in any TRS group health insurance plans for retired teachers; and
2. executive branch state employees who do not participate in the TRS.

It is not clear how the second item above applies, since those who do not participate in the TRS should not be charged for TRS retiree

health coverage.

EFFECTIVE DATE: October 1, 2019

BACKGROUND

TRS Employee Contributions

In TRS, active members must pay 7% of salary toward their retirement benefit and an additional 1.25% for retiree health insurance.

SERS Employee Contributions for Retiree Health

In SERS, active members pay 3% of their salary for retiree health insurance for 10 years, except employees hired after July 1, 2017, (i.e., Tier IV employees) must make this contribution for 15 years. (The amount they pay for their retirement benefit varies depending upon what tier they are in and whether they are hazardous duty.)

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 20 Nay 0 (03/14/2019)