



PA 21-186—SB 1080
Appropriations Committee

**AN ACT CONCERNING VARIOUS REVISIONS TO THE TEACHERS’
RETIREMENT SYSTEM**

SUMMARY: This act makes various changes to the statutes governing the Teachers’ Retirement System (TRS). Among other things, the act expands the definition of “disabled” for disability benefits (§ 1) and conforms the minimum distribution age to federal law by increasing it from age 70 ½ to age 72 (§ 2). The minimum distribution age is the age when TRS members must begin receiving benefits.

The act also:

1. requires formal retirement applications for Plan C or Plan D to include the fixed period of time selected by the member and any other documents the Teachers’ Retirement Board (TRB) requires (§ 1);
2. requires voluntary TRS contributions to come from pre-tax dollars and be paid out in a lump sum within three months of retirement (§ 3);
3. changes TRB operations, including the quorum requirements and chief administrator’s title, and replaces the term “normal cost” with “actuarially determined employer contribution” as it relates to the board determining the amount necessary to meet the actuarial cost of current service and unfunded liability (§ 4);
4. eliminates obsolete language about transferring between state retirement programs and clarifies how members may complete these transfers (§ 5);
5. establishes a repayment process for reemployed retired teachers who make more than the maximum allowed amount (i.e., the “45% rule”) (§ 6);
6. establishes a process for members to apply for a disability allowance (§ 8); and
7. requires TRB to establish rollover accounts for retiring members (§ 9).

The act also makes several minor and conforming changes, including requiring, when members appeal a TRB decision that impacts them, that the appeal include the statute section that provides the benefit to which the member is claiming he or she was entitled to but was denied.

EFFECTIVE DATE: July 1, 2021

§ 1 — EXPANDED “DISABLED” DEFINITION

The act expands the definition of “disabled” for the purposes of determining disability retirement. By law, “disabled” is the inability to engage in substantial gainful activity due to a medically determinable impairment that can be expected to continue indefinitely or be fatal. The act (1) allows a disability to be due to a medically determinable impairment that is permanent or expected to last for 12

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continuous months, in addition to impairments that are indefinite or fatal as under existing law, and (2) includes as a disability the inability to volunteer or work full- or part-time in a public or nonpublic school in any state due to one of these indefinite, fatal, permanent, or continuous impairments.

By law and unchanged by the act, during the first 24 months when a member is receiving a disability allowance, “disabled” is the inability to perform the usual duties of his or her occupation due to impairment.

§ 1 — FORMAL RETIREMENT APPLICATIONS

By law, TRS members must choose a benefit payment structure from a list of actuarially determined plans before retiring. Two of these plans, Plan C and Plan D, allow TRS beneficiaries to take a reduced benefit in exchange for certain payments to their beneficiaries. Plan C allows a participant to choose a time period of guaranteed payments (e.g., 15 years). If the participant dies prior to the time elapsing, the remaining payments are paid to his or her beneficiary. Plan D allows a participant to take a reduced benefit to guarantee that a coparticipant (i.e., beneficiary) will receive a percentage of his or her monthly benefit for life if the participant dies before the coparticipant.

The act requires a “formal application of retirement” to include (1) the fixed period of time selected by the member under Plan C or the coparticipant’s share designated under Plan D, if applicable, and (2) any other documents TRB requires.

§ 2 — MANDATORY MINIMUM DISTRIBUTION AGE

In accordance with federal law, the act increases the minimum distribution age when a participant must begin receiving benefits from age 70 ½ to 72. Under the act, participants must begin receiving benefits by April 1 following the calendar year when (1) they turn age 72 or (2) if they retire after age 72, following their retirement. The change is applicable to those turning 72 on or after January 1, 2020.

§ 3 — VOLUNTARY CONTRIBUTIONS

By law, TRS members may voluntarily contribute to the TRS, which is then paid out as an annuity or lump sum upon retirement. If the participant elects the lump sum, the act requires it to be paid within three months of retirement unless TRB delays it due to extenuating circumstances. If TRB does delay payment, it must notify the member in writing and include the nature of the extenuating circumstances and an estimate of when it will be paid. Prior law did not set a deadline for lump sum payments.

The act also requires these voluntary contributions to be made by after-tax payroll deduction.

§ 4 — TRB OPERATIONS

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The act provides that a majority of TRB members constitute a quorum for transacting business instead of the greater of (1) a majority of members who are present or (2) six members, as under prior law. By law, there are 14 members of the teachers' retirement board: three ex-officio members (i.e., the Office of Policy and Management secretary, state treasurer, and education commissioner) or their designees, five public members, two retired teachers, and four active teachers.

The act also (1) requires the board to establish an operational budget and (2) renames the board's secretary as "chief administrator," allows the board to establish this position's title, and specifies that it is an administrative officer position.

§ 5 — TRANSFERS BETWEEN STATE PENSION SYSTEMS

By law, individuals may not be members of more than one state retirement system (i.e., an individual cannot simultaneously earn credit as an active member of TRS and the State Employee Retirement System (SERS)). The act (1) eliminates obsolete language about transferring between state retirement programs and (2) clarifies how members may complete such a transfer.

Under the act, SERS or alternate retirement system member can purchase TRS service credit, provided they withdraw all funds from any other retirement system. This includes forfeiting all earnings, employee funds, and employer contributions. The act provides an exception for Social Security and nonregular military retirement systems.

§ 6 — REEMPLOYMENT OF RETIRED TEACHERS

By law, a retired teacher receiving benefits generally may not continue to teach. However, the law allows teachers to resume work, provided they earn no more than 45% of the assigned position's maximum salary. Under the act and existing law, teachers receiving more than 45% must reimburse the TRB for any excess earnings. (Existing law provides other exemptions to these post-retirement reemployment limitations, such as teaching in a teacher shortage area).

The act establishes a reimbursement process by requiring repayments to come from the member's next retirement benefit payment. Under the act, the payment must be all or part of a member's benefit, starting with the next immediate benefit payment. The act allows members to request an alternative payment method to reimburse the board, provided the board finds it agreeable.

The act prohibits retired members from reverting to active status (i.e., contributing to the TRS to earn more retirement credit) after retiring, except they may suspend retirement for reemployment as described above.

§ 8 — DISABILITY ALLOWANCE

By law, a member is eligible for a disability allowance if he or she (1) becomes disabled as a result of his or her duty as a teacher or (2) becomes

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disabled for any reason (including non-service related reasons) and has five or more years of public school service.

The act requires an active member seeking a disability allowance to submit a formal application to the board that includes the following:

1. the member's birth certification or a notarized statement supported by evidence the board finds satisfactory;
2. service records, if the board requires them to determine salary rates or creditable service years;
3. a physician's statement of health, including medical reports and office notes;
4. a marriage certificate, if applicable;
5. an employer's statement about work performance, attendance records, and any other information about the member's disability;
6. the member's statement outlining the effect of his or her impairment on the ability to do his or her job; and
7. any other documentation the board requires.

For formal applications filed on or after July 1, 1986, upon a finding by the board that extenuating health circumstances caused a delay, the application may be deemed to have been filed up to three months earlier than its actual filing date.

§ 9 — ROLLOVER ACCOUNTS

The act requires the TRB to establish a rollover account for each active, inactive, and disabled member who submits a formal retirement application. Any member may make a rollover contribution to the account of any pre-tax assets from an eligible retirement plan (i.e., IRA or certain other eligible pre-tax retirement plans) within two months prior to the retirement date in the application. The board is prohibited from accepting rollover contributions after the deadline.

Beginning with retirements on or after September 1, 2021, any amount in a member's rollover account must be distributed to him or her in the form of an actuarially equivalent life annuity, using the annuity rates adopted by the board for the selected retirement date and plan option. If the member dies prior to retirement, the accumulated rollover funds must be distributed under the terms of his or her payment plan option.

The act requires TRB to adopt policies and procedures ensuring prudent and efficient operation of rollover accounts, including those for applications and payments. The accounts are non-interest bearing, and rollover funds are not considered contributions for the purposes of calculating benefits and contribution limits. Rollover funds can only be used for the distributions described above and cannot be applied towards purchasing service credit.