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FISCAL NOTE(Form 2)
(Office of Fiscal Analysis)
Analyst: CG 5/18/92
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BILL NUMBER: HB 5920
FILE NUMBER:
AMENDMENTS: House "A", "B", "C", and "D"

TITLE: "AN ACT CONCERNING CONTRIBUTIONS TO THE STATE EMPLOYEES RETIREMENT FUND AND THE TEACHERS' RETIREMENT FUND, STUDIES OF THE STATE EMPLOYEES AND THE TEACHERS' RETIREMENT SYSTEMS AND THE PAYMENT OF COST OF LIVING ALLOWANCES AND THE PURCHASE OF ADDITIONAL CREDITED SERVICE UNDER THE TEACHERS' RETIREMENT SYSTEM"

FAVORABLY REPORTED BY Appropriations, Government Administration and Elections

SUMMARY: The bill as amended excludes from annual salary those payments to a superintendent pursuant to an individual contract between the superintendent and a board of education, of amounts which are not included in base salary; increase teacher contributions from 6% to 7%; and establish a task force to study the teachers' retirement system and a commission to study state employee pension funding options and past service liability; transfer surplus to State Employees Retirement Fund.

Additionally, the bill as amended would fund teachers' retirement cost-of-living adjustments (COLAs) through excess earnings of the Teachers' Retirement Fund.

Finally, the bill as amended would extend credited service to include a maximum of 2 years service in the public schools of Connecticut as a member of the federal teacher corps.

EFFECTIVE DATE: Upon Passage except Section 8 - 7/1/92, Section 9 - 2/1/96

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FISCAL IMPACT STATEMENT - BILL NUMBER HB 5920

STATE IMPACT	Implements a Provision in the Budget, Cost Savings, Minimal Cost, see explanation below
MUNICIPAL IMPACT	None
STATE AGENCY(S)	Teachers' Retirement Board, Various

EXPLANATION OF ESTIMATES:

STATE IMPACT: The bill, as amended, implements a provision in the budget and makes other changes to the Teachers' Retirement System that result in cost savings and minimal cost.

House "A" requires a 1% increase in teacher contributions lowering the state's contribution for teachers' retirement by $20 million, and this amount has been reflected in SA 92-13 (the Appropriations Act, as passed by the General Assembly) for fiscal 1992-93. Excluding from annual salary those payments to a superintendent pursuant to an individual contract, of amounts which are not included in base salary, would lower retirement benefits for certain individuals as well as associated state costs. The amendment requires the study of state employee pension funding options and would increase the minimal costs associated with the original bill. It is anticipated that these costs would be absorbed within the normal budgetary resources of the agencies involved.

House "B" implements a provision that finances the teachers' retirement COLAs of teachers retiring on or after 9/1/92 through an account funded by the excess earnings of the Teachers' Retirement Fund. The state's 1992-93 contribution for teachers' retirement is partially based on the savings associated with this plan as reflected in SA 92-13 (the Appropriations Act, as passed by the General Assembly). The provision eliminates the Teachers' Retirement Fund's responsibility for the COLA for future retirees. The Actuary for the Teachers' Retirement System has indicated that this reduces the overall liability of the Teachers' Retirement Fund in excess of $1 billion. This decrease in liability is only slightly offset by a reduction in the value of assets due to the establishment of the excess earnings account.

In lieu of a study, the amendment requires the Teachers' Retirement Board to review and adopt revised actuarial assumptions every 5 years beginning July 1, 1995. This provision would postpone the immediate, minimal, absorbable cost until future years.

House "C" would result in additional cost to the state as a result of extending credited service to include a maximum of 2 years service in the public schools as a member of the federal teacher corps. The amount of cost will depend on the number of individuals having such service as well as their salary levels and length of such service (up to 2 years). The exact impact cannot be determined at this time.

House "D" expands the credited service provisions of the Teachers' Retirement System. There is minimal fiscal impact because any individual affected is required to pay the full actuarial cost that would be incurred by the State.