
OFA Bill Analysis

SB 1081

AN ACT CONCERNING THE INTEREST RATE RELATING TO TEACHERS' RETIREMENT SYSTEM COST-OF-LIVING ALLOWANCES AND RESERVING CERTAIN LOTTERY FUND REVENUE FOR THE CONNECTICUT TEACHERS' RETIREMENT FUND BONDS SPECIAL CAPITAL RESERVE FUND.

SUMMARY:

The bill aligns statutory thresholds for pension fund performance and cost of living allowances (COLAs) for retirees of the Teachers' Retirement System (TRS) with the system's recently lowered assumed rate of return. The bill also reconciles conflicting provisions authorized in the FY 21 – FY 22 Biennial Budget with respect to potential lottery revenues and the securitization of outstanding Teachers' Retirement Fund (TRF) pension obligation bonds.

EFFECTIVE DATE: Section 1- July 1, 2021, Section 2 – Upon Passage

Calculation of Cost of Living Allowance (COLA) (Section 1)

Under current law, unchanged by the bill, TRS COLAs are tied to Social Security COLAs and are meant to coincide with each other. Additionally, current law allows for a potential further adjustment based on investment returns. The Teachers' Retirement Board lowered the TRF's assumed rate of return from 8.0% to 6.9% as part of the TRF restructuring in 2019. The bill changes the statutory thresholds for investment returns from 8.5% to 6.9% and from 11.5% to 9.9%, respectively.

Under the bill, teachers who retired before 2007 may receive a maximum COLA of 6% if returns exceed 6.9%. For retirees after 2007, the maximum COLA is 5% if returns exceed the assumed rate of return

(6.9%) by three percent (9.9%). The TRS actuary has indicated that lowering the thresholds will have no impact on the actuarial assumptions and therefore no anticipated impact on the state's contribution to the fund.

Regional Planning Incentive Account (Section 2)

The bill makes a technical change in the statutes governing the Office of Policy and Management's regional planning incentive account. The bill addresses conflicting provisions within the FY 20 - FY 21 Biennial Budget (PA 19-117). PA 19-117 pledged lottery revenues to refill a special capital reserve fund established to secure outstanding pension obligation bonds related to the Teachers' Retirement Fund. This provision was part of restructuring the Fund and allowing for the lowering of the assumed rate of return. Also, within PA 19-117, a conflicting section established an account to finance debt-free community college, using future lottery revenues from mobile or online lottery draw games (iLottery). This technical change makes clear that those online lottery revenues are legally first pledged to refill the reserve fund.

COMMITTEE ACTION

Appropriations

Joint Favorable
Yea 50 Nay 0