



# Senate

General Assembly

**File No. 667**

January Session, 2021

Senate Bill No. 1081

*Senate, May 10, 2021*

The Committee on Appropriations reported through SEN. OSTEN of the 19th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

**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.**

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

1 Section 1. Subsection (l) of section 10-183g of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective July 1,*  
3 *2021*):

4 (l) (1) Beginning the first day of January or July which follows nine  
5 months in retirement, a retired member who retired on or after  
6 September 1, 1992, or a member's successor beneficiary, except a person  
7 receiving survivor's benefits, shall be eligible for an annual cost of living  
8 allowance. The cost of living allowance shall be calculated by using the  
9 percentage cost of living adjustment granted by the Social Security  
10 Administration for the applicable year, computed on the basis of the  
11 retirement benefits to which such retired member or successor  
12 beneficiary was entitled on the last day of the preceding December or

13 June except benefits based upon one per cent or voluntary contributions,  
14 provided no cost of living allowance shall exceed six per cent and  
15 provided further, if the total return earned by the trustees on the market  
16 value of the pension assets for the preceding fiscal year is less than [eight  
17 and one-half] six and nine-tenths per cent, any cost of living allowance  
18 granted shall not exceed one and one-half per cent.

19 (2) A member entering the retirement system commencing on or after  
20 July 1, 2007, or such member's successor beneficiary, except a person  
21 receiving survivor's benefits, shall, beginning the first day of January or  
22 July that follows nine months in retirement, be eligible for an annual  
23 cost of living allowance as follows: The cost of living allowance shall be  
24 calculated by using the percentage cost of living adjustment granted by  
25 the Social Security Administration for the applicable year, computed on  
26 the basis of the retirement benefits to which such retired member or  
27 successor beneficiary was entitled on the last day of the preceding  
28 December or June, as applicable, except benefits based upon one per  
29 cent or voluntary contributions, provided (A) no cost of living  
30 allowance shall exceed five per cent, and (B) if the total return earned by  
31 the trustees on the market value of the pension assets for the preceding  
32 fiscal year is less than [eight and one-half] six and nine-tenths per cent,  
33 any cost of living allowance granted shall not exceed one per cent, if  
34 such total return for the preceding fiscal year is greater than [eight and  
35 one-half] six and nine-tenths per cent but less than [eleven and one-half]  
36 nine and nine-tenths per cent, any cost of living allowance granted shall  
37 not exceed three per cent, and if such return exceeds [eleven and one-  
38 half] nine and nine-tenths per cent, any cost of living allowance granted  
39 shall not exceed five per cent.

40 Sec. 2. Subsection (d) of section 4-66k of the general statutes is  
41 repealed and the following is substituted in lieu thereof (*Effective from*  
42 *passage*):

43 (d) There is established a regionalization subaccount within the  
44 regional planning incentive account. If the Connecticut Lottery  
45 Corporation offers online its existing lottery draw games through the

46 corporation's Internet web site, online service or mobile application, and  
 47 after any payment to the Connecticut Teachers' Retirement Fund Bonds  
 48 Special Capital Reserve Fund required pursuant to section 12-182, the  
 49 revenue from such online offering that exceeds an amount equivalent to  
 50 the costs of the debt-free community college program under section 10a-  
 51 174 shall be [deposited in] transferred to the subaccount, or, if such  
 52 online offering is not established, the amount provided under  
 53 subsection (b) of section 364 of public act 19-117 for regionalization  
 54 initiatives shall be deposited in the subaccount. Moneys in the  
 55 subaccount shall be expended only for the purposes recommended by  
 56 the task force established under section 4-66s.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2021</i>	10-183g(l)
Sec. 2	<i>from passage</i>	4-66k(d)

**APP**      *Joint Favorable*

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*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.*

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### **OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

### **Explanation**

The bill, which makes conforming and technical changes, has no anticipated fiscal impact.

Section 1 amends the statutes governing the Teachers' Retirement System's (TRS) cost-of-living allowances (COLAs) by changing the investment return threshold from 8.5% to 6.9% to align it with the current assumed rate of return used in the TRS actuarial valuation. The TRS actuary determined that the change in the investment return threshold has no anticipated actuarial impact and therefore no fiscal impact to the state contribution to the fund. The overarching component of the COLA assumption is the annual rate of increase granted by the Social Security Administration.

Section 2 which specifies that online Lottery Fund revenue are first pledged for payment to the Teachers' Retirement Funds bonds special capital reserve fund is technical in nature and has no fiscal impact.

### **The Out Years**

**State Impact:** None

**Municipal Impact:** None

*Sources: Cavanaugh Macdonald Consulting, COLA Assumptions for Actuarial Valuations, 3/12/20*

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**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