STATE EMPLOYEES
RETIREMENT COMMISSION

MEDICAL EXAMINING BOARD
For DISABILITY RETIREMENT

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STATE OF CONNECTICUT
RETIREMENT SERVICES DIVISION
OFFICE OF THE STATE COMPTROLLER

RETIREMENT SERVICES DIVISION MEMORANDUM

April 4, 2013

TO THE HEADS OF ALL STATE AGENCIES

ATTENTION: All Personnel and Payroll Officers
SUBJECT: Retirement in Lieu of Layoff Prohibited Practice and Grievance Settlement

I. INTRODUCTION

As a resolution of a prohibited practice complaint filed by the State Employees Bargaining Agent Coalition (SEBAC) and its constituent unions against the State of Connecticut, the parties have entered into a settlement agreement regarding the subject matter of Retirements In Lieu of Layoff. As in OLR General Notice No. 2013-04 the terms of the settlement agreement have been extended to certain non-represented individuals. In general, this agreement is offering certain Tier I and Tier II members of the State Employees Retirement System (SERS) the opportunity to retire during a limited window of opportunity.

In that connection, the purpose of this memorandum is to discuss

(1) eligibility requirements for retiring in lieu of layoff under this opportunity

(2) administration of the retiring in lieu of layoff provisions, and

(3) the manner in which the opportunity will be implemented by the Retirement Services Division (Division).

II. ELIGIBILITY REQUIREMENTS

Because eligibility to retire in lieu of layoff is expressly conditioned upon retirement from SERS under specified circumstances, this memorandum will initially explain the requirements that a member must meet.

The March 8, 2013 Retirement In Lieu of Layoff Settlement Agreement and extension under Item No. 1914-E allows a SERS member the following;

1. Who is either a Tier I member who was under the age of fifty- five and had twenty-five or more years of service as of August 31, 2011 and elects to retire no later than July 1, 2013 **or**

2. Who is a Tier II member who was under the age of fifty-five and had twenty-five or more years of service as of August 31, 2011 and elects to retire no later than July 1, 2013 **or**

3. Who is a Tier II member who was under the age of fifty-five and had twenty-five or more years of service as of August 31, 2011 and elects to retire after July 1, 2013 but no later than September 1, 2014 **and**

4. Who makes an irrevocable election to retire in lieu of layoff and signs a stipulated agreement no later than May 1, 2013 **and**

5. Who was an employee on the active payroll effective December 1, 2012.

Please note for eligibility purposes state service in Tier I includes all years and months of state service for which retirement contributions have been made; in Tier II state service includes all years and months of state service subject to the permanent break in service rules and qualifying leaves of absence. Also counted as state service in both Tier I and Tier II are periods of time when the employee received temporary Workers' Compensation (excluding specific indemnity awards) or Disability Compensation under Connecticut General Statutes, Section 5-142, any unpaid leave on or after June 9, 1994 consisting of individual prescheduled days or partial days off as provided by the Voluntary Schedule Reduction Program pursuant to Section 5-248c of the Connecticut General Statutes, or periods of leave that were due to qualified military service.

In no event shall this agreement be available to employees who retire on a disability retirement however employees who make application for a voluntary pending disability retirement may elect to retire in accordance with the provisions of this agreement. If such application for disability retirement is subsequently approved, the benefit paid will be pursuant to disability retirement plan provisions and not in accordance with this agreement.

Additionally, employees of state aided institutions as defined in Connecticut General Statutes (CGS), Section 5-175 and employees of quasi-public agencies are not covered by the terms of this agreement and extension.

III. ADMINISTRATION OF RETIREMENT IN LIEU OF LAYOFF AGREEMENT

A SERS member who meets the eligibility requirements set forth in Section II of this memorandum shall be entitled to retire in lieu of layoff. The benefit for the member will be determined in the following manner:

1. Tier I members who elect to retire by July 1, 2013 and who were under age 55 with 25 years of service as of August 31, 2011 may either a) elect to have their benefit reduced by 4.5% for each year (.00375 each month) they are under age 55 as of the date of their retirement and be entitled to the COLA provisions of individuals who retired after October 1, 2011 or b) elect to have their benefit reduced by 6.0% for each year (.005 each month) they are under age 55 as of the date of their retirement and be entitled to the COLA provisions of individuals who retired no later than October 1, 2011.

2. Tier II members who elect to retire by July 1, 2013 and who were under age 55 with 25 years of service as of August 31, 2011 may either a) elect to have their benefit reduced by 4.5% for each year (.00375 each month) they are under age 60 as of the date of their retirement and be entitled to the COLA provisions of individuals who retired after October 1, 2011 or b) elect to have their benefit reduced by 6.0% for each year (.005 each month) they are under the age 60 as of the date of retirement and be entitled to the COLA provisions of individuals who retired no later than October 1, 2011.

3. Tier II members who elect to retire after July 1, 2013 but no later than September 1, 2014 who were under age 55 with 25 years of service as of August 31, 2011 will have their benefit reduced by 6.0% for each year (.005 each month) they are under the age 60 but will be entitled to the COLA provisions of individuals who retired no later than October 1, 2011.

The actual age of the member shall be used for all other purposes, including but not limited to optional payment form factors, and the timing of the Tier I, Plan B adjustment to retirement income.

The following examples illustrate the application of the settlement agreement under different circumstances.

Example 1

Membership: Tier I, Plan C (non-hazardous duty)
Age at retirement: fifty-five years, two months
Retirement credit as of August 31, 2011: twenty five years, six months
Date of Retirement: June 1, 2013
Average salary for three highest years' earnings: $70,000.00

In this example, if the member elected to retire effective June 1, 2013, the member's basic retirement allowance at date of retirement would be 54.50% (27.25 years X 2.0%) of $70,000.00, or $38,150.00 yearly.

In this example, the period of service from September 1, 2011 to May 31, 2013 would increase total service retirement credit to twenty-seven years, three months. As the member attained age fifty-five as of the effective date of retirement, the early retirement benefit reduction does not apply. The member may elect either COLA provision without being subject to a reduction of the retirement allowance payable.

Example 2

Membership: Tier I, Plan B (non-hazardous duty)
Age at retirement: fifty-four years, six months
Retirement credit as of August 31, 2011: twenty-six years, zero months
Date of Retirement: July 1, 2013
Average salary for three highest years' earnings: $60,000.00

This member has not attained the minimum age of retirement. There is a six month difference between this member's exact age at retirement and age fifty-five.

In this example, assume the following: 1) the member is retiring on July 1, 2013, 2) the member's date of birth is January 1, 1959 and 3) the member has elected to have their benefit reduced by 6.0% for each year (.005 for each month) they are under age fifty-five so that they are entitled to the COLA provisions for individuals that retired no later than October 1, 2011.

In this example, the period of service from September 1, 2011 to June 30, 2013 would increase total service retirement credit to twenty-seven years, ten months therefore the member’s basic normal retirement allowance at date of retirement would be 55.67% (27.8333 X 2.0%) of $60,000.00, or $33,400.00 yearly.

Because this is an early retirement the benefit is then reduced by one-half of one percent (.005) for each month the member retires prior to attaining age fifty-five.

The early retirement basic allowance would then be calculated as follows: The basic normal retirement allowance $33,400.00 minus .005 X $33,400.00 X 6(months before reach age 55) or $33,400.00 minus $1,002.00 equaling $32,398.00 yearly.

Additionally, the Plan B reduction would occur when the member reaches their Social Security maximum age, barring receipt of a Social Security Disability Award.

Example 3

Membership: Tier II, (non-hazardous duty)
Age at retirement: fifty- three years, ten months
Credited Service as of August 31, 2011: twenty-seven years, four months
Date of Retirement: April 1, 2013
Average salary for three highest years' earnings: $100,000.00
2013 Breakpoint: $65,300.00

This member has not attained the minimum age for normal retirement. There is a seventy-four month difference between this member’s exact age at retirement and age sixty.

In this example, assume the following: 1) the member is retiring on April 1, 2013, 2) the member's date of birth is June 1, 1959 and 3) the member has elected to have their benefit reduced by 4.5% for each year (.00375 for each month) they are under age sixty so that they are entitled to the COLA provisions for individuals that retired after October 1, 2011.

In this example, the period of service from September 1, 2011 to March 31, 2013 would increase total credited service to twenty-eight years, eleven months therefore the member's basic retirement allowance would be calculated as follows: .0133 X $100,000.00 plus .005 X $34,700.00 ($100,000.00 - $65,300.00) X 28.9167 years of credited service equals $43,476.00 yearly.

Because this is an early retirement the benefit is then reduced by three-eighths of one percent (.00375) for each month the member retires prior to attaining age sixty.

The early retirement basic allowance would then be calculated as follows: The basic normal retirement allowance $43,476.00 minus .00375 X $43,476.00 X 74(months before reach age 60) or $43,476.00 minus $ 12,064.00 equaling $31,412.00 yearly.

Example 4

Membership: Tier II, (non-hazardous duty)
Age at retirement: fifty-seven years, three months
Credited Service as of August 31, 2011: twenty-five years, zero months
Date of Retirement: August 1, 2014
Average salary for three highest years' earnings: $50,000.00
2014 Breakpoint: $69,200.00

This member has not attained the minimum age for normal retirement. There is a thirty-three month difference between this member's exact age at retirement and age sixty.

In this example, assume the following: 1) the member is retiring on August 1, 2014, 2) the member's date of birth is May 1, 1957 and 3) the member's only option is to have their benefit reduced by 6.0% for each year (.005 for each month) they are under age sixty. This member is eligible for the COLA provisions for individuals that retired no later than October 1, 2011 only.

In this example, the period of service from September 1, 2011 to July 31, 2014 would increase total credited service to twenty-seven years, eleven months therefore the member's basic retirement allowance would be calculated as follows: .0133 X $50,000.00 plus .005 X $0.00 ($50,000.00 - $69,200.00) X 27.9167 years of credited service equals $18,564.00 yearly.

Because this is an early retirement the benefit is then reduced by one-half of one percent (.005) for each month the member retires prior to attaining age sixty.

The early retirement basic allowance would then be calculated as follows: The basic normal retirement allowance $18,564.00 minus .005 X $18,564.00 X 33(months before reach age 60) or $18,564.00 minus $ 3,063.00 equaling $15,501.00 yearly.

Please be advised that all retirement allowances calculated at a reduced amount are subject to the permanent reduction.

IV. APPLICABILITY TO RETIRED EMPLOYEES

The following information is specific to those employees who retired effective January 1, 2013 through March 31, 2013.

Those members who are currently receiving retirement benefits will be reviewed by the Division for eligibility purposes subsequent to the Division's implementation of this Settlement Agreement for prospective retirees. Agencies should take no action unless contacted by this Division. Any impacted retirees will be advised by the Division accordingly.

V. AGENCY RESPOSIBILITY

The provisions of this settlement agreement have created an immediate need on the part of an extremely large number of SERS Tier I and Tier II members for retirement information. Under these circumstances, however and with the impending deadline of May 1, 2013 by which employees need to make their election, group counseling services are unrealistic. Therefore, it is imperative that all agency personnel staff share responsibilities as fully as possible and assist their employees. The settlement agreement requires that those individuals electing to retire under its provisions must sign a stipulated agreement making this irrevocable election no later than May 1, 2013.

As July 1, 2013 approaches, it is anticipated that the volume of retirement applications will increase. Therefore it is imperative that the member's written application for retirement be submitted to the Division **before** the effective date of retirement.

Please do not direct employees with inquiries concerning the Settlement Agreement to the Retirement Services Division; instead, share with employees the information contained in this memorandum and attempt to assist them accordingly.

If an agency has a question regarding the information provided herein they may send them by email to osc.rsd@po.state.ct.us or directly to (860) 702-3482.

Very truly yours,

Brenda K. Halpin, Director
Retirement Services Division

BKH/cn