

State of Connecticut

Teachers' Retirement System



Differences Between Defined Benefit and Defined Contribution Plans

Eligibility Rules For Retirement

Understanding & Choosing a Retirement Payment Plan

Plan N, Normal Allowance, Plan C, Period Certain And Continuous Option

Plan D, Co-participant Option

Option Factors, Death Benefits

Supplemental /Voluntary Contributions

Annuity, Lump Sum, Service Purchase

Pensionable Salary and Credited Service

Purchasing Additional Credited Service

Qualifying Service "The 30 Year Cliff", Terminal Leaves

Deferring Benefits

Taxability of Benefits

Social Security Benefits

Windfall Elimination Provision (WEP)
Government Pension Offset (GPO)

Cost of Living Adjustments

Health Insurance

Pre-Medicare Coverage
Medicare Coverage

Disability Benefits

Pre-Retirement Death Benefits

Post Retirement Employment

Filing For Benefits

Defined Benefit (DB) vs. Defined Contribution (DC) Plans

TRB is a Contributory Defined Benefit Plan

Benefits are based on a formula in combination with your age, service and the average of the highest 3 years of paid salaries.

DB

Defined Contribution (DC) Plans are cash accumulation accounts:

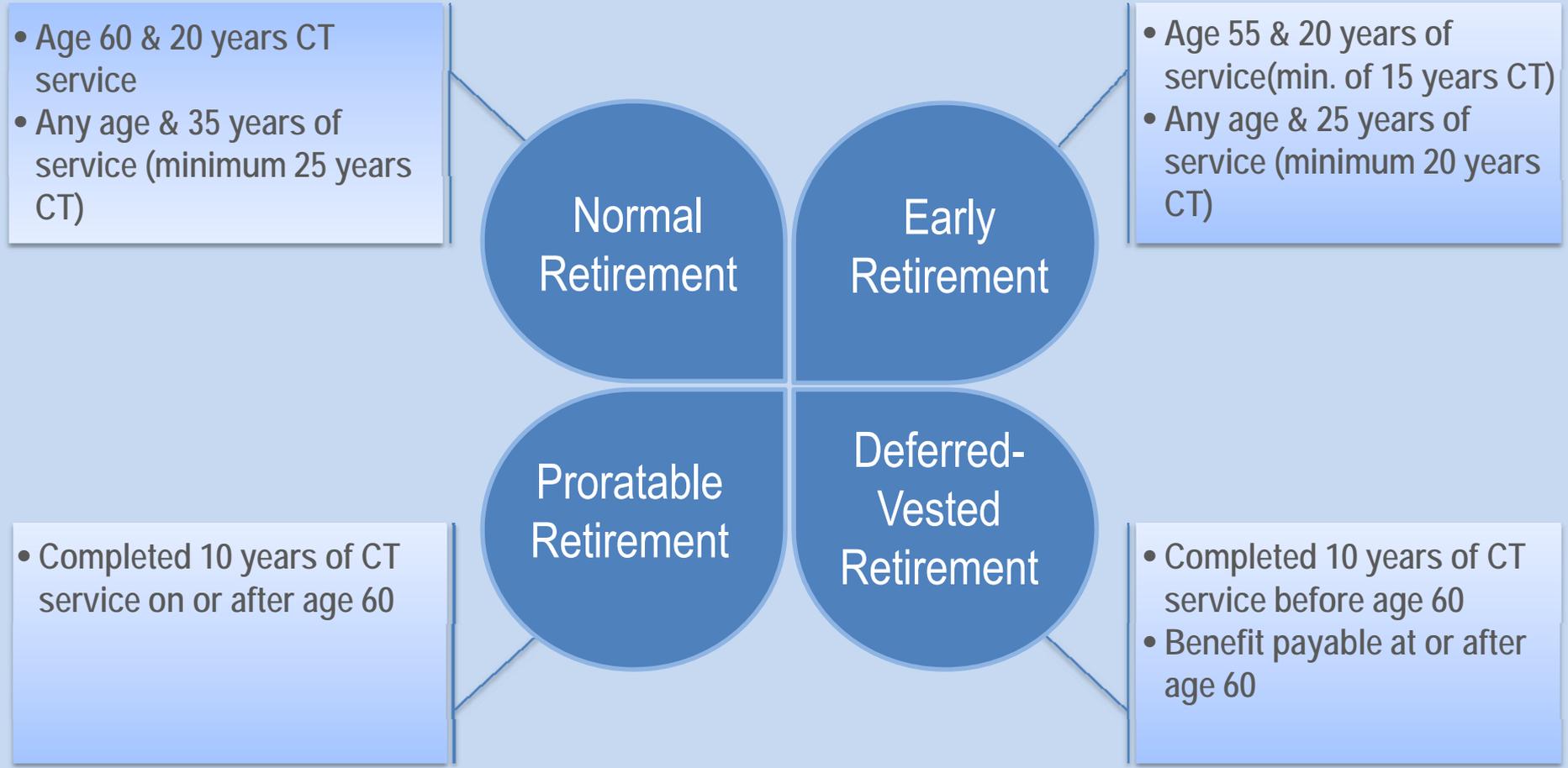
- Tax Sheltered Annuities (403b)
- Deferred Compensation (457)
- Profit Sharing Plans (401k)

Benefits are based solely on the amount accumulated at the time of distribution.

Benefits may not be readily determinable in advance nor are they guaranteed.

DC

Eligibility Rules For Retirement



- Plan N** Normal Retirement Plan (maximum benefit to retiree)
- Plan C** Period Certain And Continuous Option (reduced benefit to retiree)
- Plan D** Co-participant Option (reduced benefit to retiree)

- Benefits under each plan are payable for your lifetime.
- Retirement payment plans become irrevocable upon the effective date of your retirement – No changes are allowed regardless of circumstances.
- “No Best Plan” Choose your plan based on your own personal circumstances and in consideration of your dependents.
- Plan C and D reductions will be affected by the degree of protection afforded to your beneficiary or co-participant – these include:
 - Your age at retirement
 - Term Selected – Plan C
 - Your Co-participant’s Age
 - Fraction Selected – Plan D

Sample Computation

Member Age	56
Service	33 years
Average of the Highest 3 Year's Salary	\$100,000
Spouse's Age	55
Type of Retirement	Early (2 yrs early)
Base Percentage	62.04%

Account Balances

	<i>6% Regular</i>	<i>Supplemental / Voluntary</i>
After-Tax	\$40,000	\$4,000
Pre-Tax/Interest	\$300,000	\$26,000
Total	\$340,000	\$30,000

Plan N Allowance

$$\begin{array}{rclclcl} \text{Average Salary} & \times & \text{Base Percentage} & = & \text{Annual Benefits} / 12 & = & \text{Monthly Benefit} \\ \$100,000 & \times & 62.04\% & & \$62,040 & / 12 & = & \$5,170 \end{array}$$

Supplemental/Voluntary Annuity

$$\$30,000 \times .00778 \text{ } (\$7.78 \text{ per } \$1000) = \$233$$

$$\text{Total Supplemental/Voluntary} = \$5,403$$

1. Monthly Annuity

Monthly annuity	\$ 233
-----------------	--------

2. Refund

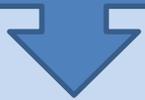
After-tax contributions (non-taxable)	\$ 4,000
Interest (taxable)	\$ 26,000
Total	\$ 30,000
Less mandatory federal tax withholding 20% X \$26,000	- \$ 5,200
Net	\$ 24,800

3. Direct Rollover

After-tax contributions refunded directly to member	\$ 4,000
Pre-tax contributions and interest rollover to another qualified plan	\$ 26,000
Total	\$ 30,000

Plan N Death Benefit Determination

Account balance at retirement (including any Supplemental/Voluntary balances) minus 25% of total benefits paid to date of death.



Account Balance @ Retirement	\$ 370,000
Total benefits paid to date of death $\$160,000 \times .25 =$	- \$ 40,000
Lump Sum Payment to Beneficiary	\$ 330,000

Plan C Certain Option

- Under this plan option, you agree to take a reduced benefit during your lifetime
- A certain number of payments are guaranteed from the date of your retirement
- The guarantee starts on the effective date of retirement and extends for the term selected
- You may choose guaranteed periods of 5, 10, 15, 20 or 25 years
- If you die prior to receiving all of your guaranteed payments, your beneficiary(ies) will receive the remaining monthly payments

Plan C Certain Option

Plan N Benefit X Option Factor = Plan C Benefit



Years	Factor	Plan N	Supp Annuity	Plan C Base	Plan C Annuity
5	99.9%	\$3,720	\$147	\$3,717	\$147
10	99.3%	\$3,720	\$147	\$3,694	\$146
15	98.2%	\$3,720	\$147	\$3,653	\$145
20	96.9%	\$3,720	\$147	\$3,605	\$143
25	95.3%	\$3,720	\$147	\$3,546	\$140

Factor Table: <http://www.ct.gov/trb/lib/trb/formsandpubs/PlanC92001.pdf>

Member Elected 20 year Period Certain

Years	Factor	Plan N	Supp Annuity	Plan C Base	Plan C Annuity
20	96.90%	\$5,403	\$233	\$5,235	\$225

Monthly Benefit including Supplemental /Voluntary Annuity	\$ 5,235
Member dies after 100 months (8 years 4 months) Monthly Benefit at death with COLA increases	\$6,035
140 remaining payments to beneficiary (11 years 6 months)	\$6,035
Beneficiary dies with 50 payments remaining including COLA increases (4 years 2 months)	\$6,400
Commuted Value of 50 payments @ \$6,400 X 42.532	\$272,204
Total payment to Estate	\$272,204

Plan D Co-participant Option

- Under this plan option, your co-participant will receive a monthly benefit for his/her life following your death.
- You may designate any one person as your co-participant to receive one-third, one-half, two-thirds, three-quarters, or the whole amount of your reduced benefit.
- Your benefits are reduced based on your age, the age of your co-participant and the fractional amount to be paid to the co-participant upon your death.

Plan D Co-participant Option

Plan N Benefit X Option Factor = Plan D Benefit



Years	Factor	Plan N	Supp Annuity	Plan D Base	Plan D Annuity	Co-Part Amount
Whole	92.7%	\$3,720	\$147	\$3,449	\$136	\$3,585
3/4	94.4%	\$3,720	\$147	\$3,512	\$139	\$3,651
2/3	95.0%	\$3,720	\$147	\$3,534	\$140	\$3,674
1/2	96.3%	\$3,720	\$147	\$3,583	\$142	\$3,725
1/3	97.5%	\$3,720	\$147	\$3,627	\$144	\$3,771

Factor Table: <http://www.ct.gov/trb/lib/trb/formsandpubs/PlanD92001.pdf>

Member elected Plan D –Three Quarter Option

Member's Benefit

Base	\$3,512
1% Supplemental / Voluntary Annuity	\$139
Total Benefit	\$3,651
Payment to Co-participant = <i>Total Benefit X 3/4</i>	\$2,738

Pop-up Provision

Benefit reverts to Plan N benefit upon the co-participant's death or divorce from member.

Plan D Lump Sum Death Benefit Determination

Account balance at retirement (including Supplemental/Voluntary balances) minus 25% of total benefits paid to date of death.



Account balance at retirement		\$370,000
Total benefits to member and co-participant	<i>total benefits paid</i>	\$240,000
	<i>25% of benefits paid</i>	\$60,000
Lump sum payment to estate/beneficiary	<i>account balance - 25%</i>	\$310,000

Voluntary Contributions

- ❑ As a member of the Connecticut Teachers' Retirement System you may elect to contribute to a Voluntary Account. Deposits into this account may be made in the following ways:

Authorization for Payroll Deductions

Payment is withheld by your employer and transmitted to CTRB on a monthly basis.

Lump Sum Voluntary Payment

Payment is made directly to CTRB.

Direct Rollover

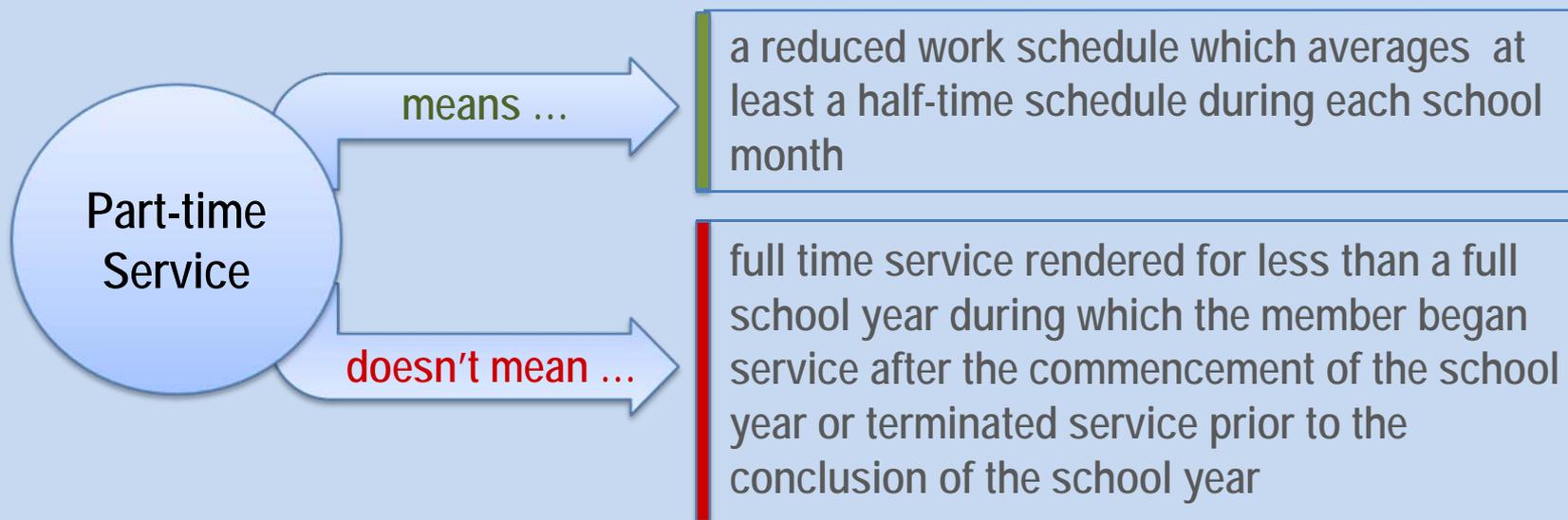
Direct Rollover of pre-tax contributions from another qualified employer plan

Voluntary Contributions

- Voluntary contributions that are submitted via Payroll Deductions or through a [Lump Sum Payment](#) are made on an "after-tax basis" only and are subject to IRS limitations.
- CTRB may accept a [Direct Rollover](#) of pre-tax contributions from other qualifying plans based on a qualifying event (service purchase, termination of prior employment, or retirement).
- Prior June 30th balances will be credited with an investment rate of return on June 30th of the following year.

- Pensionable salary is the pay you receive for teaching, administrative, or supervisory services as outlined in your contract. Pensionable salary does NOT include pay you receive for extra duty assignments, coaching, unused sick leave, terminal pay or any payment predicated on your retirement.
- You earn one month of credited service for each school month worked from September to June. A full year of service is 10 months and you cannot receive more than 10 months of credit in any school year. In order to receive credit, you must be employed on the first working day of the month in a CTRS eligible position.
- “Base Salary” means that element of compensation specifically and separately stated and paid to a superintendent of schools pursuant to an individual contract of employment in installments throughout the term of the contract or the school year, except that if portion of such separately stated salary is deferred by means of a legally binding salary reduction agreement for the purpose of making premium payments on a tax sheltered annuity, such deferred salary shall be included in the superintendent’s base salary.

Part-time Service



If you are a member employed part-time (minimum 50%), you will receive a month of credit for each month worked. Your monthly pension benefit will be calculated to reflect your full-time equivalency (FTE). Your retirement benefit percentage will be proportionate to the amount of time you worked part-time and the average salary used in the calculation will be computed as if you were in full-time service.

If you have Hourly Paid Tutor, Title One, Chapter IV or CETA Head Start or ESL service, you should obtain the ...

Hourly Paid Certified Teachers form

<http://www.ct.gov/trb/lib/trb/formsandpubs/hrlypdemp.pdf>

You may elect to pay the monthly mandatory contributions while on your approved current leave of absence for a total of ten (10) months during your career for any leave occurring on or after July 1, 1986. To document this service, a [Current Leave of Absence Form \(TRB 53X\)](#) must be completed and returned to this office. CTRB will notify you of the amount due and payment options. Payment in full must be received by the end of the approved leave.

Additional Credited Service & Documentation Required

Type of Service Credit	CT or Other	Documentation Required
Wartime Military Service	CT	Discharge Papers (DD214) Where to write for Discharge Papers
Peacetime Military Service	Other	Discharge Papers (DD214) Where to write for Discharge Papers
Military Dependents School	Other	Outside State Service Form Where to mail form to document Military Dependents School Service
Outside State Public School	Other	Outside State Service Form
Previous Leave of Absence	CT	Previous Leave of Absence Form
Previous Maternity Leave or Terminations Due to Pregnancy	CT	Previous Leave of Absence Form or Special Rules For Absences Due to Maternity (TRB Form 53M)
Previous Leave of Absence for Child Rearing Purposes When Not Granted by CT Local School District	CT	Child Rearing Leave of Absence - Special Board Policy Memorandum

Additional Credited Service & Documentation Required

Type of Service Credit	CT or Other	Documentation Required
Full time State of CT Employment	Other	State of CT Teaching Form State of CT Non-Teaching Form
Teaching Service at: American School for the Deaf or CT Institute for the Blind or Newington Children's Hospital	Other	Special Teaching Service Form
Substitute Service	CT	Substitute Teaching Service Form
Service as an Elected Official	Other	Elected Official Form
Federal Teacher Corp Service	Other	Federal Teacher Corp Form
Peace Corps Service	Other	Verification of Service letter Where to phone/write for Peace Corps Verification of Service
Part time Service (less than 50%)	CT	Less than Half-time Contractual Employment Form

Additional Service Credit Cost Estimator

Name	<input type="text" value="Sample"/>
Birth Date	<input type="text" value="4/1/1952"/>
Service Purchase Date	<input type="text" value="7/1/2008"/>
Earned CT Service at Service Purchase Date	<input type="text" value="32"/>
Previously Purchased Other Service	<input type="text" value="0"/>
Years of CT Service to be Purchased	<input type="text" value="3"/>
Years of Other Service to be Purchased	<input type="text" value="0"/>
Salary for Current School Year	<input type="text" value="74000"/>
Salary for 1st Prior School Year	<input type="text" value="72000"/>
Salary for 2nd Prior School Year	<input type="text" value="70000"/>

Member's Cost of Service Purchase:
\$41,243.29

DISCLAIMER

This **Additional Service Credit Calculator** is provided solely as a tool for you to obtain an unofficial estimate of your cost to purchase additional service credit. This calculator uses only the data you input and does not compare that data against your actual records with this system. The Connecticut Teachers' Retirement Board accepts no responsibility for any errors or defects in the calculator or in any data you may input. The Connecticut Teachers' Retirement Board retains no record of estimates produced by this calculator. Accordingly, no estimate produced by this calculator shall be in any way binding upon the Connecticut Teachers' Retirement Board. The Connecticut Teachers' Retirement Board, governed by Chapter 167a of the Connecticut General Statutes, has sole authority in determining the cost of your additional service credit.

Early Retirement – Caution

The [early retirement factors](#) are different for members with 30 or more years of service. Because of this fact, there may be a significant difference in the benefits from the 29th year of service to the 30th year of service if you are under 60 years of age.

EXAMPLE:

Member is age 53 with 29 years of service

Early Retirement Percentage 38.28%

Average Salary \$100,000

Plan N Benefit = \$38,280

.....

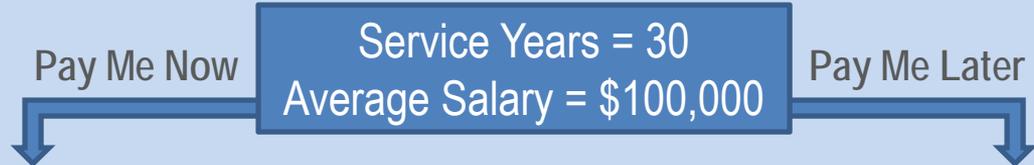
Member is age 53 with 30 years of service

Early Retirement Percentage 51.00%

Average Salary \$100,000

Plan N Benefit \$51,000

Deferring Benefits - Pay Me Now or Pay Me Later?



Age	55
Type of Benefit	Early
Base Percentage	51%
Annual Benefit	\$51,000
Total Benefits paid from age 55 to 60 exclusive of Cost of living increases	
5 years X \$51,000 = \$255,000	

Defer to Age	60
Type of Benefit	Normal
Base Percentage	60%
Annual Benefit	\$60,000

Benefit @ 60	\$60,000	Total Benefits paid from 55 to 60 $\$255,000 / \$9,000 = 25 \text{ years}$
Benefit @ 55	\$51,000	
Difference	\$9,000	

Above example assumes resignation at age 55

SIMPLIFIED GENERAL RULE

Prior to July 1, 1991 contributions to TRB were made on an “after tax” basis Under IRS rules you are allowed to recover these contributions over a number of years based on IRS tax tables.

- Age 56 Factor – 310 months
- After tax Contributions (Investment in contract)
- Without 1% Account $\$40,000 / 310 = \129 non-taxable
- With 1% Account $\$44,000 / 310 = \141 non-taxable

Benefit becomes fully taxable after 310 months

<http://www.ct.gov/trb/lib/trb/formsandpubs/Taxability122001.pdf>

GOVERNMENT PENSION OFFSET (GPO)

- Claiming Social Security Benefits based on your spouse's work history.
- Key Date – Exempt if you qualify for your TRB pension prior to December 1, 1982.
- This means:
 - Any age with 25 years of service (at least 20 in CT)
 - Age 55 with 20 years (at least 15 in CT)
 - Age 60 with 10 years CT

Two-thirds of TRB Benefit applied to SS benefit

SS Spousal Benefit \$600

TRB Pension = \$5,170 x 2/3 = \$3,412

SS Benefit \$600 minus 2/3 TRB Benefit \$3,412 = \$0

WINDFALL ELIMINATION PROVISION (WEP)

- Claiming Social Security Benefits based on your own work history.
- Key Date – Exempt if you qualify for your TRB pension prior to January 1, 1986 or have 30 or more years of substantial Social Security earnings.
- This means:
 - Any age with 25 years of service (at least 20 in CT)
 - Age 55 with 20 years (at least 15 in CT)
 - Age 60 with 10 years CT

Reduction is phased in between 20 to 30 years of substantial SS earnings. 90% factor is reduced to 45% of the first bracket of SS earnings. With 20 or fewer years, the factor is reduced to 40% of the first bracket of SS earnings.

<http://www.ssa.gov/>

POST AUGUST 1, 1992 RETIREES

- Annual increase January 1 or July 1
- Retired for a minimum of nine months
- [COLA](#) based on SS COLA for the calendar year provided
- Maximum Increase 6.0%
- If retirement fund earnings for the prior fiscal year were less than 8.5%, then [COLA](#) is capped at 1.5%

JULY COLA HISTORY	
2007	3.3%
2006	4.1%
2005	2.7%
2004	1.5%
2003	1.4%
2002	1.5%

Not Participating in Medicare Part A & B

- Retired Member and Spouse eligible for coverage through last employing board of education.
- Must be offered same coverage available to active teachers.
- TRB will provide a monthly subsidy of \$110 for the retired and a subsidy of \$110 for the spouse of a retired member to be applied toward the cost of coverage.
- Subsidy must first be applied to member and spouse cost.
- Election to enroll may be deferred.
- Premium charged to member cannot exceed that charged to employer – no admin fee is allowed.

Participating in Medicare Part A & B

- TRB offers a Medicare Supplement Plan to retired members and spouses of retired members participating in Medicare Part A & B.
- Basic Plan includes hospital, medical, major medical and prescription drug benefits. Individual cost as of January 2008 is \$90.00 per person per month.
- Basic Plan with dental – Individual cost as of January 2008 is \$132.00 per person per month.
- Basic Plan with dental, vision and hearing- Individual cost as of January 2008 is \$137.00 per person per month.
- State, member, and health fund each pay 1/3 of the premium cost.

Definition

First 24 months – Inability to perform the usual duties of your occupation due to a physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration.

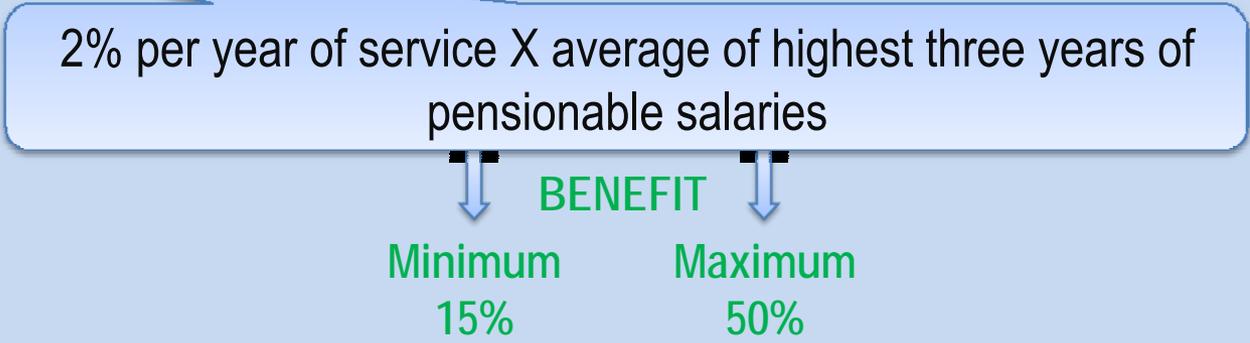
Succeeding 24 months – Inability to perform substantial gainful activity.

Service Related → 0 years of CT Service

Non-Service Related → 5 years of CT Service

Disability Allowance

Formula



- ❑ Credit is accrued while receiving a disability allowance up to a maximum of 30 years excluding purchased service or actual service, whichever is greater.
- ❑ Benefit converted to a Normal Retirement Benefit at age 60 or later with 20 or more years of CT service.

Scenarios:

- Disabled @ age 55 with 18 years of service
- Benefit converted @ age 60 with 23 years of service
-
- Disabled @ age 57 with 11 years of service
- Benefit converted @ age 66 with 20 years of service

Not Eligible For Retirement

- No “statutory survivors” (spouse, minor children)
- Payment : Lump sum payment to designated beneficiary
- Statutory Survivors
- Payment: Spouse \$300 up to \$600 monthly
- Minor Children \$300 each
- Maximum Family Benefit \$1,500 monthly
- Lump Sum Burial Benefit \$1,000 up to \$2,000

**Spouse may choose a lump sum if named as designated beneficiary and there are no minor children. Lump sum may not be elected if minor children are eligible for benefits.*

Eligible For Retirement

- Any age 25 years, 20 years CT minimum
- Age 55 – 20 years, 15 years CT minimum
- Age 60 – 10 years, all CT
- Spouse may choose the following options only if he/she is designated as the member’s primary beneficiary:
 - Plan D, Whole Amount
 - Lump Sum
 - Statutory Survivor Benefits – \$600 monthly

45% Rule

- Applies to all positions eligible for TRB membership
- Maximum Earnings- 45% of maximum level salary for the position held (teacher, principal, superintendent)
- Earnings apply on a school year basis (July – June)
- No restrictions on non-public teaching service, public out of state teaching service, or other employment
- Pension benefit suspended 1st month prior to exceeding allowable earnings

Subject Shortage Area Rule

- Applies to re-employment in subject shortage areas as designated by Commissioner of Education for the specific years
- Maximum two (2) years
- Second year requires TRB approval
- Employer provides health insurance
- No maximum earnings
- Continue to receive retirement benefit

Filing For Retirement Benefits

- Application for retirement benefits bearing an original signature, not a facsimile
- Birth certificate (photocopy acceptable)
Birth certificate required for co-participant if electing Plan D
- Full documentation of additional credited service to be purchased must be on file with CTRB prior to retirement
- Statutory deadline: Last day of the month preceding the month of retirement –
Example: By December 31st for January 1st retirement

Late Filing Means Lost Benefits



QUESTIONS