



CONNECTICUT TEACHERS' RETIREMENT BOARD

ADMINISTRATIVE PROCEDURES MANUAL

Revised August 2015

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THE CONNECTICUT TEACHERS' RETIREMENT SYSTEM

The Connecticut Teachers' Retirement System is governed by Chapter 167a of the Connecticut General Statutes as amended. The Teachers' Retirement Board, located in Hartford, manages the system. The Board is made up of fourteen members: four active teacher members, two retired teacher members, the Commissioner of the Department of Education, the State Treasurer, the Secretary of the Office of Policy and Management and five public members appointed by the Governor. All Board members serve without pay but are reimbursed for necessary expenses.

We recognize that the key to effective record keeping and reporting rests with the ability of local school districts to understand their complex role in the Retirement System.

With this goal in mind, we have developed The Connecticut Teachers' Retirement System Administrative Procedures Manual to assist payroll and personnel staff who are charged with Retirement System reporting responsibilities. We hope that it will make your task easier and provide you with a better understanding of how, when and why information is reported and maintained.

This manual is designed as an overview of the Teachers' Retirement System. It is a summary of the more important provisions of the law. It is not intended to be a complete description of all the provisions. If there is any disagreement between the wording of the law and this manual, the official wording of the law will always govern.

Please be sure to visit the official Connecticut Teachers' Retirement Board Web site at www.ct.gov/trb for updated information, forms and instructions.

MEMBERSHIP

Eligibility

Membership in the Connecticut Teachers' Retirement System is compulsory for all certified personnel of Connecticut public schools who are employed under an oral or written agreement as:

- . Teachers
- . Permanent Substitute Teachers (employed in the same assignment for ten months during the school year)
- . Principals, Assistant Principals or Supervisors
- . Superintendents, Assistant Superintendents

Who meet all of the following requirements:

1. Possess a certificate or permit issued by the State Board of Education for the position in which they are employed.
2. Occupy a position, which requires the incumbent to possess certification*.
3. Work an average of at least one half of a school day.

*Members of the professional staff of the State Board of Education or the Board of Higher Education or any of its constituent units are exempt from certification requirements.

Membership in the Teachers' Retirement System will begin the month in which employment began provided it is on the first working day of the month. Members who receive certification after the first working day of the month are not eligible for membership for that month.

Members of the Teachers' Retirement System earn one month of credited service for each month worked from September 1 through June 30 to a maximum of 10 months in a school year. Ten months of Connecticut public school service equals one year of service.

If you have reported an employee as a member of the Retirement System and later realize that the employee was not eligible for membership, report the reason for the error on a memorandum and send it to the Teachers' Retirement Board. The Teachers' Retirement Board will process a refund of contributions directly to the member.

Part-Time Teachers

Membership in the Retirement System is limited to those teachers who work an average of at least half a school day. For purposes of determining whether a teacher is employed at the minimum 50% requirement the following rules are applicable:

- The teacher works half-days each day school is in session.
- The teacher works a varying schedule, which in aggregate would be equivalent to a half-time schedule (e.g. three days one week, two days the following week in any month school is in session).

Occasionally you may have teachers in your employ who work less than half time but who also work in another school system. If their aggregate employment is equal to half-time or more, these teachers should be reported as active members of the system and be enrolled as members by each school system as soon as their aggregate assignment is equivalent to half-time. It is the member's responsibility to notify you that they are also working in another school district.

Members employed at part-time (minimum 50%), will receive a month of credit for each month worked. The monthly pension benefit for these individuals will be calculated proportionate to the amount of time they worked part-time.

Refer to page 17 of this manual for specific instructions on determining and reporting the **full-time-equivalency (FTE)** of part-time teachers.

Charter Schools

Charter School professionals who meet the Connecticut Teachers' Retirement Board (CTRB) membership requirements and who are first employed by a Charter School on or after July 1, 2010 are required to participate in the CTRB. Participation remains voluntary for those hired before July 1, 2010.

In order to be eligible for membership the school professional must:

1. Be employed for at least an average of half-time and,
2. Serve in a position requiring certification and,
3. Possess appropriate certification for the position held.

In no event may a non-certified employee elect to participate in CTRB.

All other reporting requirements, laws and regulations related to CTRB requirements and benefits apply to professional staff members of Charter Schools who become members of CTRB.

School Business Administrators

Public Act 83-423 established the new classification of School Business Administrator and the authority for the State Department of Education to adopt regulations for the issuance of certificates covering such positions. Individuals serving in the position of School Business Administrator on July 1, 1983 were deemed to have met all of the requirements for certification as of that date. Public Act 84-255 further amended the Education Act (Section 10-145d. CGS) to specifically exclude any individual certified as a School Business Administrator from the definition of "teacher" unless such individual holds a regular teacher's certificate and is employed as a teacher, principal, supervisor or school superintendent. Similarly, School Business Administrators are not included within the statutory definition of "teacher" in the Teachers' Retirement Act.

Individuals who became certified as a School Business Administrator under Endorsement Code 085 and serve in such capacity after July 1, 1983 will **not** be eligible for membership or allowed continuing membership in the system.

Teachers who are currently members of the system and are contemplating a career change to accept a position as a School Business Administrator should be made aware that service in such a position is not eligible for membership in the system.

Chapter I Tutors/ Title VI Tutors

Regulations adopted by the State Department of Education have clarified the status of individuals who serve as Chapter I / Title VI Tutors. Tutors are deemed to be teachers, requiring the possession of a teaching certificate if they meet **any** of the following conditions:

1. They are not directly supervised in the delivery of instructional services by a professional certified employee in a position requiring certification.
2. They are responsible for the planning of the instructional program for the student.
3. They evaluate student progress.
4. They do not receive specific directions from their supervising teacher or administrator in developing specific lesson plans.

Tutors, who possess a certificate but do not perform any of the functions described above, are not deemed to be teachers. These individuals should not be reported to the retirement system as members of the system or certified personnel.

Since duties may vary, it is necessary that each tutor position be evaluated based on the above guidelines.

ANNUAL SALARY

Annual Salary is defined in Sec.10-183b(3) of the Connecticut General Statutes as the annual salary for service as a Connecticut teacher during a school year but not including unused sick leave, unused vacation, terminal pay or coaching, unless compensation for coaching was included in the salary for which contributions were made prior to July 1, 1971. In no event shall annual salary include amounts determined by the board to be included for the purpose of inflating the member's average annual salary. The inclusion in annual salary of amounts paid to the member, in lieu of payments by the employer for the cost of benefits, insurance, or individual retirement arrangements which in prior years had been paid by the employer and not included in the member's salary, shall be prima facie evidence that such amounts are included for the purpose of inflating the member's average salary. Annual salary shall not include payments to a Superintendent pursuant to an individual contract between such Superintendent and a Board of Education, of amounts, which are not included in base salary.

Generally, annual salary is the rate specified in the contract or agreement between the teacher and the employer were the teacher to be employed for the full school year.

Includable Payments

1. Payment for teaching assignments:
 - a) requiring certification from the State Department of Education;*
 - b) for which the teacher holds the requisite certification;
 - c) resulting in academic credit and a grade being granted to the students;
 - d) which are an ongoing program or course offering (as evidenced, for example, by inclusion in the school's Program of Studies or Listing of Course Offerings) as opposed to being offered intermittently or irregularly.

*Members of the professional staff of the State Board of Education or the Board of Higher Education or any of its constituent units are exempt from certification requirements.

2. Longevity Payments based on the member's years of service, which are paid either as a lump sum or as part of the member's annual salary provided such payments are made uniformly based on years of service are recurring payments which increase relative to the length of service, and are not directed or timed by the member.
3. Department Head/Coordinator compensation paid to individuals in addition to their annual salary for ongoing supervisory and/or programmatic responsibilities. Payments paid to Team Leaders in elementary or middle schools, where the function of a Team Leader is similar to that of a Department Head/Coordinator in secondary schools, are includable even though specific certification is not required for Team Leaders.
4. Payment for additional duties beyond the regular school year performed by Guidance Counselors, Social Workers and School Psychologists as part of their overall job responsibilities.

ANNUAL SALARY CONTINUED

5. A salary differential (an amount in addition to the contracted salary) for work performed outside of the school year where such work is an extension of the member's primary job and can only be performed outside of the school year (for example, a special education teacher who works in an extended school year program for special education students whose Individualized Education Programs include an extended school year).
6. Athletic Coaching assignments on which contributions were made prior to July 1, 1971, and concerning which the member made written authorization to the Board to continue such contributions as part of his/her annual salary.
7. Adult Education teaching assignments in a program for adults for which high school credit is granted leading to a diploma provided that the teacher is certified for such assignment.
8. Mentoring other teachers.
9. A public school teacher who is an active member of the Teachers' Retirement Board (TRB) and who also serves as a part-time lecturer at a Connecticut State College or University may elect to have such earnings included as part of salary for TRB purposes. A member may not receive more than ten months (one year) of credit in any school year. A member who receives a full year of credit for service as a public school teacher will not receive any additional credit for service as a part-time lecturer. Employment as a part-time lecturer may impact the determination of the three highest annual salaries at the time of retirement.

A member may purchase part-time lecturing service as additional credited service only under the following conditions: A) The member has not already received retirement credit for this service from the TRB, nor been a member of the State Employees' Retirement System (SERS) or the Alternate Retirement Program (ARP) during the period of service, and B) The member worked a minimum of six credit hours during the academic year (including fall and spring semesters but excluding summer and inter-sessions). For purposes of determining retirement credit, each credit hour will be the equivalent of 7.5 days of service and each 18 days of service will be the equivalent of one month of purchasable additional credited service.

Although the vast majority of teachers are paid on the basis of an annual salary specified in the contract or agreement, there may be situations in which the member is receiving compensation under a separate contract or other form of agreement. Assuming these payments are included as part of a member's annual salary, such salaries should be reported to the Teachers' Retirement Board at the beginning of the school year or at such time as the assignment commences.

Excludable Payments

1. Compensation for extra duty assignments.
2. Athletic Coaching assignments after July 1, 1971.
3. Terminal pay.
4. Unused sick and vacation pay.
5. Payments to the employee to cover anticipated expenses expected to be incurred, or as reimbursement for actual expenses incurred, by the employee in the performance of the employee's duties.
6. The cost of fringe benefits provided by the employer, including, but not limited to, insurance premiums and non-elective contributions to a tax sheltered annuity (TSA).
7. Any payment to the member, the timing of which may be directed by the member.
8. Any payment for summer school work, as defined in Section 10-74a of the Connecticut General Statutes.
9. Any payment for assigned responsibilities related to curriculum development, unless such assignment is part of the member's regular duties and the salary is included in the member's annual contract of employment.
10. Payments for monitoring in-school suspension.
11. Any other payments to a Superintendent of Schools pursuant to an individual contract between the Superintendent and a Board of Education of amounts which are not included in base salary.
12. Merit pay.

Superintendent's Base Salary

A Superintendent's "Base Salary" is defined as that element of compensation specifically and separately stated and paid to the Superintendent pursuant to an individual contract of employment in installments throughout the term of the contract, except that if any portion of such separately stated salary is deferred by means of a legally binding salary reduction agreement for the purpose of making payments to a tax sheltered annuity, such deferred salary shall be included in the Superintendent's base salary.

A tax-sheltered annuity that is paid by the employee through a reduction in salary (elective deferral) is included for CTRB salary purposes.

Any annuity contribution based on a percentage of salary or as a stated dollar amount paid or purchased by a Board of Education directly to a financial institution is additional compensation (non-elective deferral) and is **not included** for CTRB salary purposes.

Superintendents' contracts are typically for a 12-month (July 1 through June 30) period and compensation is earned over this period. Pensionable salary earned during the summer (July and August) should be reported on a pro-rata (monthly) basis during the school year (September through June), assuming that the Superintendent works for the entire school year. For example, if a Superintendent's annual pensionable salary is \$180,000, the Superintendent earns \$15,000 per month for 12 months but a pensionable salary of \$18,000 is reported to TRB each month for 10 months.

Compensation earned during the summer becomes pensionable to the extent that the Superintendent works during the school year. For example, if the Superintendent works from September through January, and then is not an active Teachers' Retirement Board member (does not work in any school district) from February through June, then only half of the compensation that was earned during the summer is pensionable since the Superintendent worked only 5 months of the school year.

The Superintendent's status on the first working day of the month determines the pensionable salary for that month. If a Superintendent works in more than one school district during the year, the status on the first working day of the month also determines the portion of the compensation earned in each district that is pensionable. For example, if a Superintendent works in one school district (District A) from July 1 through January 10 at an annual (12-month) salary of \$180,000, and in a second school district (District B) from January 11 through June 30 at an annual salary of \$240,000, the pensionable salary for that school year is based on the relative portion of the year that the Superintendent worked in each district. In this example, the Superintendent earned a total of \$205,000 - \$105,000 (\$15,000 per month for 7 months) in District A and \$100,000 (\$20,000 per month for 5 months) in District B. The entire amount earned during the summer is pensionable since the Superintendent worked for the entire school year.

If the Superintendent had worked for less than the entire school year, then only that portion of the amount earned during the summer would be pensionable. For example, if the Superintendent worked in District A from July 1 through January 25 and in District B from February 5 through June 30, then only 90% of the amount earned during the summer would be pensionable since the Superintendent worked for only 9 months of the school year.

Worker's Compensation Guidelines

1. Members who are receiving documented Worker's Compensation Benefits will be considered as active members of the retirement system during such period benefits are payable. Payment for pension credit is voluntary for a member receiving salary through worker's compensation; payment is required in order for credit to be granted.
2. The annual salary will be the annual salary the member would have received if actively engaged in teaching.
3. Contributions necessary to obtain full credit must be based on the annual salary rather than the actual/partial amount paid under Worker's Compensation.
4. The member may obtain credit by any of the following methods:
 - a) Payroll deductions from partial salary being paid by the employer.
 - b) Monthly personal payments
 - c) In a lump sum, but interest will accrue from the date the case is settled to the date of payment.
5. The Retirement Board should be notified of pending Worker's Compensation claims that will result in absences of more than one month.

Adult Education Assignments

Subsection (b) of Section 10-1831-25 of the Regulations of State Agencies specifies the types of compensation which may be included as part of a member's salary for purposes of the Teachers' Retirement System.

Subpart (6) of this regulation has been added to include the following:

Payment for additional teaching assignments in a program ***for adults for which high school credit is granted leading to a diploma provided the teacher is certified for such assignment.***

Teachers serving in the General Education Development Program or External Diploma Program are not affected by this regulation.

Compensation paid to teachers who serve as Adult Education teachers in your school district will be subject to mandatory retirement contributions if **all** of the following conditions are met:

1. The teacher is serving as an Adult High School Credit Diploma Program, and is employed an average of half-time or greater.
2. The teacher holds certification in the High School Credit Diploma Program.
3. The hourly rate of pay is at least equivalent to the hourly rate of pay for a beginning day school teacher.

Employers will be required to withhold mandatory contributions on the earnings of teachers who serve in such programs and who are active participants of the Teachers' Retirement System.

Because of the nature of these assignments, you may not be able to program these additional salaries at the beginning of the school year. The additional salary and contributions should be reported on the next transmittal of retirement contributions to CTRB.

Athletic Director

Compensation for duties as Athletic Director (AD) may or may not be pensionable depending upon the duties of the position and the type of certification required.

AD at a school (elementary, middle or secondary) with no responsibility for supervision or evaluation of coaches requires a coaching permit. These ADs are not TRB members by virtue of their AD role although they may be by virtue of another role. In either event, AD compensation is not pensionable.

AD at a school with responsibility for supervision of coaches requires a coaching permit and (any) teacher certification. AD compensation is pensionable.

AD at a school with responsibility for evaluating certified staff requires Department Head certification if performing formative evaluation, or Intermediate Administrator certification if performing summative evaluation. AD compensation is pensionable. Coaches are not included in the category of certified staff for this purpose. A coach requires a coaching permit but does not require certification from the state Department of Education; an AD who evaluates certified staff typically does so with respect to Health/Physical Education teachers, not coaches.

AD with district-wide responsibility (multiple schools at different levels, such as a middle school and a secondary school) requires Intermediate Certification. AD compensation is pensionable.

Board Approved Position on Merit Pay

The Board adopted the following position on Merit Pay at the regular Board meeting held on March 5, 2008.

A member's pensionable compensation is the base salary that is defined in the contract and paid to the member for performing contractual responsibilities. Base salary is typically expressed as an annual amount and is paid to the member in regular periodic installments (usually bi-weekly or semi-monthly) over the course of either the school or the calendar year.

A member's contract may also include the potential for additional discretionary compensation which may be earned based on the quality of the member's work, the member's accomplishment of certain goals or objectives which may be objectively or subjectively expressed, or the member's contribution to the school's or the school system's accomplishment of goals or objectives (i.e., the payment is not contractually mandated and not necessarily awarded to all members who are contractually eligible to receive them). It may be based on nomination, review and determination by another party such as the member's supervisor, the Superintendent of Schools or the Board of Education.

This compensation is often labeled as merit pay, bonus, incentive compensation or another similar term. The amount to be paid to a member, if any, normally is determined annually, at or after the end of the school year. Typically, these are one-time payments as opposed to being incorporated into a member's base salary. As a result, such compensation is not pensionable.

Pensionable and Earnable Compensation

To facilitate the processing of data, CTRB has developed a software package that must be used to report monthly salary, contribution and F.T.E. information. This software can be integrated directly with a payroll system or used as a stand-alone program. The specific procedures required to create and transmit member information are outlined in the [TRB Transmittal Software User Manual](#).

Pensionable Compensation is member's compensation that is subject to mandatory contributions during the reporting period (month) excluding any other compensation that the member may receive that is exempt for purposes of the retirement system. Pensionable compensation must be greater than zero and must be less than, or equal to, earnable compensation. Monthly pensionable compensation is annual pensionable compensation divided by 10. You divide by 10 because TRB operates on a 10-month year (September-June).

Earnable Compensation is defined as the maximum compensation that the member could earn on a **full-time basis** that would be subject to mandatory contributions. Earnable compensation must be greater than zero and must be greater than or equal to pensionable compensation. Monthly earnable compensation is annual earnable compensation divided by 10. You divide by 10 because TRB operates on a 10-month year (September-June).

Full-time-equivalent percentage (FTE%) must be greater than zero and should equal pensionable compensation divided by earnable compensation.

Full-time-equivalency (FTE)

To determine the *full-time-equivalent percentage (FTE)* of a teacher, a calculation must be made as to the proportion of time that the teacher works to that of a full-time teacher.

Whether the teacher works on an hourly basis or on an intermittent basis during any school month, the standard of determining the FTE should be based on the schedule of a full-time teacher.

For example, a teacher scheduled to work 4 out of 6 scheduled classes for each day school is in session should be reported as .667 FTE. Likewise, a teacher who is scheduled to work 670 hours during the school year in which a full-time teacher is scheduled to work 1000 hours would be considered as working a schedule of .670 FTE.

Do not make the common mistake of reporting late starting full-time teachers as being at less than 1.000 FTE. For example, a teacher who begins service on October 1st on a full-time schedule should not be reported as .900 FTE but rather 1.00 FTE with a starting date of October 1st.

The determination of the FTE is of importance in ultimately determining the amount of the member's mandatory contributions and the member's retirement benefit. Although the member is working less than full-time he/she will receive credited service in the same manner as a full-time teacher, but will receive a retirement benefit that is directly proportional to that of a full time teacher.

You will be required to report the scheduled FTE of each teacher in your employ at the beginning of each school year on the September transmittal. Changes in FTE that occur during the year can be reported on the next transmittal file of retirement deductions sent by your business office.

Salary Changes

For purposes of determining the effective date of the change and the amount of deductions required, you should use the first of the month following the month in which the change occurred, unless the change became effective on the first working day of the month.

Example: Salary changed from \$50,000.00 to 52,000.00 on 10/15/1999.

Change effective date for CTRB - 11/01/1999*

<u>Month</u>	<u>Pensionable</u>	<u>Earnable</u>	<u>Service</u>
September	\$5,000.00	\$5,000.00	01
October	\$5,000.00	\$5,000.00	01
November*	\$5,200.00	\$5,200.00	01
December	\$5,200.00	\$5,200.00	01
January	\$5,200.00	\$5,200.00	01
February	\$5,200.00	\$5,200.00	01
March	\$5,200.00	\$5,200.00	01
April	\$5,200.00	\$5,200.00	01
May	\$5,200.00	\$5,200.00	01
June	\$5,200.00	\$5,200.00	01

Total annual salary for the entire school year would be \$51,600.00.

MANDATORY CONTRIBUTIONS EMPLOYER PICK-UP

Statutes governing the Retirement System require that the employer withhold and remit to the Retirement Board each month (September-June) seven and one-quarter percent of one tenth of the member's annual salary for service as a teacher. These contributions are identified as six (6) percent and one and one-quarter (1.25) percent contributions. Of the mandatory 7.25% contributions, 6% is posted in the member's membership/retirement account and 1.25% is posted to the Health Insurance Fund that subsidizes the cost of health insurance for retired members and their spouses.

Contributions are required to be remitted in full for any month in which the member was in service on the first working day of the month or terminated service on or after the first working day on the month. For example, a member who began service on October 6th and terminated service on May 8th must have retirement contributions deducted from his/her pensionable salary for the period November 1st to May 31st (7 months) based on the annual salary being paid to the member.

In most cases a member's salary will remain constant during the school year and the monthly rate of contributions can be readily determined and programmed into your payroll system. Occasionally salaries may be changed either prospectively or retroactively requiring that you recompute the proper level of contributions based on the revised salary.

State law requires that 7.25% of the annual salary for all members of the Teachers' Retirement System be paid into the retirement fund as mandatory contributions. Although these are employee contributions, under the provisions of Section 414(h)(2) of the Internal Revenue Code, they are treated as employer contributions for federal tax purposes. This change in tax treatment of the contributions became effective July 1, 1991. This means that the mandatory contributions are paid to this system on a pre-tax basis during the term of a member's employment and are therefore excluded from a member's current gross income.

All members of the Teachers' Retirement System, without exception are covered by the employer pick-up plan. If any retirement deductions are due on wages paid to school system's professional employees, those deductions must be picked-up by the employer. Both state and federal law are clear on this and no exception or individual election is possible. The validity of the plan and the continued sheltering of retirement contributions from current income tax liability are contingent on the uniform application of the plan's provisions to every member.

Employer Pick-Up Example:

Contractual Salary	\$40,000.00
EPU Salary Reduction	
For Mandatory Contributions (6%, 1.25%)	\$ 2,900.00
Member's Taxable Income	\$37,100.00

The employer will report the contractual salary to CTRB since for retirement purposes, the employer contribution of \$2,900.00 is considered part of the member's salary.

Tax Sheltered Annuities

Employee mandatory contributions to the Teachers' Retirement System are considered *employer* contributions for determining maximum contributions to a Tax Sheltered Annuity (TSA) IRC 403b. Because these employee contributions are pre-tax, the employee's taxable wages are reduced. Thus, unless the current maximum dollar limitation already applies, the lower taxable wages will reduce an employee's allowable contributions to the TSA based upon the maximum percentage tests.

The contributions to the Retirement System that are "picked-up" are not applied directly to the annual contribution that may be made to a TSA. They do, however, have an impact on determining the includible salary on which the annual TSA amount is determined. In the previous example, the member's annual salary of \$40,000.00 is reduced by the amount of the picked-up contributions of \$2,900.00. For purposes of determining the maximum TSA, contribution, the percentage maximum is applied to the includible salary of \$37,100.00 ($\$40,000.00 - \$2,900.00$).

W-2 Reporting By School Districts for EPU Contributions

As an employer you are required to issue wage and earnings statements (Form W-2) to each employee who received compensation during the calendar year. The IRS form requires that you indicate whether the individual was an active participant (for any part of the year) in a pension plan. This information is required by the IRS and the taxpayer to determine IRA deduction rules. The IRS defines, in part, an employer retirement plan as a plan established for its employees by a federal, state, or local government, or any of their political subdivisions or agencies. Although local school districts, as employers, do not sponsor or maintain a retirement plan directly for teachers, an individual's active participation in a governmental plan such as the Teachers' Retirement System for any portion of the calendar would require a positive response to this item on IRS Form W-2.

To assist local school districts in preparing IRS Forms W-2 Wage and Tax Statement the following information will be useful:

1. The gross salary of each teacher should be reduced by the amount of the 7.25% mandatory contributions "picked-up" by the employer. Since the contributions picked up by the employer are not included as gross income, they are not to be reported in Box 1 of the IRS Form W-2.
2. The amount of contributions which are "picked-up" by the employer are treated as Social Security wages and subject to the FICA Medicare Tax for those teachers subject to such tax.
3. The amount of the contributions "picked-up" by the employer are not to be reported with TSA contributions (Section 403b), Deferred Compensation Plans (Section 457), or Profit Sharing Plans (Section 401(k)(6)).

We must again emphasize that the contributions paid by the employer under a 414(h)(2) arrangement are independent of the allowable limits imposed for TSA (403)(b) contributions. The only effect of the 414 (h)(2) for the payment of mandatory contributions by the employer is to reduce includable income on which the TSA limits may be based.

For further information, it is suggested that you contact the IRS office in your locality.

Employer Pick-up Questions and Answers

What is an employer pick-up plan?

Under provisions of the IRS Code Section 414(h)(2), an employer can assume the responsibility for the payment of required employee retirement contributions. The payment of these contributions by the employer is in lieu of salary and is intended to reduce the employee's gross income on Form W-2 thereby resulting in generally more favorable tax treatment during the employee's working years.

Is participation by a local school district or an individual mandatory or elective?

Mandatory. Beginning July 1, 1991, all school districts and all teachers eligible for participation in the Teachers' Retirement System must be covered by this program.

Can you give us an example of how this change will affect a member's gross income on IRS Form W-2?

Under the employer pick up plan, a teacher earning \$40,000.00, the employer would assume the payment of the mandatory 7.25% contributions of \$2,900.00, thereby reducing the teacher's reportable gross income from \$40,000.00 to \$37,100.00.

Are the contributions, which are picked up by the employer subject to the FICA Medicare tax for those employees, required to contribute to Medicare?

Yes. The amounts of contributions, which are picked up by the employer, are treated as wages and subject to the Medicare tax.

Are the amounts, which are, picked up by the employer reported on the W-2 in the same manner as section 403(b) or section 457 (Deferred Compensation) contributions?

No. Unlike 403(b) and 457 contributions, the contributions picked up are treated as an employer contribution to the plan and are not included on the W-2 Form (Box 17).

What effect if any will this plan have on the amount a teacher may contribute to a tax sheltered annuity 403 (b)?

Since the net affect of the employer pick up plan results in a salary reduction, this may have an impact upon the determination of the maximum amount an employee may contribute to his/her tax-sheltered annuity. It should be made clear that the amount paid by the employer under the pick up plan is not directly applied as a dollar for dollar offset to the maximum amount that may be contributed under a tax sheltered annuity.

EPU Questions and Answers Continued

Since this new program will have an effect of reducing a member's salary, won't this change reduce the average salary on which the member's retirement benefit will be calculated?

No. For purposes of determining a member's retirement benefit, the total reduced salary plus the employer contributions will be used to determine the member's highest three-year average salary.

If a member makes voluntary contributions in excess of the mandatory contributions, are these contributions eligible for the same treatment as the employer pick up contributions?

No. Voluntary contributions are not eligible for this treatment and must be reported as "after-tax" contributions to the plan. Therefore, they cannot be deducted from the member's gross income.

Does the same rule apply if a member is purchasing service through a monthly service purchase contract?

Yes. These payments are not considered, as mandatory contributions paid by the employer and as such cannot be deducted from the member's gross income.

How will these contributions be reported for tax purposes when a teacher terminates and withdraws his/her account balances?

The amounts paid by the employer under this plan and accrued interest on these amounts will be considered as taxable income in the year in which the contributions are withdrawn and will be reported to the member on IRS Form 1099R. Contributions which are paid by the member on an "after tax" basis are not considered as taxable income; however, the interest earned on these contributions will be considered as taxable income.

How will pre and post employer pick-up contributions be treated when a member retires and begins receiving a retirement benefit?

The member's cost basis for determining the non-taxable portion of the retirement benefit will be based on the amount actually contributed by the teacher on an after-tax basis. Teachers whose entire account balance consists of employer pick-up contributions and related interest will be taxed on the full amount of their retirement income.

VOLUNTARY CONTRIBUTIONS

For updated information on this topic, obtain the [Voluntary Account Information](#) bulletin from our website www.ct.gov/trb.

Purpose

Members may use this vehicle to accumulate the necessary funds to buy additional credited service (military service, outside state teaching service, leaves of absence, etc.), to provide for a lump sum payment at retirement, or to purchase an additional annuity payment.

Authorization

Members may initiate voluntary contributions by completing an [Authorization for Voluntary Deductions and Cancellation form](#). Deductions must be in whole dollar amounts and may be increased, decreased or cancelled at any time by the member filing a new form with his/her employer. **Voluntary deductions are made on an "after-tax" basis only.**

Investment Rate of Return

Voluntary deductions are credited or charged with an investment rate of return (which may be positive or negative) on June 30th of each year. The investment rate of return is determined annually by Teachers' Retirement Board and is applied to the previous June 30th balances. For example, voluntary contributions made during the 2012-2013 school year would first have the investment rate of return applied on June 30th, 2014 based on the June 30, 2013 balance.

Payment/Distribution

The Voluntary Account balances may be withdrawn under the following conditions:

- While actively teaching (limited to one withdrawal; only withdrawals of the total account balance are permitted).
- While actively teaching to purchase additional credited service (e.g. military, outside state teaching etc.)
- Upon termination from public school teaching in Connecticut.
- On death before retirement to a designated beneficiary.
- At retirement either:
 - a) as a lump sum
 - b) as an additional annuity payment
 - c) to purchase additional credited service

The amount withdrawn must be for the total Voluntary Account balance. The amount withdrawn will receive a pro-rata (monthly) portion of the previous year's investment rate of return from July 1 through the withdrawal date.

Taxability

At the time of withdrawal, the after-tax deductions will not be considered taxable income. The investment return accrued on these deductions, however, will be considered as taxable income in the calendar year in which the lump sum is made. At the time of retirement, if a member elects to apply their voluntary deductions towards the purchase of additional service credit or as additional monthly annuity, the after-tax portion will be added into the "investment in contract" for purposes of determining the portion of the monthly benefit that is non-taxable.



CT TEACHERS' RETIREMENT BOARD
 765 ASYLUM AVENUE HARTFORD, CT 06105-2822
 Toll-Free 1-800-504-1102 (860) 241-8400 Fax (860) 241-9295 www.ct.gov/trb

AUTHORIZATION FOR VOLUNTARY DEDUCTIONS AND CANCELLATION FORM

As a member of the Teachers' Retirement System you may voluntarily authorize deductions from your salary in addition to the total mandatory 7.25% contributions (6% Regular and 1.25% Health) subject to certain limitations.

Voluntary deductions must be in whole dollar amounts and may be increased, decreased, or cancelled at any time by filing a new [Authorization for Voluntary Deductions and Cancellation Form](#) with your employer.

All voluntary deductions deducted from payroll before the thirtieth of June will be first credited or charged with the investment rate of return on the thirtieth of June of the following year. Investment rate of return varies from year to year and may be positive or negative. A breakdown of your Voluntary Account balances (contributions and investment rate of return) will be included as part of your Member Annual Statement that is sent to you each year.

The Voluntary Account balance may be withdrawn under the following conditions:

- While you are actively teaching (limited to one withdrawal as an active member).
- Upon your termination from public school teaching in Connecticut.
- On death before retirement to your designated beneficiary.
- At retirement in your choice of a lump sum payment, as an additional monthly annuity payment or applied towards the purchase of additional credited service (i.e. military, substitute, etc.)
- All withdrawals must be of the total Voluntary Account balance. The account balance will reflect a pro-rata (monthly) portion of the previous year's investment rate of return from July 1 through the withdrawal date.

Voluntary deductions are made on an "after-tax basis" only. At the time of withdrawal, the after-tax deductions will not be considered taxable income. The investment rate of return accrued on these deductions, however, will be considered as taxable income in the calendar year in which the withdrawal is made. Before a withdrawal is issued, you will be given the opportunity to authorize CTRB to roll over these funds directly into an IRA or other Qualified Plan. At the time of retirement, if you elect to have your voluntary account balances paid to you as an additional monthly annuity payment or applied toward the purchase of additional credited service, the after-tax portion of this account will be added into the "investment in contract" for purposes of determining the portion of your monthly retirement benefit that is non-taxable.

MEMBER AUTHORIZATION OR CANCELLATION:

TO: _____
 Employing Local School District

FROM: _____
 Member Name Social Security Number

I hereby authorize I hereby cancel

Additional voluntary payroll deductions of \$ _____ monthly from my salary effective ____/01/____

 Member Signature Date Email Address

SERVICE PURCHASE CONTRACTS

A member may elect to purchase prior Connecticut teaching service or back deductions while an active member of the system with a service purchase contract.

Service Purchase Contract Authorization

A member who is eligible to purchase service through a service purchase contract will be provided with a letter outlining the amount of service purchasable, lump sum payment amount, monthly service purchase payment options and amounts with starting and ending dates.

If a member chooses to pay for his/her credit with a monthly service purchase contract, the service purchase contract information must be forwarded to the employer by the date specified.

Reporting of Monthly Service Purchase Contract

Each month you will be required to report those members who are making service purchase contract payments on your monthly remittance of retirement deductions. The deductions from the member's salary are done on an "after-tax" basis. This can be done electronically from your payroll system or by using TRB Transmittal Reporting Software.

Service purchase contract payments will not be established for less than a period of ten (10) school months nor more than one-hundred (100) school months in duration. A member may pre-pay the balance due on the account at any time by contacting the Fiscal Division of the TRB.

Credit is not granted to a member until the service purchase contract is completed. If a member fails to complete the service purchase contract, the funds may be retained by the member in his/her account, refunded directly to the member or pro-rated to purchase partial credit.

Changes/Modifications

With the exception of a member requesting a termination of their monthly service purchase contract payments, no changes should be made to the monthly amount of the service purchase contract payment without written authorization from the TRB. Members may not increase or decrease the amount of the service purchase contract payment unless authorized to do so by the TRB.

Service Purchase Contracts continued

If a member terminates a service purchase contract arrangement for any period of time, he/she may not re-establish the service purchase contract until contacted by the Retirement Board and advised of the revised service purchase contract schedule.

Transfers

Members who have transferred to a school district from another school district must re-submit their service purchase contract repayment information to the new employer in order to maintain continuity in their service purchase contract agreement.

Contact the Service Credit Division of the TRB for assistance.

DUTIES OF EMPLOYERS

As employers you have certain responsibilities and duties which are specified by law to ensure proper administration of the Retirement System.

These duties are as follows:

- Providing notice prior to the employment of a teacher of the provisions of the Teachers' Retirement Act.
- Distributing, posting, or otherwise disseminating in a timely manner, to teachers in its employ, any notices, bulletins, newsletters and other information supplied by the Board for the purpose of notifying teachers of their rights and obligations under the System.
- Furnishing the Board such reports and information deemed necessary for the proper administration of the System.
- Deducting each month seven and one-quarter percent of one-tenth of a teacher's salary rate as directed by the Board and any voluntary deductions as authorized by the teacher.
- Transmitting to the Board amounts deducted from teachers' salaries, and related transmittals, so that the Board receives them no later than the fifth business day of the following month.
- Reporting changes in active members' demographic information such as name, address, etc. to the Board via the transmittals.
- Provide [Form SSA-1945](#), Statement Concerning your Employment in a Job Not Covered by Social Security, to employees hired on or after January 1, 2005 in a job not covered under Social Security. Employers should give the statement to the employee prior to the start of employment; obtain the employee's signature on the form; and submit a copy of the signed form to the Teachers' Retirement Board.

REPORTING MANDATORY/VOLUNTARY CONTRIBUTIONS

For updated information and instructions, visit the [Employer Information](http://www.ct.gov/trb) page of our website @ www.ct.gov/trb.

BENEFICIARY DESIGNATIONS

The Retirement System is structured to ensure that upon the death of an active member, the survivors of such member will be eligible to receive monthly benefits. Coverage for eligible survivors (spouse, minor children under the age of 18, or dependent parents) begins immediately upon the establishment of membership.

Connecticut Statutes require that monthly benefits be paid to statutory survivors before any balance is paid to a designated beneficiary.

It is essential that new members or reinstated members complete an [Active/Inactive Teacher Beneficiary form](#) immediately upon entering service. This form must be forwarded to the Teachers' Retirement Board.

If the member fails to designate a beneficiary, the member's Estate will be recognized as the designated beneficiary.

Members who wish to modify their beneficiary designation or designate multiple beneficiaries must complete and return an [Active/Inactive Teacher Beneficiary form](#).

A beneficiary designation, submitted on the official [Active/Inactive Teacher Beneficiary form](#), must be filed with the Teachers' Retirement Board prior to the member's death in order to be legally recognized.

A supply of Active/Inactive Teacher Beneficiary Forms should be available in all payroll/personnel offices. It is available on our website www.ct.gov/trb.

ADDRESS/NAME CHANGES

Changes of name and/or address should be reported to the Retirement Board via the Transmittal File. It is important that this office be apprised of new member demographic data as soon as possible.

Annual Statements and Newsletters

Each member will receive a Member Annual Statement of Benefits each year which will reflect the activity that occurred on their account during the previous school year. Member statements will be issued directly to the individual member's home address on file with the Teachers' Retirement Board.

Periodically, the retirement system publishes a newsletter, The TRIB. This newsletter contains articles of interest to members of the Teachers' Retirement System and is sent to the local school districts for distribution. The **TRiB** is also published on our website @ www.ct.gov/trb.

CURRENT LEAVE OF ABSENCE (CLOA)

Unpaid Leaves

The Teachers' Retirement Act gives a member the opportunity to purchase retirement credit for a formal (unpaid) leave of absence granted by the employing board of education.

An absence due to illness, including a maternity leave of absence, for which a member is receiving accrued sick leave as provided by Section 10-156 of the Connecticut General Statutes is not considered as a leave of absence.

As the employer, you have the responsibility of advising members of their right to continue membership during the leave and for the prompt reporting of their status.

The Teachers' Retirement Board's (TRB) policy for purchasing a Current Leave of Absence (CLOA) changed effective with leaves of absence beginning in the 2012-13 school year. We formerly accepted payment for a CLOA at any time during the leave, up to the last day of the leave. Payment for a CLOA is now required either in advance or in monthly installments during each month of the leave, but may not be made in arrears after the end of the month.

Failure to pay any month's installment by the last day of that month will result in the termination of the leave. Months already paid for will be credited but the member's status will change from an Active to an Inactive member of TRB. An Inactive member is ineligible to purchase any of the remaining months of the leave as a CLOA, but may be eligible to purchase them as a Previous Leave of Absence subject to certain limitations.

We have expanded the payment options for a CLOA to include rollovers from other qualified retirement plans and the use of funds in the voluntary and supplemental accounts.

A TRB Form 53X must be completed by the employer and forwarded to the Retirement Board. This should be done at least one month prior to the effective date of the approved leave. Upon receipt of this form, CTRB will notify the member of the amount due and payment options. The amount due will be the 7.25% mandatory contributions based on the full-time annual salary rate the member would have received if actively employed.

The member will have the following payment options:

- Equal monthly installments due by the last business day of the month
- In a lump sum

The salary paid or which would have been paid while the member was on leave may not be used in determining the final average salary for purposes of computing retirement benefits.

Documentation Required: [Current Leave of Absence Form \(TRB Form 53X\)](#)

Sabbatical Leaves/Paid Leaves

Members who are granted sabbatical leaves or leaves with pay have the **option of making mandatory contributions while on leave by paying contributions based on the full-time annual salary rate** that he/she would have earned if actively teaching.

As with all other types of leave, **the member is responsible for making these payments directly to CTRB.** School districts should not deduct and transmit mandatory contributions for members who are on a sabbatical leave or leave with pay for the following reasons:

- On or after July 1, 1986, a member may, during his /her teaching career, make mandatory contributions while on a formal leave of absence for up to ten (10) full school months. CTRB is unable to track leaves of absence when the contributions are transmitted and remitted through the transmittal process.
- The earnings received by a member who is on a formal leave of absence **may not be used in determining his/her highest three- year average salary.** Again, CTRB would not be able to identify those members who are on leave and reported as part of the monthly transmittal process. In certain cases, this could result in an overstatement of the member's highest three- year average salary used to compute the member's retirement or disability allowance.

Please remember that members who are receiving accrued sick leave benefit should continue to be reported as active contributing members through the monthly transmittal process.

Sabbatical Leaves and Retirement Credit

In past years, some school districts granted sabbatical leaves of absence with partial pay to members and erroneously withheld mandatory contributions based on the partial rate of pay rather than the full-time annual rate of pay that the member would have received.

When this error is detected by CTRB staff during an audit of the member's account, the member will be given the following options:

- Pay the balance of the mandatory contributions that were due with credited interest to the date of payment and receive credit for the number of months of leave at 100% full-time equivalency. For example, 10 months at 100% F.T E.
- Elect not to pay the balance of the credited interest to the date of payment and receive credit for the number of months of leave at the full-time equivalency level on which the contributions were paid. For example, 10 months at 75%.

DOCUMENTATION OF SERVICE CREDIT FOR MEMBERS

Members may elect to purchase authorized service credit to increase their monthly pension benefit. Documentation of such service must be done on the appropriate form(s) and be submitted to this office PRIOR to the effective date of retirement in order to be considered.

As the employer, you will be asked by members to provide certification of **certain** types of service based on your local school district's records.

Substitute Service

Section 10-183e(10) of the Teachers' Retirement Act allows the purchase of prior Connecticut public school teaching service for members who render a minimum of forty (40) or more days of service as a substitute teacher in a single school system in a single school year. A month of service shall be granted for each eighteen (18) days of service as a substitute teacher.

Proof of certification for the period covering the time that the substitute teaching service was performed is required. Acceptable evidence includes the following:

1. Copy of the Connecticut Teacher's Certificate held by the member at the time of the substitute assignment.
2. Substitute Teaching Certification Statement completed by the Board of Education attesting to the fact that it was the practice of such Board to employ only substitute teachers under a Substitutes' Permit formerly issued in accordance with Regulation 10-145a-66.

Documentation Required: [Substitute Teaching Service in Connecticut Public Schools form](#) and Certification

Less than Half-Time Connecticut Public School Teaching

If a member worked for the full year (on a less than 50% basis), current law allows for the purchase of such service providing it meets the minimum requirements stated for substitute teaching service.

The equivalent of a minimum of forty (40) or more days of service in a single school system in a single school year is required. A month of service shall be granted for each eighteen (18) days of service.

Proof of certification for the period covering such assignment is required.

Minimum Requirements:

- Minimum FTE .2223 for entire school year
- Minimum 200 hours

Documentation Required: [Verification of Less Than Half-time CT Public School Employment form](#) and Certification

Previous Leave of Absence

Under current laws and regulations, a formal leave of absence not purchased through the payment of monthly mandatory contributions or leaves of absence in excess of ten school months may be purchased by the member as additional credited service subject to the limitations stated below:

- Not more than ten months (one year) for each five years of active full-time service as a Connecticut teacher.
- Not more than thirty consecutive school months (three years)
- The member must return to service for at least one school year following the leave of absence.

Documentation required: [Previous Leave of Absence form](#).

Special Rules for Absence due to Maternity

There are Special Rules for Absence due to Maternity when a school district did not grant maternity leaves of absences and required the teacher to resign her position.

The Teachers' Retirement Board will permit a member to purchase up to ten months (one year) of additional credit provided **all** of the following conditions were met:

1. A leave of absence policy or contractual provision did not exist for the granting of maternity leaves of absence.
2. The member was required to resign her position during the term of her pregnancy.
3. The member submits a copy of the birth certificate of the child resulting from this pregnancy and a completed [Special Rules for Absences Due to Maternity form](#).

This policy is not applicable if the employer granted leaves of absences due to maternity and the member failed to apply for such leave.

REFUND PROVISIONS

For updated information on this topic, obtain the [Withdrawing Your CTRB Member's Deposits Packet](#) from our website @ www.ct.gov/trb.

Employer Requirements

The [Withdrawing Your CTRB Member's Deposits Packet](#) must be completed by the member and **signed by the superintendent of schools** attesting to the effective date of termination and the date through which mandatory contributions were remitted.

Refunds cannot be issued until the final deductions are reported to the Retirement Board.

RETIREMENT APPLICATION PROCEDURE

Members who have announced plans to retire should be advised to contact the Teachers' Retirement Board immediately for a **retirement packet** of forms, instructions and information. The [Retirement Application](#) and additional information are available on our website @ www.ct.gov/trb. We have a link called "[Retiring this Year?](#)"

Although the responsibility of filing for retirement rests with the member, we ask your assistance in making sure each member completes the application process in a timely manner.

Filing Date

We recommend that members file their required forms and documents with this office four to six months before their effective date of retirement.

By law, all required forms and documents must be filed (or postmarked) with the Teachers' Retirement Board on or before the last day of the month *preceding* the month in which the retirement benefit is to become effective.

Member Requirements

All of the following items must be submitted **prior** to the member's effective date of retirement:

1. **Application for Retirement**
2. Member's Birth Certificate (photocopy)
3. Co-Participant's Birth Certificate (if electing Plan D)

If a member is unable to obtain a birth certificate, he/she should contact the Teachers' Retirement Board for instructions and forms necessary to document the date of birth or download the [In Lieu of Birth Certificate form](#) from our website @ www.ct.gov/trb.

DISABILITY ALLOWANCE

An active member of the system who becomes disabled may be eligible for disability benefits.

In order to qualify for a disability allowance, a member must:

1. Be certified as disabled by the CTRB Medical Review Committee. This panel of qualified physicians will review the all information submitted by the member and the member's personal physician(s).
2. Have five years of credited service in the public schools of Connecticut, unless the disability was as a result of a sickness or injury that occurred while performing his/her duties as a teacher.

Members considering applying for a Disability Allowance should be advised to contact this office immediately for a Disability Application and specific filing rules, requirements and information. The [Disability Application](#) and instructions are available on our website @ www.ct.gov/trb.

POST RETIREMENT EMPLOYMENT

For updated information on this topic, obtain the Post Retirement Bulletin from our website @ www.ct.gov/trb.

THE CONNECTICUT EARLY RETIREMENT INCENTIVE PLAN (ERIP)

For updated information on this topic, obtain the [Early Retirement Incentive Plan \(ERIP\) Packet](#) from the [Employer Information](#) page of our website @ www.ct.gov/trb.