

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 21-178—SB 1081
Appropriations Committee

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

SUMMARY: Existing law links the cost of living adjustments (COLA) for Teachers' Retirement System (TRS) members to the Social Security benefit COLA, subject to specified maximums based on the Teachers' Retirement Fund's (TRF) investment returns. This act reduces the investment return thresholds used to determine the maximum COLAs from 8.5% to 6.9% and 11.5% to 9.9%, respectively. In doing so, it aligns these thresholds to the TRF's 6.9% assumed rate of return approved by the Teachers' Retirement Board as part of the fund's 2019 restructuring.

Under the act, members who joined TRS before July 1, 2007, may receive a maximum COLA of 1.5% if the total return on the TRF's assets in the preceding fiscal year is less than 6.9%, rather than 8.5%. For members who joined on or after July 1, 2007, the maximum COLA is 1% if returns are less than 6.9%, rather than 8.5%; 3% if returns are between 6.9% and 9.9%, rather than between 8.5% and 11.5%; and 5% if returns are greater than 9.9%, rather than 11.5%.

Existing law establishes a regionalization subaccount in the General Fund's regional planning incentive account to fund recommendations from the Regionalization Task Force created under the FY 20-21 budget act. Prior law directed to this subaccount revenue that the Connecticut Lottery Corporation (CLC) makes from online lottery games, in excess of the amount equal to the debt-free college program. The act specifies that this online lottery revenue is directed to the subaccount only after payment to the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund (SCRf). Existing law pledges CLC lottery revenue to refill this SCRf if its funding level falls below the required minimum capital reserve amount. PA 19-117, § 82, established the fund to secure outstanding TRF pension obligation bonds.

EFFECTIVE: July 1, 2021, for the COLA provision and upon passage for the lottery revenue provision.