

THE *Wyatt* COMPANY

ACTUARIES AND CONSULTANTS

1351 WASHINGTON BOULEVARD
STAMFORD, CONNECTICUT 06902

(203) 356-1220
TELEX 6819297

OFFICES IN PRINCIPAL CITIES
AROUND THE WORLD

EMPLOYEE BENEFITS
COMPENSATION PROGRAMS
EMPLOYEE COMMUNICATIONS
ADMINISTRATIVE SYSTEMS
RISK MANAGEMENT
INTERNATIONAL SERVICES

February 10, 1988

Mr. John Shears
Executive Secretary
State Teachers' Retirement Board
State Office Building
165 Capitol Avenue
Hartford, CT 06106

Re: Cost Analysis of Legislative Proposals

Dear John:

This letter presents our cost estimates for the following two proposed amendments to the Connecticut State Teachers' Retirement System:

Proposal 1:

Increase retirement benefits to retired teachers based on a combination of benefit service at retirement and years since retirement.

Proposal 2:

Amend the \$800 minimum monthly benefit provision to ignore any reductions for optional forms of benefit and for commencement of benefits prior to normal retirement.

Our estimates are based on the regular actuarial valuation assumptions and on the data as of June 30, 1987. However, we have incorporated the \$800 minimum monthly benefit provision which became effective January 1, 1988.

We have attached copies of the two proposals for reference. In reviewing Proposal 1, we discovered what appears to be a typographical error in the benefit increases for years since retirement, 27 - 30. To maintain the previous pattern, we believe the table should read:

Mr. John Shears
February 10, 1988
Page Two

<u>Years Retired</u>	<u>Benefit Increase</u>
27	\$ 1,890
28	\$ 2,030
29	\$ 2,175
30	\$ 2,325

Our estimates reflect this change.

The estimated increases in the State's contribution requirement for the first three years following adoption of Proposal 1 are:

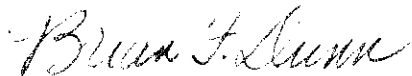
First Year:	\$ 1,705,000
Second Year:	\$ 1,791,000
Third Year:	\$ 1,880,000

The estimated increases in the State's contribution requirement for the first three years following adoption of Proposal 2 are:

First Year:	\$ 831,000
Second Year:	\$ 873,000
Third Year:	\$ 917,000

We will discuss our cost analyses at the February 10, 1988 meeting of the Board.

Sincerely,



Brian F. Dunn
Actuary

BFD/JCC.5
Enclosures

PROPOSED BILL

RECEIVED
JAN 27 11 41 AM '88
February Session, A.D., 1988

Page 1 of 3

AN ACT CONCERNING RETIREMENT BENEFITS
UNDER THE TEACHERS' RETIREMENT SYSTEM

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

That section 10-183g of the general statutes be amended to increase retirement benefits for all retired teachers or their successor beneficiaries who are eligible to receive compensation under this act. The increased benefits will be computed as follows:

An amount (as shown in Table I) corresponding to the number of full years of retirement will be added to each retiree's annual pension who has credit for 30 or more years of service. For those with less than 30 years of service, the amount in Table I will be reduced by the percentage factor in Table II corresponding to the individual's years of service.

Table I -- Based on \$5 Accumulation Each Year

Years	Benefit
<u>Retired</u>	<u>Increase</u>
1	\$ 5
2	15
3	30
4	50
5	75
6	105
7	140
8	180

Proposed Bill No.

Page 12 of

9	225
10	275
11	330
12	390
13	455
14	525
15	600
16	680
17	765
18	855
19	950
20	1,050
21	1,155
22	1,265
23	1,380
24	1,500
25	1,625
26	1,755
27	1,880
28	2,020
29	2,165
30	2,315*

*Those with more than 30 years retirement would extend this progression.

Table II - - Decreases Based on Less Than 30 Years Service

<u>Years</u>	<u>Percentage</u> <u>Decrease</u>
10	66%
11	63%
12	59%
13	56%
14	53%
15	49%
16	46%
17	43%

Proposed Bill No.

Page 3 of 3

18	39%
19	36%
20	33%
21	29%
22	26%
23	23%
24	19%
25	16%
26	13%
27	9%
28	6%
29	3%
30	0%

RECEIVED
JAN 22 11 29 AM '00
TEACHERS' RETIREMENT
BANKS

Those with less than 10 years of service are not eligible for teachers' retirement benefits.

STATEMENT OF PURPOSE: To increase benefits under the teachers' retirement system. Table I is based on a \$5 a year accumulation. It could be done with any base, such as \$6, \$10, etc. The larger the base, the larger the amounts would be.

PROPOSED BILL

February Session, A.D., 1988

AN ACT TO MAKE CERTAIN AMENDMENTS IN THE MINIMUM RETIREMENT BENEFITS FOR CERTAIN RETIRED TEACHERS.

Subsection (k) of P.A. 87-382 is repealed and the following is substituted in lieu thereof:

On January 1, 1988, each eligible retired member who had rendered at least twenty-five years of full-time service, AT LEAST TWENTY YEARS OF WHICH ARE SERVICE IN THE PUBLIC SCHOOLS OF CONNECTICUT, (prior to normal retirement under the provisions of subsection (a) of Section 10-183f,) or such member's successor beneficiary, as defined in Subsection (j) of this section, shall receive a single increase in retirement benefits provided under this chapter. Such increase shall be paid to such eligible members or successor beneficiaries whose monthly benefit as of December 31, 1987, before any reduction for an optional benefit payment plan, is less than eight hundred dollars, and shall be sufficient to increase such monthly benefit to eight hundred dollars (.) AFTER ANY REDUCTION FOR AN OPTIONAL BENEFIT PLAN.

Statement of Purpose: To increase the number of retired teachers eligible to receive an eight hundred dollar monthly minimum pension.

REC-111
JUL 23 11 29 AM '88
TEACHERS' RETIREMENT BOARD