

For Your Benefit



A Newsletter of the Connecticut Municipal Employee Retirement System

Fall – Winter 2010

Volume 2 Issue 2

Office of the State Comptroller

MERS Unit
3rd Floor
55 Elm Street
Hartford, CT 06106 1776

Phone:
(860) 702-3500

Fax:
(860) 702-3571

E-mail:
osc.muniinfocmers@po.state.ct.us



www.osc.state.ct.us

Special Interest Articles

MERS & 90 day rule	2
Contribution Letters	2
New Form (SCD)	3
Interest Charges	3
Contribution Statements	3

MERS BENEFIT ESTIMATORS NOW ON LINE

CMERS takes this opportunity to remind employers that that it has placed two useful retirement planning tools on its website: the "workshop on the web" and the MERS benefit estimators.

The workshop on the web is an informative "self-help" retirement counseling workshop. The goal is to provide the employee with a general explanation of the most important CMERS retirement issues and considerations: the workshop is not meant to cover every retirement provision or detail. Links are provided to relevant forms and outside entities as necessary.

The benefit estimator is just that - an employee can now estimate his or her retirement benefit *on line*. The employee will be responsible for entering the relevant data (age, length of service, salary, etc.) and the calculator will produce an estimated benefit by option factor. The accuracy of the estimate will depend on how closely the information provided by the employee matches the information used to calculate his or her benefit at the time he or she retires.

It is important to note that because the information put into the estimator is done by the employee based upon his or her best estimate, the benefit estimate produced by this estimator is not binding on the MERS unit, the State of CT or the Retirement Services Division. The actual benefit the employee may be entitled to receive can only be known and officially calculated when he or she retires or terminates employment.

These retirement planning tools are found at [MERS Retirement Counseling and Benefit Estimators](#)

GASB 25 Reports

YES the reports are ready!

You can find the GASB 25 on the MERS website. The MERS website is located at www.osc.state.ct.us/rbsd/cmers. Once you are on the website, click on the "site map" link and once on the site map, click on "Plan Documents Information." The GASB 25 reports are listed by fiscal year.

Please be advised that this year MERS will not distribute or mail out hard copies of the GASB 25: rather the GASB 25 will *only* be available "on line" on the MERS website.

Retirements and Unpaid Leave

The employer must be able to provide a detailed list (by date) going all the way back to the employee's date of hire for **all** unpaid absences for each employee who is applying for retirement benefits Even if an unpaid absence is covered by FMLA, it is still an unpaid absence for pension purposes. The length of an employee's service is one of the main components in the calculation of an employee's retirement benefit.

Service credit towards retirement is given only for periods during which the employee was receiving "pay". "Pay" means the salary, wages or earnings of an employee, including most workers compensation payments. For more information about "pay" please see the MERS Fall 2009 Newsletter.

Therefore, when an employee applies for retirement, it is essential that the employer provide a detailed list of all unpaid absences so that the service credit may be accurately calculated.

MERS and the 90 Day Rehired Retiree Rule

MERS often receives calls asking if a MERS retiree can be "rehired" without invoking the "ninety day" rule. The question asked is if a MERS retiree returns to work in his/her former municipality but in a different department or in a non-MERS covered position, do the "rehired retiree" restrictions apply?

The answer is "yes" – the retiree cannot work anywhere in the same municipality from which he was retired without invoking the "ninety day" rule and any other rehired retiree restrictions. Once a MERS employee retires, he or she is prohibited from returning to work "in the same municipality" except in a 90 day temporary capacity.

The 90 day restriction is governed by Conn. Gen. Stat. Section 7-438(b) which reads "...if a member is retired under this part [MERS] and again accepts employment from the *same municipality from which he was retired* [s]uch member shall receive no retirement

allowance while so employed except if his services are rendered for not more than ninety working days in any one calendar year ..."

The meaning of the work restriction hinges on the phrase "the *same municipality* from which he was retired." The history of this section is necessary to understand the meaning of this phrase.

The original 1949 statutory provision barred the retiree from returning to work in any municipality of the State of Connecticut (MERS member or not) in any position for more than three months.

Public Act 73-519 changed that prohibition to permit retirees to continue to receive benefits as long as the employee was not "employed by *same department or agency* from which he was retired". Under this language it was clear that a retiree could go to work for the same municipality as long as the retiree did not work for his or her former department.

However, the wording was again changed with Public Act

87-43. The language in this Act deleted the specific "department or agency" and instead substituted the broader and more generic phrase "from the same municipality from which he retired." This language is in effect today.

This language means that if an employee retires from the municipality he cannot return to work anywhere in that municipality without invoking the 90 day rule. If the change in the 1987 statute was to simply prohibit the individual from returning to work in the same department then the Legislature would not have changed the wording. MERS notes that the term "municipality" does not include the town's Board of Education or a local Housing Authority which are separate legal entities.

MERS also receives queries on the phrase "90 working days". The fact that "days" is modified by the word "working" signifies several things. First, the days do not have to be continuous – that is – they do not have to be 90 days in a row as

long as the rehired retiree works no more than 90 days in a year.

Second, the use of this term indicates that a "working day" is any day a retiree comes into work regardless of the number of hours worked that day. A retiree may come in for 3 hours or 14 hours in one day – both are considered a "working day" for purposes of the 90 day time period.

It is important to note that the retiree can return to work to and for the same municipality but if the person returns to work for over ninety days, not only does their pension end, but they have to repay any pension benefits received during those 90 days. If the department or unit is covered by MERS, MERS coverage would start for the employee after the 90 working days have ended.

Contribution Letters Schedule

MERS members have expressed concerns regarding the timing of the announcement of the contribution rate each year. The contribution rate has traditionally been sent out at the beginning of March which most municipalities feel is too late for meaningful consideration during their budget process.

This year, MERS sent out a letter to the towns asking to receive certain membership and payroll data much earlier than historically requested: it asked MERS agencies

and municipalities to submit data before August 1st. The towns and agencies rolled up their sleeves and did as MERS requested.

MERS is very pleased to inform the towns that due to this relentless effort, MERS was able to send the required payroll and membership data to the actuary almost eight full weeks earlier than it has done in previous years. As a result of this remarkable collaborative effort, MERS expects the contribution rate to be approved by the

Retirement Commission at its December meeting and the contributions letters to be sent out by the end of December 2010 – more than two months earlier than last year!



Form SSA-1945

If your town is *not* covered by social security you need to submit an executed Form SSA 1945 to MERS with the employee's CO-931 for **all** new employees hired after January 1, 2005. The SSA 1945 informs the employee about the possible effects of the Windfall Elimination Provision and the Government Pension Offset Provision

Copies of the SSA-1945 are available on the Social Security website: www.socialsecurity.gov/form1945.

As noted previously in this newsletter, a MERS service connected disability (SCD) retirement benefit is "offset" by workers' compensation payments. And remember, it is not just the bi-weekly workers' compensation payments that cause an offset but a MERS SCD pension is also offset by amounts contained in workers' compensation agreements, awards and stipulations.

The MERS unit may not be aware that the retiree is collecting workers' compensation benefits as it does not handle or administer the payments for such claims and it is not directly affiliated with the town's workers' compensation carrier.

Many SCD retirees appear to be unaware

that they are required to inform MERS if they receive workers compensation payments.

This is to their detriment as failure to immediately report these workers' compensation benefits to MERS results in an overpayment of the retirement allowance to the retiree – which MERS collects from the retiree's monthly benefit. MERS has discovered cases where individuals did not report their workers' compensation payments for months at a time and thus were overpaid thousands of dollars in their retirement benefit. The overpayment was then collected by reducing the retiree's benefits sometimes for a period of years.

To make employees who apply for a SCD pension better understand the

conditions, requirements and responsibilities with regard to the SCD benefit, MERS has developed a form to be returned to MERS with the SCD application.

Effective immediately all employees who apply for a service connected disability benefit at the time of their application are *required* to fill out, execute and return an "SCD Acknowledgement Form" (CO-1209) with his or her application. The form can be found at: [PDF format](#).

The form also asks the employee to obtain from his or her employer, the name, address and contact information of the employer's Workers Compensation carrier and authorizes the carrier to provide certain payment and payment history information to

MERS upon MERS request. Going forward, if an employee applies for a service connected disability retirement benefit, an executed "SCD Acknowledgement Form" (CO-1209) ([PDF format](#)) **must** accompany the application along with the other required information.

The application for a SCD benefit will not be processed without this information. The new "SCD Acknowledgement Form" is available "on line" format or you may call MERS at 860-702-3500 and one will be sent to you.

Interest Charges on Late Contribution Payments

CGS Sec. 7-441 governs the payment of contributions by a municipality to the MERS retirement fund for the payment of future pensions. A question has arisen with regard to the interest due on late payments. CGS Sec. 7-441(f) reads in relevant part:

If any [contribution] payment due under this section is not paid within two months from the date when due, interest shall be added to such payment at the prevailing rate of interest as determined by the Retirement Commission. Such interest shall be paid by the municipality.

There has been some confusion with regard to the "rate of interest." This statute (and others) clearly states that the interest paid on late contributions shall be established by the Retirement Commission. Beginning January 1, 2011 and until further notice, the rate of interest is 8.25% per annum which is the rate established by the Retirement Commission through its actuarial valuation process. This rate of interest is subject to change by the Retirement Commission.

It is important to note that this rate of interest cannot be compared to residential mortgage interest rates advertised by a neighborhood bank. The Fund assumes that contributions are timely received, appropriately invested and interest accrued on the monies invested. Any delay in receipt of contributions is financially detrimental to the retirement fund as the State will not be able to timely invest and, more importantly, be able to accrue interest on the contributions. Last year the MERS retirement fund realized a rate of return of close to 12% underscoring the importance of accruing interest on the invested contributions.

Therefore effective January 1, 2011, if a MERS statute specifies a rate of interest "as determined by the Retirement Commission" that rate will be 8.25% per annum until otherwise changed by the Retirement Commission.

Electronic Contribution Statements

MERS is going green!

This year MERS will be emailing the annual Contribution & Interest Statements directly to the municipalities.

The documents will be separated by town groups and will be printed by the town utilizing Microsoft software. The file containing the information will be self extracting and will have the necessary instructions to produce the statements.

Should you encounter any problems, please contact the MERS Unit at 860-702-3500.

